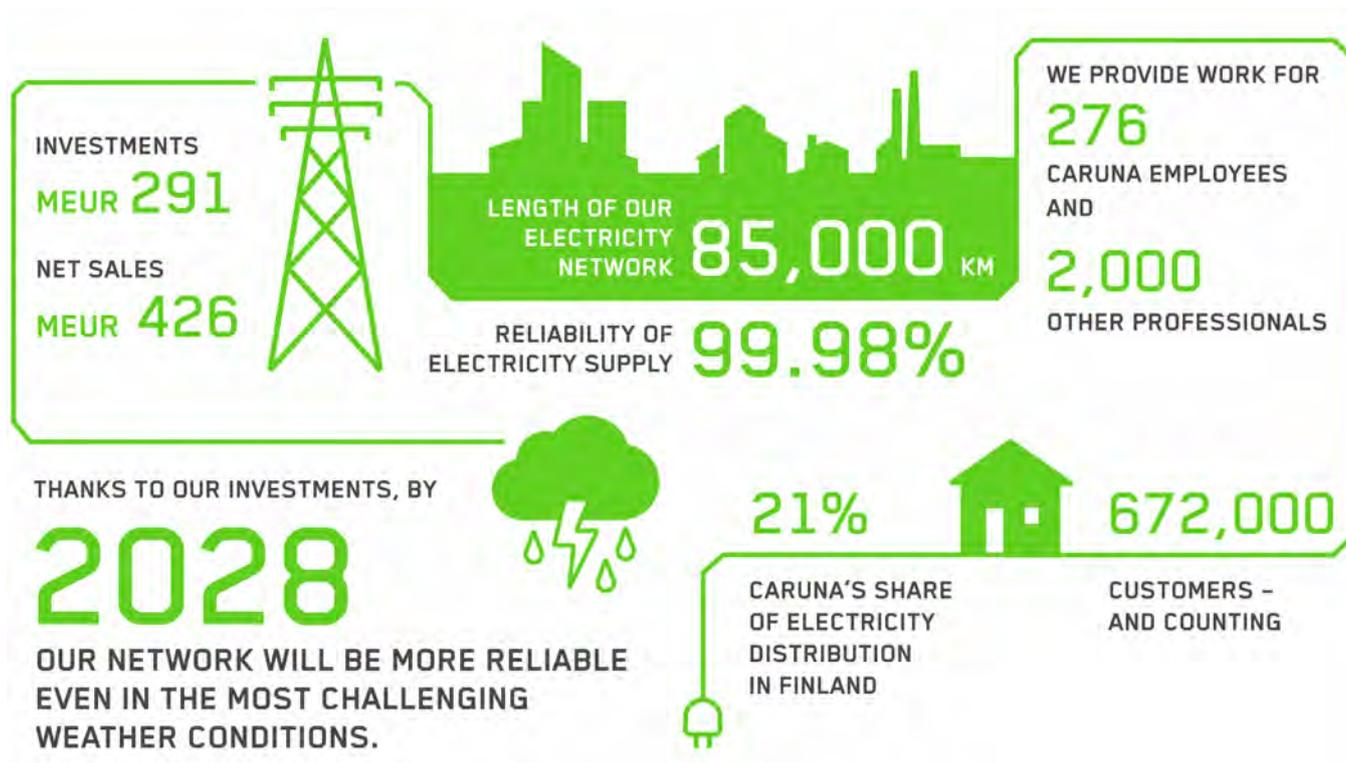




Responsible operator

Caruna is Finland's largest electricity distribution company. The electricity network is part of every society's critical infrastructure. We keep improving our network in a responsible way, to ensure a reliable supply of electricity to our customers and the entire society.

- + During 2017, we continued to make extensive investments into our network and enhanced the reliability of our electricity supply by increasing underground cabling to protect the network from adverse weather conditions.
- + Caruna's strategy and management system were reformed, and the changes took effect in September 2017.
- + Tomi Yli-Kyyny started as Caruna's new CEO on 1 May 2017.
- + We defined our best ways to support UN's Sustainable Development Goals through our own operations.
- + Caruna's net sales in 2017 were EUR 426 million.



Caruna in brief

Caruna is Finland's largest electricity distribution company, with a 21% share of the Finnish electricity distribution market. We provide power to 670,000 private and corporate customers in South, Southwest, West and North Finland, and in the city of Joensuu. Our electricity network is over 85,000 kilometres long and would stretch twice around the earth.

We strive to meet our customer's expectations and, first and foremost, to secure an undisturbed supply of electricity. We improve and develop our networks continuously and are set to invest EUR 200 million a year over a decade to improve the reliability of our electricity supply. Our vision is a million satisfied customers.

We have 276 own members of staff and we directly employ some 2,000 more people in our projects around Finland. Our head offices are in Espoo, Finland.

Caruna is owned by Finnish employment pension companies Keva (12.5%) and Elo (7.5%), as well as international infrastructure investors First State Investments (40%) and OMERS Infrastructure (40%). Our operations are tightly regulated, and the Finnish Energy Authority is in charge of monitoring the power supply trade in Finland.

CORPORATE STRUCTURE

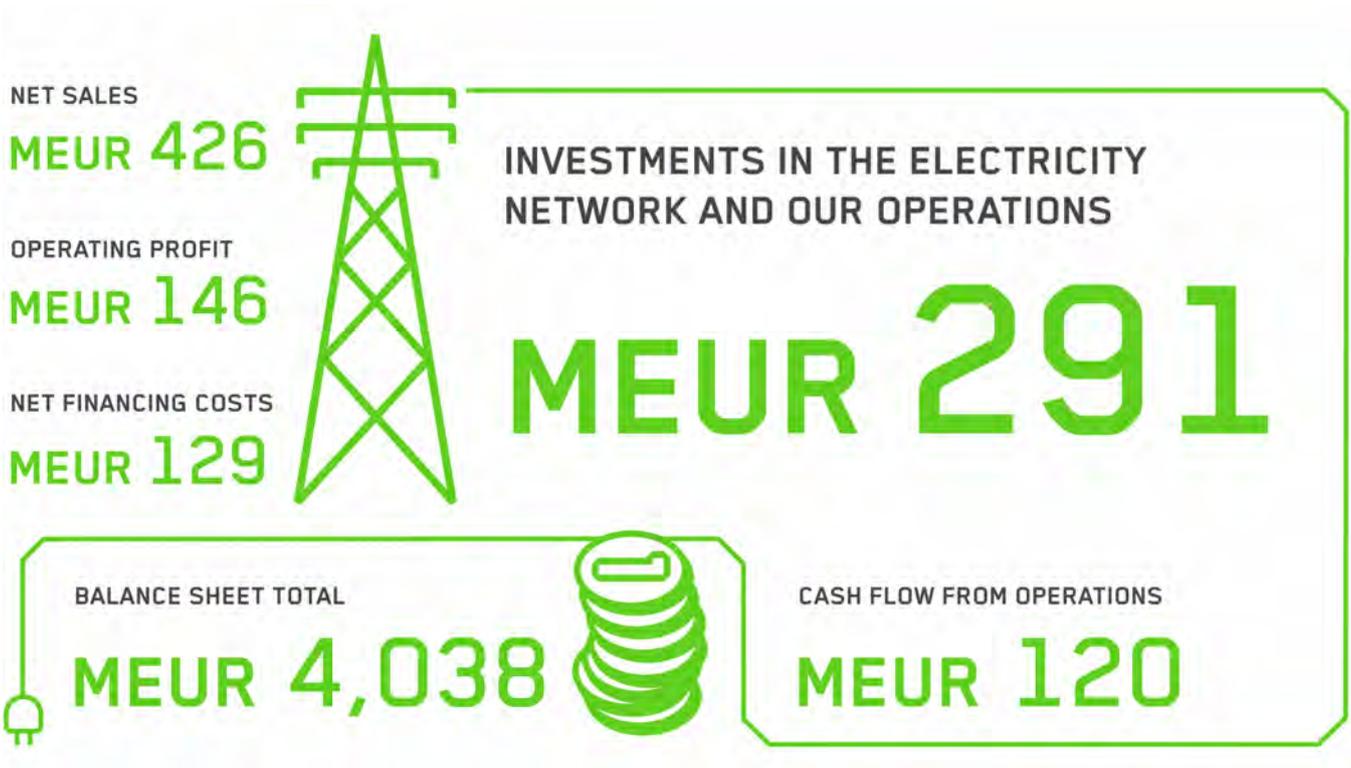
Caruna Networks Oy is the parent company of Caruna Networks Group ("Caruna"). The parent company of Caruna Networks Oy is Suomi Power BV, domiciled in The Netherlands. Caruna Networks Oy is the owner of the two other companies in the Group, Caruna Oy and Caruna Espoo Oy.

Caruna Oy and Caruna Espoo Oy conduct regional and distribution network activities in their own electricity networks under a network licence granted by the Energy Authority. Caruna Oy is responsible for electricity distribution in its networks areas in the regions of Uusimaa, Häme, Southwest Finland, Satakunta, South Ostrobothnia, Ostrobothnia, North Ostrobothnia and Lapland. The network in Lapland is mainly located in the countryside, while Caruna Espoo Oy operates in an urban environment in the cities of Espoo, Kauniainen, Kirkkonummi and Joensuu.

Caruna Oy and Caruna Espoo Oy are separate companies with separate pricing policies, because factors such as local network conditions affect the price of electricity distribution.

Up to 31 December 2017, the Group also comprised Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy. Caruna Networks Oy owned both Caruna Networks Sähkönsiirto Oy and Caruna Networks Espoo Oy, which, in turn, owned both Caruna Oy and Caruna Espoo Oy. The company structure was streamlined at the end of 2017, and from 1 January 2018, Caruna Networks Espoo Oy and Caruna Networks Sähkönsiirto Oy were merged into Caruna Networks Oy.

Financial key figures



From the CEO

For Caruna, 2017 was a year of many changes. We renewed our vision, values, strategy and organisation. Our new values remind us that we work for the benefit of our customers and the Finnish society. Our vision, "A million satisfied customers", defines our essence: we seek to serve our growing customer base even better than before. We can provide the best customer experience by guaranteeing uninterrupted electricity distribution, every day of the year.

Last year, we enhanced the customer experience in many ways: we improved our electricity network, updated our customer management and invoicing system, increased the online customer service options and improved the flow of information in our projects. We changed our own organisation, taking into account the geographical distribution of our customers across urban areas and the countryside to ensure that our geographical network improvement projects can better serve them. In 2018, we will reform our online customer service.

We have also renewed our management system to ensure that our new strategy and the key projects implementing it will progress without difficulty.

In the main, we are happy with the results we achieved in 2017. We made our financial targets, moved more than 6,000 kilometres of electricity network underground to make it safe from adverse weather conditions, and renewed our ICT and customer management systems.

Safety is our primary concern. In 2017, we did not reach our occupational safety targets concerning our subcontractors. To address this situation, we launched an action plan to improve subcontractor safety. We will continue our efforts in 2018 to make sure that everybody who works in electricity network building and maintenance will get home safely.

Efficient and reliable operations are dependent on how well we know our supply chain. In 2018, in addition to the normal assessments and audits, we will also carry out a responsibility assessment of all key suppliers.

The electricity network we are building now will serve the Finnish society for the next 40 to 50 years. We are using sustainable and responsibly sourced materials. We are dismantling the old network and ensure that the materials are recycled and reused.

The global megatrends, such as climate change, urbanisation and

For Caruna, 2017 was a year of many changes. We renewed our vision, values, strategy and organisation.

digitalisation, also affect the energy sector. Severe weather fluctuations challenge electricity network companies to act quicker and more efficiently in moving the electricity networks underground, safe from adverse conditions. Legislators chose the right approach when they decided to impose requirements on the reliability of network operations. Society and businesses cannot operate, nor can citizens live their daily lives, without a well-functioning electricity network.

In the next few years, we will need new kinds of operating models in the energy sector, for example to adjust the spikes in electricity consumption. We plan and build our electricity network so that it will be compatible with decentralised generation of renewable energy – by doing so, we enable individual citizens to contribute to climate change mitigation by producing energy by environmentally-friendly means. At the end of 2017, we already had 2,340 producers of solar power in our network.

We also need new kinds of collaboration that bring together a wider range of actors. Our objective is to cause minimum damage to customers, landowners, residents and the environment while ensuring financially efficient operation. We are building the future together, joining our forces with telecommunication companies, municipalities and other partners. It makes sense to all parties that when a trench is dug in the street, more than one cable can be laid at the same time.

Cross-boundary collaboration is also required to achieve the UN's Sustainable Development Goals (SDGs) by 2030. In late 2017, we carried out a process to select three of the 17 goals that our operations have the most significant impact on and that we are committed to promoting. We will particularly promote the supply of affordable and clean energy, sustainable industry, innovation and infrastructure, and sustainable cities and communities. Caruna's strategic priorities are directly connected to these three goals.

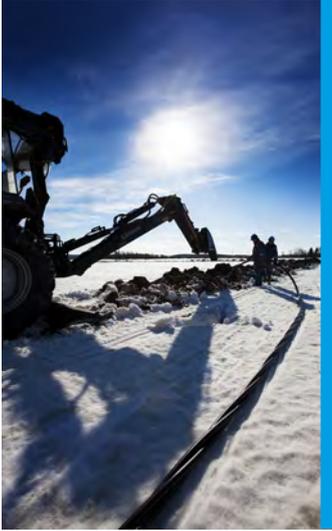
I wish to extend my thanks to all our employees for their great effort and productivity. We continue working together to ensure Caruna's success. I would also like to thank our partners as we carry out our mission together, building a reliable, safe and responsible electricity network for Finland. Finally, my warm thanks to our customers – we're doing this for you.

In Espoo, March 2018

Tomi Yli-Kyynty
CEO
Caruna

We enable individual citizens to contribute to climate change mitigation by producing energy by environmentally-friendly means.

Main events during 2017



JANUARY-MARCH

- + Throughout the year, we continued to carry out network improvement projects in all our network areas, aimed at enhancing the reliability of supply. We installed more of our cabling underground where it is protected from storms and other extreme weather conditions that can cause power cuts, cleared trees growing near powerlines and improved our networks by means of various technical solutions.
- + We also increased joint infrastructure construction projects with municipalities and teleoperators.
- + We organised a briefing event for our customers' electrical contractors and another event on safety and quality issues related to the construction of electricity networks for our subcontractors.



APRIL-JUNE

- + We investigated our customers' wishes and expectations to enable us develop our pricing options, products and services.
- + In Southwest Finland and Satakunta regions, we started to plan our third project to continue to renew our electricity network and improve the reliability of supply. After competitive tendering, we signed three-year agreements on network improvement work to carry out with Netel, TLT-Group and Vertek.
- + Tomi Yli-Kyyny started as Caruna's new CEO on 1 May 2017.
- + A total of 19 summer employees worked at Caruna over the summer.



JULY-SEPTEMBER

- + We started to plan a new 110-kV powerline between Ranua and Pudasjärvi, aimed at improving the reliability of electricity supply.
- + In August, the Kiira storm damaged our network and caused powercuts to our customers in the region of Uusimaa.
- + We renewed our customer management and invoicing systems.
- + Caruna was awarded the ISO 55001 certificate acknowledging the quality of our work in managing our network.
- + We updated our strategy and renewed our organisation and management team.



OCTOBER-DECEMBER

- + We continued to take active part in the development of a flexible and customer-oriented electricity system by the smart grid group of the Ministry of Employment and the Economy. The ministry published an interim report of this work in October.
- + Heavy snowfall in October and December caused powercuts in our network areas in South, Southwest and West Finland.
- + In Uusimaa and Häme regions, we started to plan our third project to continue to renew our electricity network and improve the reliability of supply. We initiated a competitive tendering process to select contractors to carry out network improvement work.
- + We assigned our annual Caruna Safety Award to Lounais-Suomen Verkonrakennus Oy, Robert Norrgård from Netel and to Juha Kaltiokumpu from Voimatel.
- + We ran a competition for secondary school pupils, looking for the best energy system concepts for the future. 38 schools took part and the best entries were rewarded.
- + The increasing popularity of small-scale production of electricity became more evident within Caruna's network areas. The number of solar power systems connected to our network nearly doubled by the end of the year, compared to the previous year.

+ Case: Innovation challenge to teenagers



How will energy be used and generated a hundred years from now? Is renewable energy the answer to future challenges in energy production, or will personal energy consumption be measured more and more accurately?

Caruna invited 14-16-year-old teenagers to envision the future of the energy sector in an innovation competition organised in honour of Finland’s centenary celebration. The consequent teenagers’ think tank generated videos, pieces of writing, paintings and board games, poems and even a rap song about energy. Based on these creative and inspiring works, renewable natural resources, eco-friendliness and new technologies still in development will be major assets in future energy production.

Ida Mehtätalo and **Neemi Sinko** from the Joensuu Steiner school reflected on their own role as energy consumers in a bold and broadminded way. Their video examines the causes behind climate change and gives practical tips for energy saving.

“The students’ entries we received display admirable open-mindedness and creativity which we adults can learn a lot from. The teenagers who took part in the competition are clearly very well informed about energy matters and demand ecological solutions for the growing energy requirements of today’s society. The solutions and ideas they have presented offer us great inspiration as we continue to develop our business operations in line with our new strategy,” says Head of Communications **Henna Tuominen** from Caruna.

The aim in organising this competition was to increase environmental and energy consciousness and spread the feel-good energy in Caruna’s network area. A total of 38 schools from all over Finland participated in the contest, from Espoo to Oulu and from Kurikka to Joensuu. None of the finalists left empty-handed, as the winner of every school was rewarded with a prize of 100 euros.

“I want to thank Caruna for making a contest like this possible. It’s just fantastic to see the achievements and innovations students are capable of. It was invigorating for us teachers too to see the results. Although choosing the winner among numerous superb works was anything but easy,” says physics and chemistry teacher **Suvi-Päivi Malvikko** from Harjunrinne upper level comprehensive school in Riihimäki.

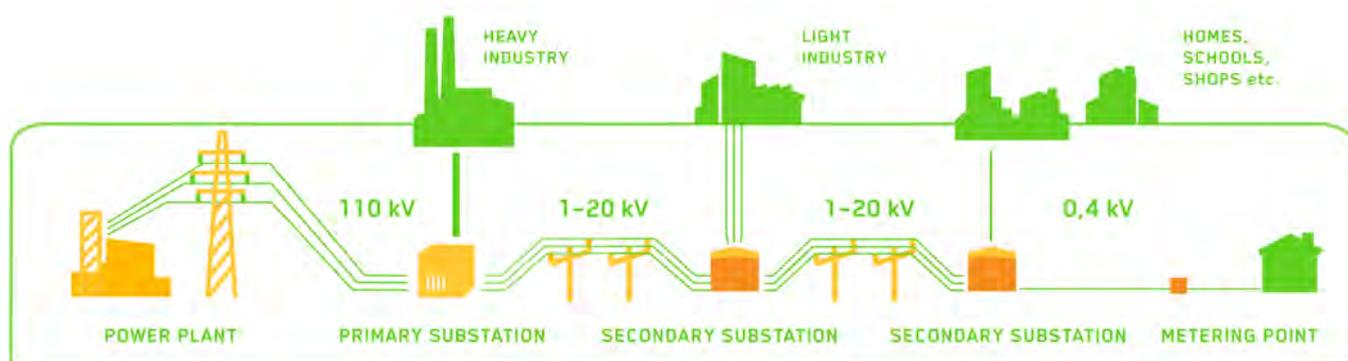
Finnish electricity market

ELECTRICITY PRODUCTION AND TRANSMISSION

Electricity is produced by power plants operated by nuclear, hydro or wind power, or various fuels. Approximately 120 companies and over 400 power plants produce electricity in Finland.

The main grid and distribution networks transmit the electricity from power plants to private homes and other users. Fingrid Oyj is in charge of the transmission of electricity over the national main grid. The main grid transmits electricity from producers to electricity distributors and industrial companies, and electricity distributors distribute electricity to homes and businesses over medium and low voltage distribution networks.

Electricity distribution in short



High voltage networks (110 kV) transmit electricity from power plants to electricity distribution networks and heavy industrial plants.

Primary substations convert electricity network voltages and connect two networks of different voltages.

Medium voltage networks (1-20 kV) transmit electricity for both small-scale industrial plants and distribution transformers near residential areas.

Low voltage networks (0.4 kV) connect private homes to the electricity distributors' network.

REGULATION OF ELECTRICITY DISTRIBUTION

The Finnish electricity distribution market is strictly regulated and monitored. The purpose of the Finnish Electricity Market Act is to ensure the reliability of supply, competitive prices and effective and equal service practices to end users.

As an electricity distributor, Caruna operates under network licences granted by the Energy Authority. The Energy Authority monitors the operations of electricity distributors and defines an allowed reasonable rate of return for the distribution of electricity. Electricity distributors then use this value as a basis for their distribution prices.

All electricity network trade in Finland is regulated by the Electricity Market Act. It is based on the premise that electricity networks constitute a market place for producers and users, that, on equal and reasonable terms, offers services to all electricity trade parties, both suppliers and buyers. Network operators, such as Caruna, are required to utilise, develop and maintain their networks in accordance with the needs of the electricity market, and thus secure the functionality and reliability of the electricity distribution system for their part. Network operators are also required to offer customers a network connection and supply electricity on equal and reasonable terms.

Data management is likewise an important element of all electricity market activities. Caruna is under a specific, statutory obligation to remain impartial and to share all necessary data between all market parties but, on the other hand, also required to comply with the regulations on handling personal information. These regulations specify that consumers are always entitled to manage any information concerning them.

The Electricity Market Act was amended in 2013, with the aim to improve the security of electricity supply. The Act specifies that service interruptions caused by storms or snowfall must not exceed six hours in urban areas or 36 hours in any other areas.

All electricity network operators are required to improve their reliability of supply to ensure that outages do not exceed the time limits defined in the Act after 2028. For Caruna, this means significant investments into improving our reliability of supply, for instance, by replacing overhead lines with cables underground and by increasing network automation. Additional investments are also necessary because aging network structures need to be renovated.

MONITORING OF ELECTRICITY DISTRIBUTION PRICES

The Energy Authority monitors electricity distributors' revenues in four-year regulatory periods. If the revenue from any regulatory period exceeds the limit of reasonable return defined by the Energy Authority, the company accrues overincome. If, on the other hand, the revenues realised during a period remain below this limit, the company accrues underincome.

Caruna defines its electricity distribution prices by estimating its revenues and expenses. Several factors influence the amount of expenses, such as the inflation, interest rates and weather conditions, for instance, and the estimates are therefore rarely realised precisely as they are.

The Electricity Market Act was amended in 2013, with the aim to improve the security of electricity supply.

Caruna defines its electricity distribution prices by estimating its revenues and expenses.

Should the amount of collected electricity distribution fees remain below the predicted level, Caruna may charge more distribution fees during the following four-year period. If, however, the customers have been overcharged for electricity, Caruna credits the excess to customers during the following period.

ELECTRICITY NETWORKS IN THE FUTURE

We always strive to develop our services to respond better to our customers' expectations and society's changing needs. New technologies, such as energy reserves and wide-scale decentralised energy production, are going to change the tasks and business models of electricity distribution system operators in the future.

Smart meters are a good example of changes brought about by new technologies. We installed these meters for all of our customers by the end of 2014, and they allow the customers to purchase electrical power by the hour and monitor their consumption at Caruna's energy reporting service.

The smart grid working group set up by the Ministry of Economic Affairs and Employment is looking for ways to improve the opportunities for customers to get involved. The working group intends to guide electricity network design and construction work to a direction that allows private homes get more actively involved in the electrical power market by selling the electricity they generate with their small-scale production equipment, for instance.

Caruna's role in the working group is to act as a technical advisor and provider of services and solutions that answer the customers' needs. The working group will present their guidelines for the future of the entire Finnish electricity grid in an official report in the autumn 2018. The Ministry published an interim report of this work in October 2017.

In addition to planning for the future, Caruna is building a strong foundation for future energy markets, thanks to our network improvement projects already underway. Our current network construction principles enable a large-scale and cost-effective connection of renewable energy sources to our network. Smart meters also offer our customers the opportunity to sell on any electricity they produce but do not need for their own use.

Smart meters are a good example of changes brought about by new technologies. We installed these meters for all of our customers in 2014.

Corporate responsibility

For Caruna, responsibility and sustainability mean that we are trustworthy and accountable to our customers, partners and owners, for the benefit of the Finnish society, and that safety and the environment always come first in all our operations.

Good corporate citizenship is one of the three priorities in Caruna's strategy, updated in 2017. Caruna's operations are based on customer-oriented and efficient core business, aiming to improve our reliability of supply and to strengthen our customer-oriented approach in all operations and processes. Our third strategic priority, growth and new services, is our way to get involved in building the Finnish society of the future.

In 2015, we outlined the most significant impact factors of our operations, defined our key sustainability themes and set goals for our corporate responsibility.

- Our goal is to be Finland's most responsible electricity distributor, able to generate added value to its customers, owners and society at large.
- We provide a reliable electricity network for a safe and environmentally responsible distribution of electricity.
- We realise our vision by conducting our work ethically and taking the long-term view, together with our partners.

KEY CORPORATE RESPONSIBILITY THEMES

We defined the main impacts of our business in accordance with the Global Reporting Initiative (GRI) G4 materiality analysis guidelines in 2015. Along this analysis process, we outlined the core focus areas of our corporate responsibility and GRI G4 aspects.

Read more about the materiality analysis process in the GRI and data section.

We improve our operations and generate related reports focusing on the essential themes of corporate responsibility. We take the results of this process into account also in planning and implementing stakeholder collaboration.

We will carry out a new materiality analysis process and introduce GRI Standards into our corporate responsibility reporting during 2018.

Good corporate citizenship is one of the three priorities in Caruna's strategy.

Themes and aspects of corporate responsibility

| RELIABILITY OF SUPPLY | SAFETY | CUSTOMERS AND THE SOCIETY |
|--|--|---|
| <ul style="list-style-type: none"> Investments in network development Readiness for exceptional conditions and quick repair of faults | <ul style="list-style-type: none"> Occupational safety of own and subcontractors' employees Customer and public safety of electricity networks and work sites | <ul style="list-style-type: none"> Customer satisfaction Non-discrimination of customers and reasonable pricing Local economic impact Stakeholder collaboration |
| RESPONSIBLE SOURCING | ENVIRONMENT | PERSONNEL |
| <ul style="list-style-type: none"> Purchase practices and equality toward contractors Sustainable sourcing of materials Subcontractor work conditions | <ul style="list-style-type: none"> Minimisation of adverse effects on the environment Environmental safety Sustainable and efficient use of natural resources Land use and landscape impacts | <ul style="list-style-type: none"> Good leadership Expertise Occupational well-being and health Equality |
| OPENNESS, ETHICAL BUSINESS PRINCIPLES AND GOOD CORPORATE GOVERNANCE | | |

CORPORATE RESPONSIBILITY PRINCIPLES

Caruna's HSE (Health, Safety and Environment) policy describes our corporate responsibility principles:

- Our company, all personnel and business partners adhere to the applicable laws and other regulations, best practices and sector standards.
- We develop our electricity network by taking into account health, safety and environment concerns, both in our daily activities and long-term operations.
- All of our employees and business partners must be provided the opportunity to work in a healthy, safe and motivating work environment.
- Our products and services are safe, of a high quality and easily available.
- We promote the culture of good health, safety and wellbeing in all our activities by setting goals, targets and plans of action in the spirit of continuous improvement.
- We identify the environmental impact of our network assets and operations, and manage them carefully, and take into account the entire life-cycle of electricity networks.

Our products and services are safe, of a high quality and easily available.

- We prevent and minimise any damage to people and the environment by systematic risk assessments.
- We require our employees and business partners to commit to our responsible practices and common goals.
- We collaborate with municipalities, authorities, private land-owners and other external stakeholders.
- Our operations are characterised by openness in internal and external communications, thus creating trust among customers, business partners and other stakeholders.

ENERGY EFFICIENCY AGREEMENT

Energy efficiency is a key element of Caruna's environmental responsibility and customer cooperation. We have been involved in the National Energy Efficiency Agreement and the Energy Conservation Agreement preceding it since the beginning of the agreement system in 1997. The previous agreement term expired at the end of 2016, and Caruna also acceded to the contract of the new agreement season 2017-2025.

We are committed to taking energy efficiency into account in all our internal operations and to making our own energy consumption more effective, particularly when it comes to grid losses. Our extensive network improvement programme reduces transfer and distribution losses over the network. We also reduce losses through careful network planning, choice of components and optimisation of the basic connection state.

UN'S SUSTAINABLE DEVELOPMENT GOALS

UN's Sustainable Development action plan, Agenda 2030, aims to promote the wellbeing of people, to eradicate extreme poverty, to secure the carrying capacity of Earth and the future of the environment, and to enable sustainable and peaceful global development. The energy sector plays a key role in reaching these targets and building a sustainable tomorrow but, at the same time, the solutions required by sustainable development offer the energy sector significant business opportunities.

Caruna has chosen three of UN's 17 universal sustainable development goals (SDGs) and made a commitment to promote these in all our operations. We chose the goals on which we can have the strongest impact, and Caruna's strategic priorities are directly connected to these three goals.

Energy efficiency is a key element of Caruna's environmental responsibility and customer cooperation.

Caruna has chosen three of UN's 17 universal sustainable development goals and made a commitment to promote these in all our operations.

Of the UN goals, Caruna particularly commits to promoting the supply of affordable and clean energy, sustainable industry, innovation and infrastructure, and sustainable cities and communities.



We promote these goals by improving the reliability of our electricity network and distribution operations nationwide, mainly through our extensive network improvement programme.

We make affordable and clean energy available by enhancing the conditions required for renewable and decentralised production of energy in our electricity network. We promote sustainable industry and infrastructures, and sustainable cities and communities by means of long-term investments into our electricity network, better collaboration with municipalities and teleoperators in the construction and development of basic infrastructures, and by contributing to the security of supply on the national level.

In addition to these three, we identified the following from UN's 17 goals as objectives we also want to promote in our operations: clean water and sanitation, decent work and economic growth, responsible consumption and production, climate action, life on land, and partnerships for the goals.



In addition to developing and maintaining a reliable electricity network, Caruna promotes these six goals by protecting groundwater areas, respecting biodiversity, employing roughly 2,000 professionals, providing safe and equal conditions for work, supporting energy and materials efficiency and recycling, applying responsible, sustainable and equal procurement practices, and by fostering collaboration both with energy sector operators and municipalities and cities.

Caruna will define more accurate indicators for monitoring how well we are able to reach sustainable development goals together with the update of our corporate responsibility programme in the spring of 2018.

CORPORATE RESPONSIBILITY GOALS

Caruna has set goals for selected corporate responsibility-related key figures for 2018, shown in the following table.

In the course of 2018, we intend to review the impact of our operations within the changed operating environment, and, if necessary, update our responsibility themes. We will define a new corporate responsibility programme during the spring of 2018.

| THEME | INDICATOR | 2017 GOAL | 2017 OUTCOME | 2018 GOAL |
|-----------------------|---|-----------|--------------|-----------|
| Reliability of supply | SAIDI* | 109 min. | 123 min. | 88 min. |
| | KAH** | MEUR 21.4 | MEUR 27.9 | MEUR 20.8 |
| | Cabling rate | 48 % | 45 % | 51 % |
| | Customers covered by the network compliant with the security of supply requirement, excl. holiday homes | 70 % | 71 % | 74.4 % |

table continues on the next page



| THEME | INDICATOR | 2017 GOAL | 2017 OUTCOME | 2018 GOAL |
|---------------------------|--|--|----------------------|--|
| Customers and the society | Customer satisfaction (NPS) | 10 % (new, more extensive measurement) | -5.0 % | 10 (new, more comprehensive measurement) |
| | Reputation survey results | Improvement from last year's measurement | Realised | Improvement from last year's measurement |
| | Stakeholder collaboration | Active stakeholder collaboration | Realised | Active stakeholder collaboration |
| | Customer satisfaction regarding network improvement projects | Creation of measurement method | Completed and in use | - |
| Safety | Injury Frequency of own personnel (TRIF***) | 0 | 0 | 0 |
| | Injury Frequency of contractors (LWIF****) | ≤ 8 | 9.2 | ≤ 8 |
| | Electricity-related injuries to third parties (reported to Tukes) | 0 | 8 | 0 |
| | Pass rate of Caruna Card subcontract of training (new 2018 target) | - | - | 100 % |

table continues on the next page



| THEME | INDICATOR | 2017 GOAL | 2017 OUTCOME | 2018 GOAL |
|----------------------|---|-----------------------------------|---|------------------------|
| HR | Employee satisfaction | 70 | 68 | 70 |
| | Training days | 2 work days/person | 3 work days/person | 2 work days/person |
| | Absences through sickness | < 2.0 % | 1.8 % | < 2.0 % |
| Environment | Number of oil spills | ≤ 7 pcs | 1 | ≤ 7 pcs (> 100kg) |
| | Further processing of dismantled networks***** | 30 % | 32 % | 60 % |
| | Number of pole-mounted transformers in groundwater areas***** | ≤ 520 | 800 | 250 |
| | Decrease in the number of overhead lines | -3 800 km | -3 200 km | -3 800 km |
| Responsible sourcing | Description of supply chain and procurement practices | Upper level description completed | Supply chain described on upper level, as well as procurement practices, in accordance with the Act on procurement in specialised sectors (erityisalojen hankintalaki). | Descriptions completed |
| | Service provider auditing | Six operators audited | Realised | 6 audits |
| | Pass rate for Supplier Code of Conduct course | Pass rate 100% | Course did not run***** | Assesments completed |
| | Responsibility assessment of key suppliers (new 2018 goal) | - | - | 100 % |



| THEME | INDICATOR | 2017 GOAL | 2017 OUTCOME | 2018 GOAL |
|--|--|--|--------------|--|
| Openness, ethical business principles and good corporate governance principles | Pass rate for Caruna’s Code of Conduct online training | 100 % | 100% | 100 % |
| | Management systems and processes | Renewal of management system and development of processes (ISO55001 certification) | Completed | Development and introduction of a new management model |
| | UN’s Sustainable Development Goals | Integration into Caruna’s business plan | Completed | More specific indicator definitions |

**SAIDI = System Average Interruption Duration Index. Average duration of power supply interruptions per customer.*

***KAH = Inconvenience caused by the interruption. The indicator shows the calculated inconvenience cost resulting from the interruption of supply, used to reflect the degree of inconvenience experienced by customers.*

****TRIF = Total Recordable Injury Frequency. The indicator reflects the ratio of work-related injuries to Caruna’s employees, leading to absences from work or requiring medical treatment visits, in relation to working hours (incidents/million realised working hours).*

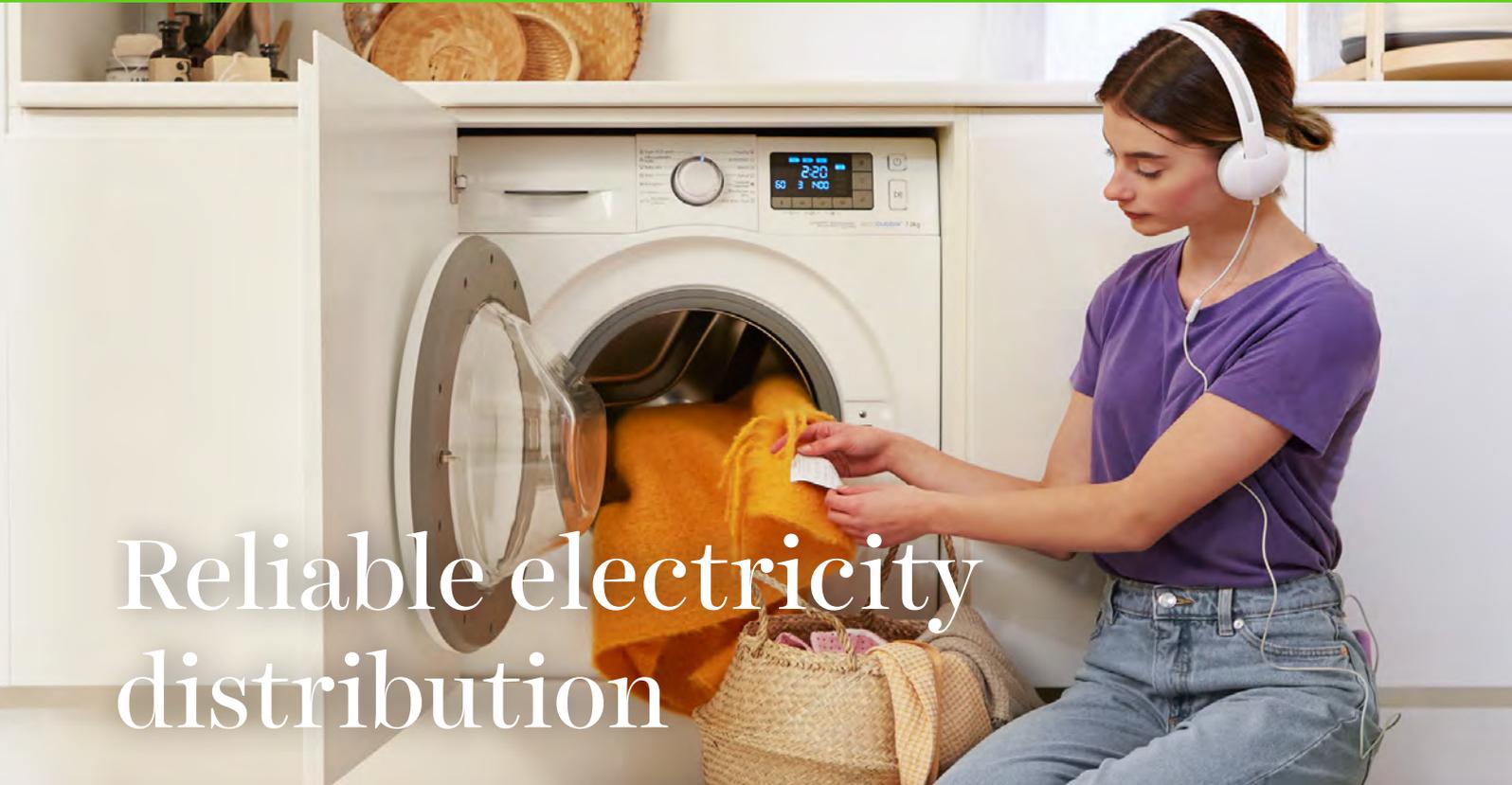
*****LWIF = Lost Workday Injury Frequency. The indicator reflects the ratio of work-related injuries to contractors or subcontractors, including trainees and temporary workers, while they work for Caruna or are within Caruna’s work sites, leading to a disability of at least one working day, in relation to working hours (incidents/million realised working hours).*

******Materials recycling has been outsourced to Kuusakoski Oy from August 2015. The Kuusakoski collaboration concerns new contractor agreements. The goal is to achieve a 30%-recycling rate for materials from dismantled network sections and for those ending up at Kuusakoski in 2017. For older agreements, contractors are in charge of recycling. The recycling rate is set to increase in the future as more contract agreements will be covered by Kuusakoski collaboration.*

******The renewal of pole-mounted transformers in groundwater areas is progressing rapidly, and pad-mounted secondary substations have been installed in 2017 as planned. Compared to predictions, a higher number of old transformer/substation dismantling processes take place during the winter of 2018, which also means that we did not quite reach the target level for the end of 2017.*

Differing from our previous estimate, we will have to renew some pole-mounted transformers in groundwater areas during 2019. These cases are areas associated with our reliability of supply investments.

******This course did not run because we chose to focus on the importance of safety and quality in contractor training over 2017.*



Reliable electricity distribution

Our first and foremost duty and goal is to distribute electricity in a reliable and secure way. A reliable electricity network guarantees the best customer experience. We actively improve our network with a long-term view, to be able to meet the requirements of our customers and the society, both now and in the future.

- + In 2017, our focus was on the customer experience, mainly in terms of the reliability of supply.
- + We spent EUR 276,5 million on renovating and constructing our electricity network.
- + With the underground cabling carried out in connection with our network improvement programme, we were able to transfer over 45,000 Caruna customers to an electricity supply service that is more reliable than ever and meets all the reliability of supply requirements.
- + We installed over 6,000 kilometres of cables underground in order to protect our network from adverse weather conditions.
- + We upgraded our contingency and emergency plans needed in case of network disturbances and exceptional circumstances.
- + Our reliability of supply rate was 99.98%.

Electricity network in numbers

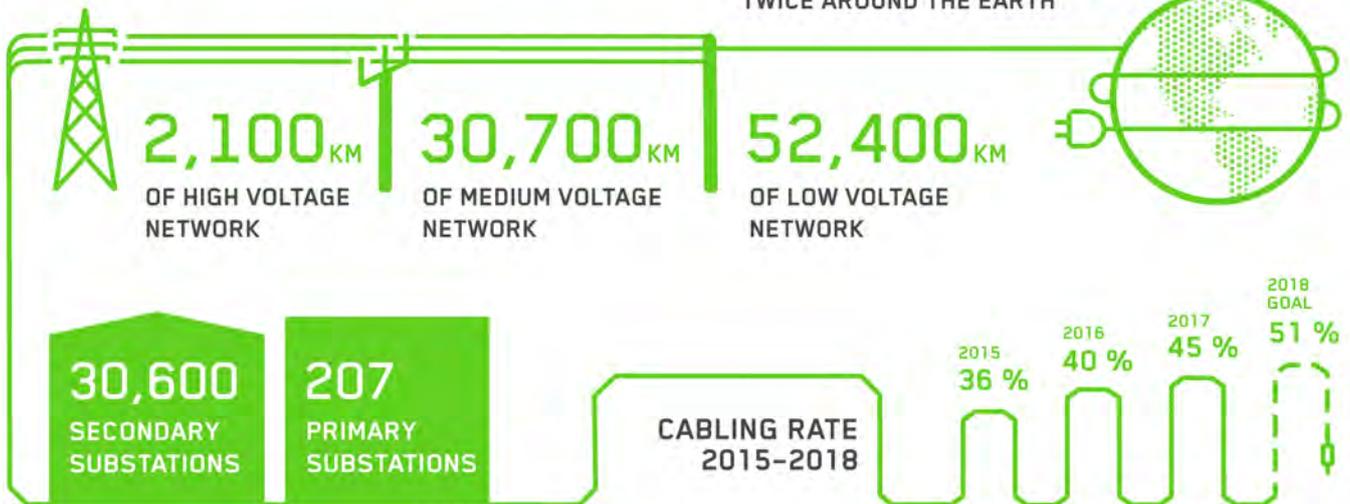
RELIABILITY OF ELECTRICITY SUPPLY

99,98 %

OUR ELECTRICITY NETWORK IS CA.

85,000 KM

IN LENGTH - IT WOULD STRETCH TWICE AROUND THE EARTH



Network maintenance and development

As Finland's largest electricity distribution company, Caruna owns over 85,000 kilometres of electricity network. We plan, build and maintain our network to meet the current and future needs of our customers and society. We monitor our electricity network 24/7 and our contractors are on stand-by in our network areas, ready to carry out maintenance and repairs in the event of faults.

+ Case: Network maintenance and development



A helicopter takes off carrying the pilot, 3D laser sensors and a high resolution camera. During the flight, the sensors survey the terrain: data about the condition of the electricity network and the location of trees is transferred via the helicopter's equipment to the inspector's terminal.

You might think this sounds like some hypothetical situation in the future but it is a routine inspection of the electricity network. And thank goodness it is because without a high resolution camera and 3D laser, pinpointing faults would be considerably slower.

Although the majority of the network lies underground, overhead lines still have to be inspected regularly. Particular attention is paid to the trees growing near these lines because a gale or heavy snowfall could cause them to fall onto the line. This could then result in a power cut affecting thousands of homes.

"Regular inspections to check the condition of the lines are a part of Caruna's programme to improve the electricity network's reliability of operations. Aerial surveys play an important role in all our activities because they help us to direct our investments where they are most needed," says Sauli Antila, Head of Network Development at Caruna.

With laser modelling it is possible to estimate the growth direction of the trees a

decade from now, which helps to prevent faults and disturbances in electricity supply. Previously, inspections to check the condition of electricity networks was carried out through a visual examination of photographs. Now network planning is a lot quicker because the analysis of the pictures stored can be automated using the sensor data.

Helicopters are also used when thinning trees, although for safety reasons there is also an electrician on the ground. Many landowners may already have received a notice about tree thinning performed by helicopter. Often just the simple act of removing branches stretching across the electric lines is enough to prevent power cuts caused by storms.

Aerial surveys are often also carried out after a storm to find the fault locations in the network as quickly as possible and to prevent further faults. You will probably continue to see helicopters performing such tasks over the next few years, although there is already talk about utilising drones.

Caruna is running a ten-year network improvement programme, installing more cables underground to minimise weather damage. We are committed to meeting our statutory targets defined in the Electricity Market Act by 2028, when we will be able to restore power to our customers in a power cut within six hours in urban areas and within 36 hours in rural areas. We invest roughly EUR 200 million into our electricity network every year.

Goals for the security of supply defined in the Electricity Market Act



Our network improvement programme is guided, in addition to the target level of the security of supply outlined in the legislation, by the electricity network's age profile and growth, mainly achieved through new network connections and advancements in the society's basic infrastructure, among other things. The network constructed now must be able to serve the Finnish society for the next 40 to 50 years and reflect the relevant changes in the consumption and production of energy, such as the electrification of traffic and small-scale production of electricity.

Factors guiding our investments

| | RELIABILITY OF SUPPLY | AGEING NETWORK | GROWTH |
|-----------------|--|---|--|
| GUIDING FACTORS | <ul style="list-style-type: none"> Key expectations for the reliability of supply of electricity by the society and customers Target levels are defined in the updated Electricity Market Act | <ul style="list-style-type: none"> The majority of our medium voltage grid built in the 1970s-1980s About to reach the age for renovations for the first time | <ul style="list-style-type: none"> New connections New town plan areas New industrial connections |
| ACTIONS | <ul style="list-style-type: none"> Main focus on the improvement of the network's weather resistance <ul style="list-style-type: none"> More underground cabling More parallel/circuit connections More network automation Management of adjacent forest areas | <ul style="list-style-type: none"> Main focus on networks that have reached the end of their technical life cycle Aim to renovate the majority of medium-voltage network overhead lines by 2028 | <ul style="list-style-type: none"> New customers added to the distribution network on the basis of the connection obligation Industrial connections reviewed on a case-by-case basis |
| | REPLACEMENT INVESTMENTS | | GROWTH INVESTMENTS |

We make the investments related to the reliability of supply in order of their customer impact, prioritising those that benefit our customers the most. The actions will first be targeted into areas with the greatest customer density and quantity of distributed electricity. In 2017, we continued to carry out more and more underground cabling work outside urban areas.

We work on our electricity network in large geographical blocks, which allows us to optimise both the related purchases and the environmental and technical aspects of the work. Project planning is guided by life cycle costs: even though underground cabling is slightly more expensive at the construction stage compared to traditional overhead lines, its maintenance and repair costs are lower.

We also improve the reliability of electricity networks by various technical solutions. For instance, we are able to isolate faults in the electricity network and resume power supply to undamaged network sections faster, thanks to meshed networks and network automation. We also manage forest areas in close proximity to power lines.

Caruna's Asset Management unit is in charge of managing the electricity network assets.

In 2017, we continued to carry out more and more underground cabling work outside urban areas.

ELECTRICITY NETWORK IMPROVEMENT MEASURES IN 2017

In 2017, we continued to make extensive investments into improving the reliability of supply in all our network areas. Renovation of medium voltage networks remained the main focus of our network improvement projects.

In total, we constructed more than 6,000 kilometres worth of small and medium voltage cable networks. The cabling level of the entire electricity network was 45% by the end of 2017. With the underground cabling carried out in connection with our network improvement programme, we were able to transfer over 45,000 Caruna customers to an electricity supply service that is more reliable than ever and meets all the reliability of supply requirements.

Reliability of supply in 2017

Our electricity network was spared from exceptional storms in 2017. The greatest factors contributing to the lengthening of the average times expended on repairing faults in the network were Storm Kiira in Southern Finland in August and the snowstorm on 26th October 2017. Furthermore, the western parts of South West Finland were tested by a crown snow-load in December. Network improvements carried out from 2014 to 2017 decreased the impacts of weather on electricity supply. The level of our reliability of electricity supply remained the same as the year before, at 99.98%.

In 2017, the figure reflecting the frequency of supply interruptions, SAIFI (System Average Interruption Frequency Index), was 1.8. This means that, on average, customers were subjected to less than two supply interruptions during the year. The figure reflecting the total duration of power cuts per customer, SAIDI (System Average Interruption Duration Index), was 123 minutes during the year.

The key figures also take into account planned supply interruptions. The number of planned supply interruptions has increased because Caruna is running a major electricity network improvement programme, and the commissioning of new network sections results in planned supply interruptions to customers. We inform our customers of these interruptions in advance.

The level of our reliability of electricity supply remained the same as the year before, at 99.98%.

Preparedness for exceptional circumstances

Society is more dependent than ever on a reliable supply of electricity under all conditions. Interdependencies between critical electricity and IT networks and customers have been analysed, for instance, in a study by the National Emergency Supply Agency.

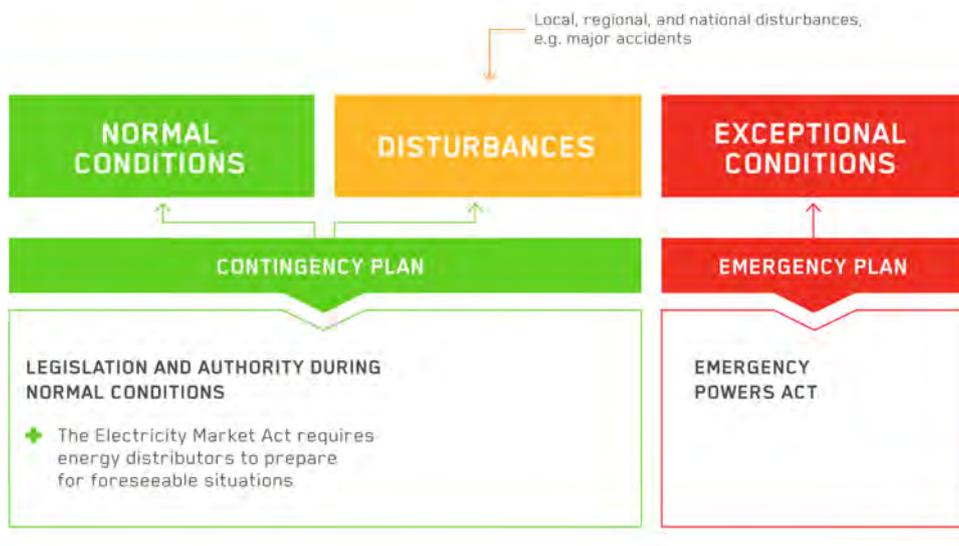
We strive to guarantee an electricity supply service that is as free as possible from disturbances. In case the supply of electricity is interrupted, Caruna, as the operator of the distribution network, is required to inform its customers and the authorities in charge of rescue operations without delay. Customers and the authorities must also be provided with an estimate of the extent and duration of the interruption. The authorities receive the information through the Critical Infrastructure Disruption Control Room Cooperative Group (Krivat in Finnish), a portal used by the authorities and infrastructure organisations critical for the security of supply.

The electricity interruptions map on our website offers our customers up-to-date information about supply interruptions and estimated repair times. The number of customers affected by interruptions in Caruna's electricity supply is also shown in the electricity outages map service of the Finnish Energy website. Our customers can also subscribe to the free alert service Caruna Sähkövahti that informs users of outages directly to their mobile phone or e-mail, whichever they prefer. We also give our customers advice on how to prepare for electricity supply interruptions.

Caruna has drawn up contingency and emergency plans for network interruptions and exceptional circumstances, as required by the Electricity Market Act. The contingency plan covers electricity network disturbances under normal conditions, such as power cuts caused by natural phenomena. The emergency plan, in turn, describes how to secure the reliability of electricity supply under emergency law conditions in case of serious external or internal threats. We continue to refine these plans and our practices on the basis of experience gained from disturbances and failures.

The electricity interruptions map on our website offers our customers up-to-date information about supply interruptions and estimated repair times.

Preparedness for exceptional circumstances



The contingency and emergency plans required by the Electricity Market Act must be updated regularly. We submitted the most recent updates to our plans to the authorities in December 2017. We review our plans four times a year to ensure an appropriate level of continuity management. Caruna’s Network Operations unit is in charge of contingency and emergency plans. The Head of Security ensures the plans are up to date and appropriate reports are submitted to the authorities.

Caruna takes part in contingency and emergency organisation activities organised by the authorities, with the purpose of ensuring collaboration and readiness in all situations.

SECURITY OF SUPPLY

As the largest distribution network operator in Finland, Caruna is considered a critical company for the security of supply. Security of supply means the ability to handle disturbances and crisis situations with a minimum amount of special arrangements and damage. We are prepared to maintain our ability to supply electricity on the current level of reliability of supply even during a longer crisis.

We took part in three energy security training events coordinated by the authorities in 2017. By investing in the reliability of our electricity network, we ensure the security and continuity of supply, particularly during disturbances caused by the climate.

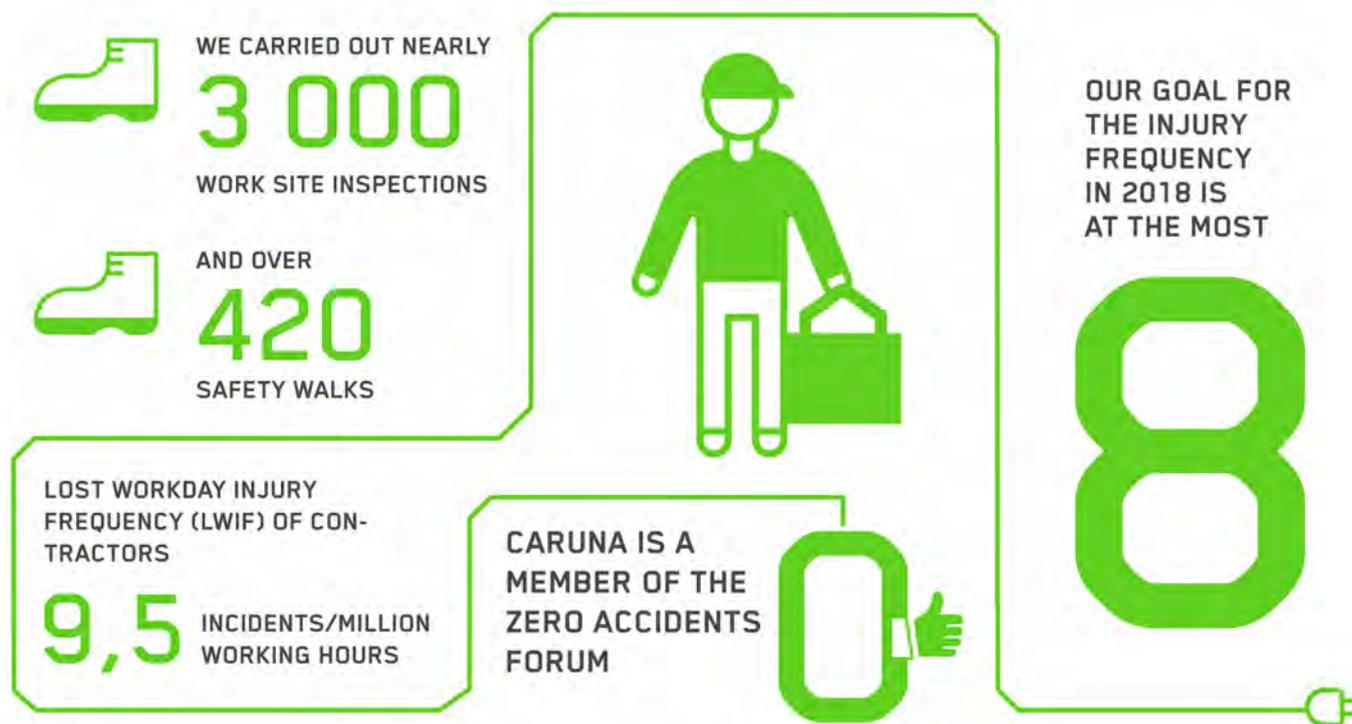
We are prepared to maintain our ability to supply electricity on the current level of reliability of supply even during a longer crisis.



Safety

Safety comes first in all of Caruna's activities. Our goal is to ensure that our electricity networks or operations do not cause any danger or harm to people or the environment.

- + Our project supervisors and contractors carried out nearly 3,000 work site inspections and Caruna's own employees completed over 400 safety observation rounds, also referred to as 'Safety Walks'.
- + We gave out Caruna Safety Awards to our safety-conscious contractors for the third time.
- + We launched an action programme to improve the safety of subcontractors in particular.
- + Through our network improvement programme, we supported and promoted the security of supply and safety in the society.



Safe electricity network

In Finland, the basic requirements for electrical safety are defined in the Electrical Safety Act. At Caruna, we design, build, and maintain our electricity networks in accordance with legislator regulations, sector standards and best practices.

One of the requirements of the Electrical Safety Act is that electricity networks may not cause danger. We pay particular attention to safety in our network design and network component selection, as well as in the requirements and supervision regarding construction sites and electrical work.

We identify and evaluate risks and hazards related to our electricity network and operations on a regular basis. We assign potential safety flaws into categories and repair them in order of urgency; either as immediate fault repairs, in connection with maintenance scheduled for the near future, or within the next few years within projects included in our long-term network improvement programmes.

All of our electrical equipment bears warning plates to indicate the danger of electric shock. We prevent any intentional or unintentional access to electrical equipment by locks, structural solutions and careful placement

We identify and evaluate risks and hazards related to our electricity network and operations on a regular basis.

of equipment. We repair all faults with the potential of causing danger and remove any trees fallen on the electric lines as quickly as possible. We mark off work sites and provide clear signage to ensure outsiders are prevented from accidentally entering these areas.

Unfortunately, there are occasional electricity-related injuries and near misses every year in Caruna's networks. The majority of these are due to failure to follow safety regulations regarding electrical work. We report any electricity-related accidents and near misses immediately to the Finnish Safety and Chemicals Agency (Tukes), to share information and to improve electrical safety in the sector.

In 2017, there were eight electrical injuries in our network area, mainly caused by weather and carelessness, and one near miss involving third parties.

SAFETY OF THE SOCIETY

The reliability and security of electricity supply has an indirect impact on the safety of the entire surrounding society. Our electricity network improvement programme boosts the operational reliability for users who are critically dependent on uninterrupted supply and minimises the probability of adverse effects to the society. Such critical users of electricity include, for instance, hospitals, nursing homes, public transport, teleoperator base stations, water supply plants and waste water treatment plants.

CUSTOMER SAFETY

Ensuring customer safety is an integral part of Caruna's safety management. If our electricity network suffers damage, we repair the faults quickly.

We monitor any faults and the quality of electricity via remotely readable meters. We regularly analyse any atypical data registered by the meters to identify possible faults in the electricity network or customers' meter reading centres. We investigate and repair unclear cases. In 2017, remotely readable meters helped us find 384 faults in the electricity network or customers' meter reading centres. We repaired them immediately.

We have also trained our customer advisors to identify different types of faults on the basis of descriptions by customers.

Occupational safety

We require that all our employees and partners be offered the opportunity to work in an environment that is healthy, safe and motivating. Our goal is to entirely avoid all accidents.

Occupational safety requires collaboration between all parties working at the office, site or projects. Risk assessment is fundamental for safety at work sites. We require both ourselves and our partners to continuously monitor the risks and dangers associated with work methods and environments. We draw up a safety plan for each project and keep it up to date.

We require that all deviations are reported and investigated, that corrective or preventive measures are set up for them, and that the progress of these measures is followed up. We share with our partners what we learn from the investigation of deviations, to help prevent further similar occurrences throughout the supply chain. Caruna is a member of the Zero Accident Forum of the Finnish Institute of Occupational Health and committed to the concept of 'zero accidents'.

We monitor the safety of our work environment and operations by conducting regular inspections and safety observation rounds, also referred to as 'Safety Walks'. Safety Walks are safety-oriented, interactive rounds at work sites or offices. They focus on people and safe working methods and conditions, whereas site inspections usually tend to focus on techniques and safety deficiencies.

We have set our personnel Safety Walk goals based on their tasks. In 2017, our employees completed a total of 426 Safety Walks.

Work site inspections, on the other hand, are mainly carried out by the project supervisors of our partners. We require our contractors to monitor work sites and send us safety reports. We help them in these tasks by providing mobile tools that enable them to send reports directly from the field, attaching any necessary photographs. In 2017, our project supervisors and contractors reported a total of 2,930 work site inspections.

**Our goal is to
entirely avoid all
accidents.**

CONTRACTOR SAFETY

The requirement of safe work and work environment applies equally to all of Caruna's personnel, contractors and subcontractors. We agree on safety rules and practices when entering into collaboration agreements. We give induction training to all of our contractors and require all subcontractors to be presented to us for advance approval.

LWIF (Lost Workday Injury Frequency), the indicator tracking contractor and subcontractor safety, is one of our key indicators. It reflects the ratio of occupational injuries to contractors or subcontractors, including trainees and temporary workers, while they work for Caruna or are within a Caruna work site, leading to a disability of at least one working day, in relation to working hours (incidents/million realised working hours).

We have systematically enhanced our reporting systems for contractor injuries and working hours. Through training, orientation and the systematic processing of anomalies we have been able to significantly reduce injury frequency. However, 2017 saw a setback in the injury frequency of our contractors, with 9.5 injuries per million working hours. This means that after our record low 5.2 injuries in 2016, we are back at the level we were in 2014 and 2015.

We are also monitoring serious contractor injuries. We classify an injury as serious if it leads to a disability of at least 30 days or a permanent disability.

In 2017, there were four serious contractor injuries and they all happened to the subcontractors of our main contractors:

- A subcontractor's truck driver suffered a hairline fracture in his hip when he slipped and fell off the back of the truck.
- An excavation contractor's employee suffered an electric shock when the excavator came too close to a live overhead line.
- A subcontractor's employee suffered a crush injury to his foot when an excavator bucket set in an upright position fell onto it.
- A subcontractor's employee got a compound fracture in his leg when a cable rail came loose and flew at his feet.

LWIF, the indicator tracking contractor and subcontractor safety, is one of our key indicators.

DEVELOPING SUBCONTRACTOR SAFETY

The improvement of subcontractor occupational safety in collaboration with main contractors was one of the key areas we focused on in safety matters in 2017. Some of our key measures included establishing an HSE cooperation network together with our main contractors, adopting our own safety inspections throughout the contracting chain, updating the contents of our safety-oriented online courses and ensuring that our control and communication model for safety deviations was put into practice throughout the contracting chain.

+ Case: HSE network



Although safety at Caruna work sites is improving constantly, the beginning of 2017 brought bleak figures to the statistics of occupational accidents: the first three months of the year saw as many serious contractor injuries as the whole of 2016.

Caruna decided to step in and founded the HSE network for contractors (Health, Safety and the Environment) in order to find solutions for the safety challenges in the sector. Its goal is to improve safety at work by standardising occupational safety practices and streamlining the flow of information at work sites. The network also works to increase awareness of environmental issues. About a dozen contractor representatives joined the network straight away.

The network shares good practices for safe cable installations and dismantling, for example. Based on the feedback received, there has been a clear need for this kind of a new form of cooperation.

“Starting the HSE network was a superb idea for improving occupational safety. Contractors have found that through this network the occupational safety requirements and goals set by Caruna have become clearer to them. It is not always necessary to reinvent the wheel; instead, you can adopt methods that others have tested and found useful. An example of this is the use of electrical tools in occupational safety inspections,” says HSEQ Manager **Juhani Kamila** from Eltel Networks Oy.

Until now, the HSE network has worked on a safety inspection method for employees to check their own work and standardised the practices of reporting safety deviations. Previous accidents and their causes have been examined together and corrective measures to prevent them from happening again have been agreed upon. Faster flow of information and consistent modes of operation have also facilitated work with subcontractors.

“We have improved and clarified both Caruna’s and our partners’ modes of operation and instructions. These have helped to improve turnaround times at work sites because different work sites have different safety challenges. Now we always apply the best possible modes of operation for the safety of the site in question,” Project Manager **Timo Rantala** from TLT Connection Oy explains.

The whole network agrees that the best way to improve occupational safety is to do it together.

“We want to be involved in creating a new occupational safety culture for the entire sector. I hope that, in the future, subcontractors will also join the network,” says Network Service Manager **Hannu Hiltunen** from Rejlers Oy.

In 2017, we started implementing safety inspections of employees’ own work throughout our contracting chain. The purpose of this system is to guide people working at work sites to continuously observe their working environment and circumstances and to take responsibility not only for their own safety, but that of the whole work site. We will continue to implement this system in 2018.

SAFETY AWARD

We reward our partners for good safety-related work and address any shortcomings. For the third year running in 2017, we gave Caruna Safety Award to contractors who excelled in improving safety at work. Measures to promote subcontractor safety were emphasised in the selection of the winners.

The award in the company category went to Caruna’s subcontractor Lounais-Suomen Verkonrakennus Oy, which has been found a reliable partner by Caruna’s main contractor, Netel Oy. This award-winning small enterprise devotes resources to its employees’ competence, continuous professional development and occupational safety.

We reward our partners for good safety-related work and address any shortcomings

+ Case: Occupational Safety Award



Every year, Caruna gives prizes for contractors who have distinguished themselves by promoting occupational safety. In 2017, the jury focused on subcontractors' efforts to make the work site a safer place. The award in the company category went to Lounais-Suomen Verkonrakennus Oy, which has acted as Netel Oy's subcontractor for Caruna's network building project.

"Safety is something we at Caruna pay a great deal of attention to, right up to top management. This seems to be the case also at Lounais Suomen Verkonrakennus. During Caruna's work site inspections, we have noticed the company's broad experience, considerable expertise, their employees' skills and their appropriate plant and machinery," says Caruna's CEO **Tomi Yli-Kyynty**.

Lounais-Suomen Verkonrakennus has not had a single accident at work. This company of seven is confident that they will be able to keep their exemplary record of zero accidents also in the future.

"For us, occupational safety begins with our employees' strong professional skills, professional pride and excellent work ethic. Occupational safety also requires continuous studying and development. If our employees discover a fault in safety on the field, they inform us of it immediately and we start looking for solutions right away," says **Janne Syväjärvi**, one of the owners of Lounais-Suomen Verkonrakennus.

In addition to the company category, there is a personal category and in 2017 Caruna awarded **Robert Norrgård** from Netel and **Juha Kaltiokumpu** from Voimatel.

Manager of field work, Robert Norrgård, was applauded for his uncompromising attitude to occupational safety. His solid expertise in field work and safety at work enable him to make sure that everyone pays attention to safety issues, including subcontractors. Norrgård has also developed a practice whereby contractors check each other's work, which has noticeably reduced deficiencies in work site safety.

Project manager for Voimatel in Northern Finland, Kaltiokumpu notifies any safety deviations quickly and investigates them thoroughly. Kaltiokumpu also provides induction and guidance for the staff at his own work sites. Caruna applauds his exemplary work.

“Congratulations to the winners of the safety award for work well done! I hope that their example will encourage others to pay attention to occupational safety too. We value our every employee and contractor and want to see everyone go home in good health at the end of the day,” says Sustainability Manager **Piia Häkkinen** from Caruna.

In the individual category, we rewarded two people: Robert Norrgård from Netel and Juha Kaltiokumpu from Voimatel. Norrgård impressed the jury with his uncompromising attitude to safety, his solid skills in the field and his ability to ensure that new procedures and systems are put into practice right down to the subcontractor level. Kaltiokumpu is a nationwide example in his company of someone with an excellent command of work site safety, the ability to handle any safety deviations appropriately and share what can be learned from them quickly and meticulously both with his own and subcontractors’ staff.

SAFETY AND ENVIRONMENTAL TRAINING

We train and provide induction for both our own personnel and the personnel of our partners in matters related to safety and the environment.

An online course in safety and environmental matters is obligatory for everyone working at Caruna’s work sites. The course content was updated in 2017 and, at the same time, supplemented with contents relating to the management of electricity network assets. The course qualification is valid for three years, and nearly 2,500 people now have a valid qualification.

In 2017, we also updated our online course on electrical safety at the work site, which is recommended for all who work at any Caruna work site. Almost 1,000 people completed both the course in safety and environmental matters and the one in electrical safety in 2017.

We also provide our partners various types of training on safety and environmental matters, such as training on duty service, fault detection, land-use planning, major disturbance situations and forest operations near power lines. Approximately 400 people attended these courses in 2017.

We train and provide induction for both our own personnel and the personnel of our partners in matters related to safety and the environment.

+ Case: Electrical design training at the Tampere Adult Education Centre TAKK



The work of an electricity network designer requires extensive knowledge, ranging from electrical dimensioning to how to interact with landowners. It is a good idea to update your professional skills from time to time, and that is why Caruna has joined forces with the Tampere Adult Education Centre TAKK to organise further training for electricity network designers.

Provided since 2015, this popular continuing professional training has inspired a total of 226 professionals to grow their expertise. Based on the feedback from participants, contractors and the organisers of the training, there is a demand and need for further studies in this field.

“It has been great to collaborate with Caruna on this training and I hope this study programme continues to run for several years more. As an educator, this training has given me the opportunity to brush up my own skills in real time alongside the changes occurring in Caruna’s operations. The atmosphere in the classroom has been open and interactive. All in all, this is simply fantastic!” says educator **Jaana Harju** from the Tampere Adult Education Centre.

The four-day training is directed specifically for new designers just beginning their careers, but content-wise it is well suited also for more experienced professionals looking for a refresher course and for designers participating in Caruna’s projects for the first time. Applications are accepted twice a year.

This intensive course examines the design and planning principles of Caruna projects, electrical dimensioning, the positioning of the electricity network in the terrain and technical equipment, such as pad-mounted secondary substations. The course ends with an exam, and those who pass it receive a Caruna electricity network designer certificate. The educators on the course are Jaana Harju from TAKK, Caruna’s own experts, and guest educators **Pepe Vahlberg** from the ELY Centre and **Airi Kulmala** from the Central Union of Agricultural Producers and Forest Owners (MTK).

In addition to the Tampere Adult Education Centre, Caruna has boosted its cooperation with the Central Union of Agricultural Producers and Forest Owners (MTK). This

collaboration has generated parts of the course content, such as the section on interacting with landowners. The designers also learn more about what effects the placing of a cable in a field has on farming subsidies and why it is important to keep landowners up to date about work progress.

“Our collaboration with TAKK and MTK is excellent and we will continue to organise this course if there is as much interest in it as there has been,” promises **Kalle Sato** who acts as the person responsible for this training at Caruna’s end.

We launched Caruna Card training as part of our action programme for contractor safety. This training is directed particularly at subcontractors who are not electricity professionals but instead, for example, excavation contractors or forestry workers. The purpose of this training is to guarantee them a basic understanding of the safety factors at stake in the Caruna operating environment across the subcontractor field and also to support Caruna’s contractors in fulfilling their own induction obligations.

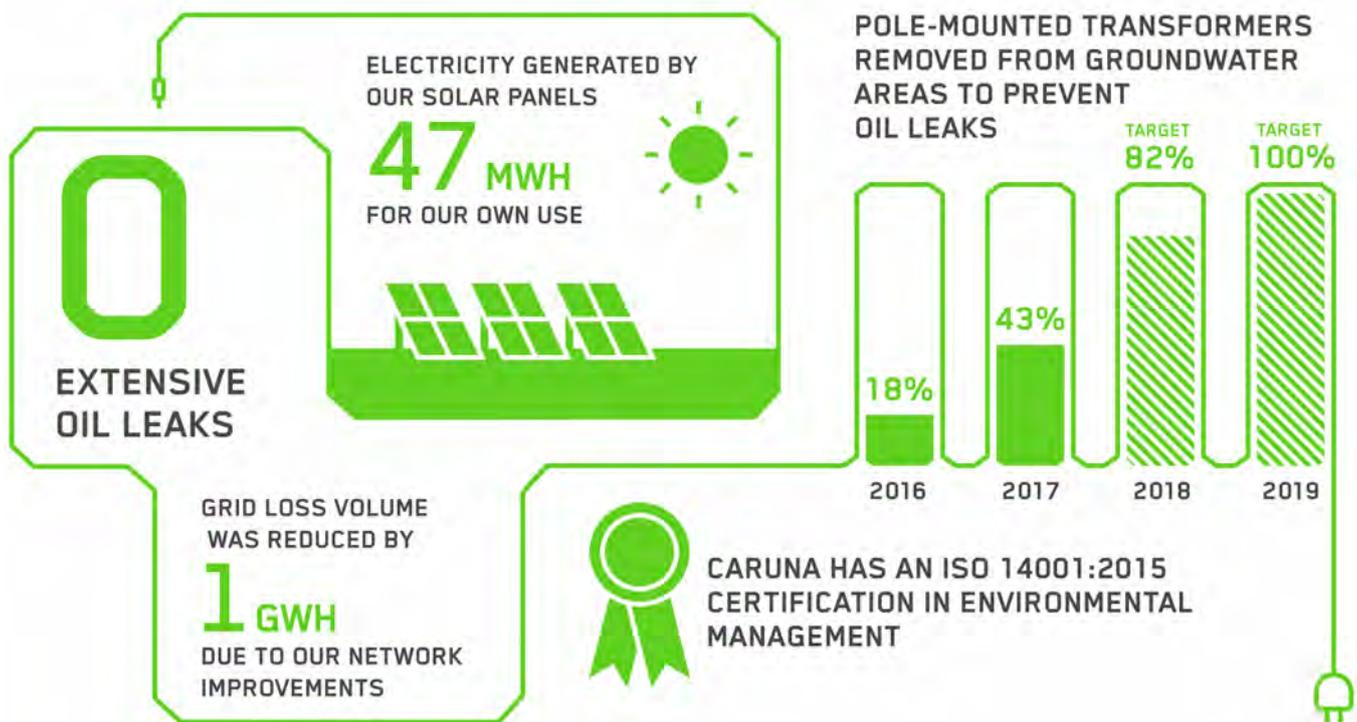
The concept for the Caruna Card and its pilot were created in 2017 and the regional training linked to it will start at the beginning of 2018. Our goal is for all our subcontractors to participate in this training in 2018.



Environment

Our goal is to manage the environmental impacts of our electricity network and operations throughout their life cycle. We strive to minimise the adverse effects of our operations on the environment and maximise the positive effects by taking into account circumstances relating to the natural environment at all stages of our operations.

- + We continued the implementation of our network improvement programme, which reduces grid losses, and carried out other energy efficiency measures. Our investments in improving the reliability of supply allowed us to reduce grid losses by approximately 1 GWh.
- + In 2017, we phased out approximately 350 pole transformers from groundwater areas in order to reduce the risk of groundwater contamination caused by oil spills.
- + Furthermore, the number of oil leaks was significantly reduced, with only one leak involving more than 100 kg of oil.
- + The solar panels on the roofs of our Perkkää premises and Keilaniemi primary substation generated a total of 47 MWh of electricity for our own use.
- + In 2017, Kuusakoski processed about 32% of the demolition materials from Caruna's network projects and the rest was dealt with by contractors through their contractual partners.
- + We launched an investigation into the life cycles of our materials to discover what is done to further process our demolition waste and where it ends up after this.
- + Caruna's environmental certificate was updated in accordance with the ISO 14001:2015 standard.



Key environmental impacts

We identify and assess our environmental impacts on a regular basis. We last updated our records on our environmental impact in the autumn of 2017 as part of the business planning process.

The following table lists the most important environmental impacts associated with our operations, as well as the main measures for managing them.

| ENVIRONMENTAL IMPACT | TARGET | MANAGEMENT MEASURE | INDICATOR |
|----------------------|---|--|--|
| Use of materials | <ul style="list-style-type: none"> • Ensuring the safety of the materials throughout their life cycle • Improving the utilisation factor of dismantled materials • A waste handling and recording process that is complete in coverage | <ul style="list-style-type: none"> • Using materials that comply with material regulations and whose life-cycle impacts have been taken into account • Ascertaining the composition, properties and disposal method of new materials and making sure they are safe to use • Appropriate handling, utilisation and disposal of dismantled materials • Careful selection of contracting partners and ascertaining the compliance of their operations with the relevant regulations • Instructions, follow-up and monitoring | <ul style="list-style-type: none"> • Quantity of new materials (number by type) • Waste recording (tonnes and euros) • Recycling rate of demolished material (%) • Contractor and supplier audits (number) |
| Energy efficiency | <ul style="list-style-type: none"> • Improving Caruna’s own energy use • Contributing to customers’ energy efficiency measures | <ul style="list-style-type: none"> • Optimising the structure of our electricity networks, careful selection of materials and switching status optimisation • Active development of energy efficiency communications, guidance and services for customers | <ul style="list-style-type: none"> • The effects of the electricity network regeneration programme on relative grid losses (%) |

table continues on the next page



| ENVIRONMENTAL IMPACT | TARGET | MANAGEMENT MEASURE | INDICATOR |
|----------------------|---|--|--|
| Climatic effects | <ul style="list-style-type: none"> • Promoting actions to combat climate change • Efficient processes | <ul style="list-style-type: none"> • Optimisation of the electricity network's structure for the changing energy market and customers' needs • Promoting decentralised renewable energy production and energy reserves (flexible connection to the electricity network) • Enabling demand side response as a producer of information • Optimised way of building that comprises entire large systems • Joint construction with other operators (municipalities and other infrastructure networks) • Increasing underground cabling and network automation, which reduces the need for field work (inspections, maintenance, fault repairs) | <ul style="list-style-type: none"> • Number of renewable energy connections and storage registrations (number & MW) • Proportion of joint construction in all construction (%) |

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| ENVIRONMENTAL IMPACT | TARGET | MANAGEMENT MEASURE | INDICATOR |
|---------------------------------------|---|--|--|
| Responsible land use and biodiversity | <ul style="list-style-type: none"> • Minimising adverse effects on the environment and landscape already during planning • Strengthening positive effects • Reducing land use restrictions | <ul style="list-style-type: none"> • Planning and building underground cables for electricity networks, routes and structures • Systematically considering environmental conditions, protected areas and other special areas in all of the electricity network's operations throughout its life cycle • Smooth land use and permit-related collaboration with landowners and other stakeholders • Ensuring the environmental maintenance of the areas surrounding project sites during and after the work • Customer feedback management and their utilisation in developing our operations | <ul style="list-style-type: none"> • Level of cabling (%) • Land that becomes free for agriculture and forestry use (ha) • Site inspection observations (number) • Customer feedback (number) • Stakeholder satisfaction (NPS, feedback (number)) |
| Leaks into the environment | <ul style="list-style-type: none"> • Prevention of oil leaks • Prevention of SF6 leaks • Absolute prevention of serious and permanent environmental damage | <ul style="list-style-type: none"> • Elimination of risky items by renovating pole transformers situated within groundwater areas • Prevention of oil leaks into the environment by installing oil collectors for substation transformers, building transformer rooms and pad-mounted secondary substations • Methodical handling of cases of environmental damage and ensuring the effectiveness of the measures taken • Controlling SF6 gas balance, ensuring contractors' awareness and competence | <ul style="list-style-type: none"> • Pole-mounted transformers/all secondary substations in groundwater and other areas • Number of oil leaks • Number of SF6 gas leaks |

Use of materials

DISMANTLING AND RECYCLING OF ELECTRICITY NETWORKS

As we replace overhead networks with underground cables, considerable amounts of material needs to be disposed of, such as transformers, iron, conductors, cables, general waste, impregnated wooden poles, glass, porcelain, concrete and copper.

Until the autumn of 2015, most of the dismantled materials (excluding poles and transformers) were handed over to our contractors. The contractors' contracting partners handled the demolished material, and the quantities of dismantled materials were reported to us regularly.

In August 2015, we signed a service contract for the transport and processing of dismantled materials with Kuusakoski Oy. As agreed, Kuusakoski is responsible for the collection of such material from worksites and its further processing. Impregnated poles are an exception to this procedure; Kuusakoski only transports them from work sites to the appropriate plants for further processing. We monitor all materials recycled by Kuusakoski in real time.

In 2017, Kuusakoski processed approximately 32% of the demolition waste from our network projects. This figure grows as Caruna's contracting agreements are renewed.

In 2017, more than 4,600 tonnes of impregnated wooden poles were dismantled from Caruna's electricity networks. Their processing and disposal is subject to strict regulations. A previously common impregnant, CCA contains toxic and carcinogenic substances and its use on new poles has been banned since 2006. Creosote is another commonly used but carcinogenic impregnant, but Caruna has not used any creosote-treated poles since 2007.

If we notice any loss of poles at the dismantling sites, we report it to the police.

MATERIAL PROCUREMENT

We have made large investments to ensure a weatherproof and reliable electricity network. The numbers of purchased components for network building and the quantities of raw materials these contain are also considerable. Underground cables, pad-mounted secondary substations and distribution transformers are the main components of networks.

We subject our material acquisitions to strict requirements right from the time tenders are invited. Environmental impacts and safety aspects are given considerable weight in the consideration of these tenders. We investigate the component material compositions, potentially dangerous and hazardous characteristics, safe use and correct recycling at the end of their life cycle during the acquisition stage.

We connect almost 4,000 new distribution transformers to our electricity network every year. In terms of raw materials, this signifies nearly 400 tonnes of aluminium, 1,500 tonnes of steel and over 600 tonnes of mineral oil. The new distribution transformers we use comply with the Ecodesign Directive.

The electric cables we use contain only aluminium as their conductive material. Annually, we acquire approximately 3,500 kilometres of cable which contains about 3,000 tonnes of aluminium.

We acquire the majority of the materials we use ourselves and some indirectly via our contractors. In 2017, we increased our direct acquisition of materials, especially for cables and transformers. This improves the management of the materials throughout their life cycle, as well as follow-up and reporting.

We subject our material acquisitions to strict requirements right from the time tenders are invited. Environmental impacts and safety aspects are given considerable weight in the consideration of these tenders.

Energy efficiency

The majority of the energy used by Caruna consists of electricity network transmission and transformer losses. The transfer and distribution of electricity always involves some loss, and the network owner is responsible for it. We strive to enhance the energy-efficiency of our networks and to reduce losses.

Since the autumn of 2015, all new distribution transformers used by Caruna are low-loss ECO transformers compliant with the updated EU Directive.

We use CO₂-free (zero carbon dioxide emissions) electricity to compensate for grid losses. In 2017, we purchased 380 GWh of electricity to compensate for network losses.

In addition, the reserve power plants in our network area require small amounts of fuel. Our contractors procure the fuel needed.

ENERGY EFFICIENCY AGREEMENT

Energy efficiency is a key part of Caruna's environmental responsibility and customer cooperation. We have been involved in the National Energy Efficiency Agreement and the Energy Conservation Agreement preceding it since the beginning of the agreement system in 1997. The previous agreement term closed at the end of 2016, and Caruna also acceded to the contract of the new agreement season 2017–2025.

We are committed to taking energy efficiency into account in all our internal operations and to make our own energy consumption more effective, especially when it comes to grid losses. Our extensive network improvement programme reduces transfer and distribution losses over the network. We also reduce losses through careful network planning, our choice of components and the optimisation of the basic connection state.

We have analysed the effects of Caruna's investments on the electricity network's losses. We estimate that, as a result of our electricity network improvement measures, the relative losses in the network have been reduced by roughly 1 GWh in 2017.

In addition, we are committed to increasing our customers' awareness of their own energy consumption and the potential for making it more

We use CO₂-free electricity to compensate for grid losses.

Energy efficiency is a key part of Caruna's environmental responsibility and customer cooperation.

efficient, and in this way supporting our customers in their efforts to improve their energy efficiency. We offer them, for example, an energy monitoring service, energy efficiency counselling and guidance in getting started with generating their own electricity.

OWN CONSUMPTION OF ENERGY

Caruna's own consumption of energy mainly consists of the electricity and heat energy used in our office buildings. The majority of our own energy consumption takes place at our premises on Upseerinkatu in Espoo where we moved in September 2015. In 2017, we consumed 2.1 GWh of electricity and 1.8 GWh of heat energy.

In our Upseerinkatu premises, the majority (nearly 75%) of the energy is used for cooling down the servers and the substation control room, as well as for cooling, heating and ventilating the rest of the building. Other significant energy consumption functions are water heating and lighting, for instance. The energy consumption of the restaurant operating in the building has not been taken into account in Caruna's energy consumption.

In the Upseerinkatu offices, we use ground heat as well as district heating.

OWN ENERGY PRODUCTION

Caruna has two production sites for solar power whose main purpose is to collect first-hand experience of decentralised energy production.

At the end of 2015, we had 110 solar panels installed on the roof of our offices on Upseerinkatu. The nominal output of these solar panels is roughly 29 kWp. In 2017, their total energy production was roughly 24 MWh, which we utilised on the premises.

In addition, there are 119 solar panels on the roof of our primary substation in Keilaniemi, Espoo. In 2017, their total energy production was roughly 23 MWh. We used about 10.5 MWh of this at the substation and transferred the rest to our distribution network to compensate for network losses.

In 2017, we also utilised 0.15 GWh of ground heat in the heating and cooling of our premises.

Effects on climate

With our actions, Caruna contributes to the battle against climate change. We optimise our electricity network to meet the demands of the changing energy market and our customers and offer a flexible platform for various measures designed to facilitate more efficient energy consumption and the reduction of emissions.

We strive to boost our own operational processes by building electricity networks in a way that covers large systems, by increasing joint construction with other operators, such as municipalities and teleoperators, and by reducing the need for field work with the help of underground cables and network automation.

GREENHOUSE GASES

Sulphur hexafluoride, or SF₆, is a potent greenhouse gas, but also an excellent insulator in electrical devices. Due to the use of the gas, SF₆-isolated devices are equipped with moisture protection, which decreases the risk of inadvertent electric shocks and enhances both the safety of the network and the occupational safety of our contractors.

We monitor all equipment for potential SF₆ gas leaks and minimise the possibility of environmental impacts resulting from such leaks by systematic control, inspections and maintenance. We also monitor the SF₆ gas status of all equipment while carrying out regular inspections. Any gas leaks and doubts related to gas meters are documented and recorded. We keep a record of our SF₆ gas balance and leaks, and report this data to the branch organisation Finnish Energy (Energiateollisuus ry) once a year. We require all contractors handling SF₆ gas to hold the required qualifications.

In 2017, the quantity of SF₆ gas in Caruna's electricity network increased significantly due to the fact that, with new contracts on pad-mounted secondary substations, we began to use more and more entirely sealed, gas-insulated SF₆ medium voltage switchgear. They are more reliable and safer to use than ever.

In 2017, the total quantity of SF₆ gas in Caruna's high voltage and medium voltage networks was approximately 14,400 kg. Of the 30,600 secondary substations in Caruna's distribution network, roughly 2,700 contained SF₆ gas. The amount of SF₆ gas emitted into the atmosphere was 4.8 kg, representing 0.03% of the total quantity of the gas.

We monitor all equipment for potential SF₆ gas leaks and minimise the possibility of environmental impacts resulting from such leaks by systematic control, inspections and maintenance.

Responsible land use and biodiversity

Electricity networks have both a physical and visual impact on their environment. Considerable investments into weatherproof underground cable networks reduce the restrictions and harmful effects related to the use of land near electricity networks and free the land and forests for other uses. Landscapes and sceneries also improve as overhead cables are eliminated.

We strive to reconcile the needs and expectations expressed by various stakeholders, regarding the selection of power network routes and structures. Whenever possible, new electricity networks are built alongside roads and in public areas. Smooth collaboration with land owners, municipalities, ELY Centres, the National Board of Antiquities, environmental organisations and other stakeholders in all matters regarding land use is of primary importance.

Underground cabling protects biodiversity and lessens the impact of electricity networks on plants and animals. We also do our best to prevent the risk of bird collisions and electric shocks by installing marker balls on overhead lines and landing perches on poles.

We assess the impacts of our network improvement programmes on biodiversity right from the planning stage and when applying for the necessary licences.

Underground cabling protects biodiversity and lessens the impact of electricity networks on plants and animals.

Environmental damage

In our type of operations, a typical example of environmental damage can be leakage of transformer oil into the environment as a result of a damaged transformer. In Finland, more than half of all transformer damage is caused by lightning strike.

Oil collectors are installed under building and pad-mounted secondary substations and primary substations, to prevent oil leaking into the environment because of transformer damage. Pole-mounted transformers are susceptible to weather conditions and do not have integral oil collectors. Each pole transformer contains roughly 100 to 200 kg of mineral oil, but usually only a small amount of this would end up in the environment even if the transformer suffers damage.

In case of an accident, we clear up any oil leaks as soon as possible and verify the effectiveness of the purification process from soil samples. Information about oil leaks and purification process reports are submitted to the authorities; in this case to the local ELY Centre.

In 2017, our electricity network suffered a total of 29 oil leaks, of which one was slightly over 100 kg in magnitude. There were no extensive oil leaks or environmental damage caused by oil leaks. The small number of oil leaks was the consequence of both favourable weather conditions and the diminishing number of open pole-mounted transformers, which are the result of our network improvement measures.

In 2016, we launched a renovation programme for pole-mounted transformers in groundwater areas with the target of minimising the risk of groundwater contamination caused by oil spills. We plan to replace all pole-mounted transformers in groundwater areas with pad-mounted secondary substations equipped with oil collectors. From 2016 to 2017, we removed roughly 600 pole-mounted transformers from groundwater areas. A larger share of dismantled old transformers than predicted will take place in the winter of 2018, which is why we fell behind our target level for 2017.

Contrary to our previous estimate, some of the work to renew pole-mounted transformers in groundwater areas will continue in 2019. This regards transformer renewals associated with the reliability of supply investments made in the overhead line network. The goal is to remove the remaining roughly 800 pole-mounted transformers in groundwater areas by the end of 2019.

Information
about oil leaks
and purification
process reports
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the authorities.

Environmental goals

We intend to keep increasing our positive environmental impact, improving the energy and materials efficiency of our operations, decreasing any adverse effects on the environment and enhancing the recycling of used materials.

In 2018, we aim to significantly cut down the number of pole-mounted transformers in groundwater areas, both as part of our network improvement programme and our renovation programme for pole-mounted transformers in groundwater areas. The number of oil spills will fall as our network improvement programme progresses.

We will also strive to raise the recycling rate of dismantled networks in collaboration with Kuusakoski. Our target is for Kuusakoski to process the dismantled material in 75% of all our projects in 2018.

Our key environmental goals for 2017 are recorded in the table on corporate responsibility goals and all our environmental goals are listed at the beginning of the chapter on the environment.

In order to achieve our environmental goals and succeed in reducing the environmental impacts of our operations, we train both our own employees and our contractors.

**We will also
strive to raise
the recycling rate
of dismantled
networks.**

A close-up photograph of a white electric car's front left side. A person's hand, wearing a blue jacket, is plugging a black charging cable into the car's charging port. The background shows a brick wall with a charging station mounted on it.

Supply chain and procurement

We only do business with reliable and carefully selected partners. Our procurement processes are guided by the new Act on procurement in specialised sectors, which came into force at the beginning of 2017. Caruna's own responsibility criteria complement the general requirements set by law. We regularly monitor the activities of our partners and their fulfilment of requirements.

- + Caruna now observes the new Act 1398/2016 on public procurement in specialised sectors, which came into force on 1 January 2017.
- + We continued developing our procurement process for network building materials and introduced an electronic ordering process.
- + In cases of competitive tendering which exceed the threshold value for procurements, businesses are required to provide a European Single Procurement Document (ESPD) in order to ensure that the grounds for exclusion will not put undue strain on the candidate or supplier and that the candidate or supplier meets Caruna's suitability requirements.
- + We adopted an electronic signature system for supply agreements.
- + We continued the auditing process of contractual suppliers and audited a total of six contracting, ICT and material suppliers.
- + We organised the first contractor day for the subcontractors of network builders; it focused on customer experiences, safety and quality.



Caruna's supply chain

We carry out our network investment and repair work with the help of our contractors and their subcontractors. In addition, we have outsourced our project management supervision during construction in order to be able to guarantee sufficient capacity and expertise in the monitoring of the electricity network's building and maintenance.

At Caruna, we are in charge of the general planning of the electricity network, which is based on the reliability, age and maintenance analyses of the network. Our contractors draw up terrain and electrical plans based on Caruna's instructions. Caruna then approves the plans, the contractors build the network and the network is put into operation in cooperation with the contractors.

The operator in charge of project management supervision oversees the activities during construction and also performs the checks during the guarantee period. Any anomalies are documented and photographed using mobile devices in order to ensure clear reporting. We also check the installation depth of the cables to make sure that they have been installed in accordance with requirements.

In 2017, Caruna had 13 main contractors and 480 subcontractors building its networks. Because our projects have grown, our contracting is now spread across a smaller number of large main contractors than before. Caruna's contractors reported that their share of foreign workers was less than 1% of the total workforce.

Contractors are free to use their own subcontractors to fulfil their contractual obligations after Caruna has approved the subcontractor. Subcontractors must observe the same principles and requirements as the main contractors and commit themselves to Caruna's instructions and obligations. We audit our suppliers according to an annual auditing plan.

Through our sourcing, our operations have considerable direct and indirect financial impacts. Our projects provide employment directly or indirectly to thousands of people all over Finland.

SUSTAINABILITY REQUIREMENTS

In all our contracts, we set suppliers strict quality, safety and environmental requirements to which every partner must commit themselves. The contracts are founded on Caruna's contractual practices which take quality monitoring and risk management into account.

All partners must also commit themselves to observe Caruna's Supplier Code of Conduct, which obliges contractors to act according to Finnish legislation and regulations. Therefore, all contractors must observe at least the rules and regulations of the generally binding national collective agreements on the terms and working conditions of employment relationships.

Sustainability requirements are a part of our documents relating to competitive tendering. The requirements concern, for example, financial stability, working conditions, client liability and taking environmental factors, such as material recycling, into account.

A person working in Caruna's network building is required to speak Finnish to ensure occupational safety. The legislation imposes certain requirements on the use of foreign workers. Caruna treats all its service and material suppliers equally and without discrimination, while carefully observing the EU-level procurement legislation for specialised sectors.

We exclude suppliers from competitive bidding who have been sentenced for the crimes mentioned in Act 1398/2016 on procurement in specialised sectors.

Our projects provide employment directly or indirectly to thousands of people all over Finland.

The requirements concern, for example, financial stability, working conditions, client liability and taking environmental factors into account.

MONITORING SUPPLIERS

Caruna's supplier management activities focus on the comprehensive management of the relationship between Caruna and the supplier. Our target is to develop new operational models and operative activities in collaboration with our suppliers throughout the agreement term. We regularly monitor the activities of all our partners and their fulfillment of the contractual terms. The persons involved with the supplier or the project in question participate in the monitoring meetings relating to Caruna's supplier management.

Caruna's suppliers are divided into three categories and we work in close cooperation with all of them. We meet our largest and most critical contractual suppliers four times a year at special development meetings, the purpose of which is to improve our mutual operations and make them more effective during the agreement term, as well as to ensure smooth cooperation between the companies. Caruna's procurement organisation is responsible for monitoring any development areas and the implementation of actions that have been agreed upon.

SUPPLIER AUDITS

We audited our suppliers in 2017 according to an annual auditing plan. This auditing is a part of our supplier management concept and its aim is to monitor our key contractual suppliers and help them develop their operations.

In 2017, we performed six supplier audits, involving three of our main contractors for the investment programmes for our distribution networks, two material suppliers and one ICT service provider. The focus areas of the auditing were stakeholders and the operating environment, management and leadership, expertise and resources, responsibility and sustainable development, managing anomalies, data management and communications, and contractual obligations and projects.

The audits revealed a small number of deviations and corrective actions on those discovered are underway. Whenever necessary, re-audits have been performed and in 2017 there were two.

So far we have audited 11 of Caruna's largest contractual suppliers. Together, these 11 suppliers encompass roughly 70% of Caruna's purchasing value.

We regularly monitor the activities of all our partners and their fulfillment of the contractual terms.

In 2017, we performed six supplier audits.

Caruna's procurement process

Caruna's tendering and contract management processes have been digitised. We take care of the whole process via an electronic tendering portal, from the preparation of contractual data to tendering and completed agreements. Our orders for material are handled the same way.

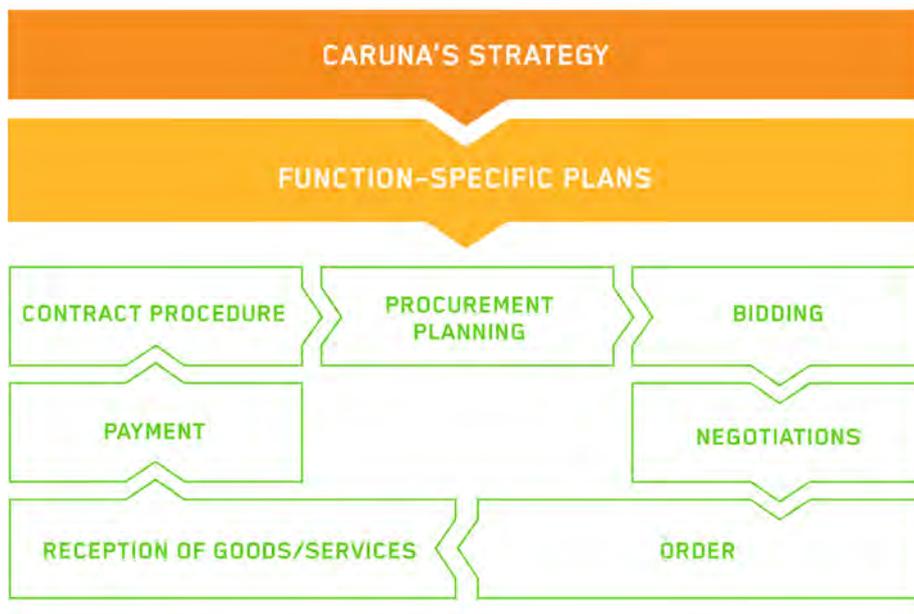
Suppliers can see our calls for tender on the Tarjouspalvelu.fi supplier portal, from where the data is transferred to the national HILMA announcement portal for public procurements and the EU-level TED portal. Using the electronic portal is free for suppliers and they can also find supply agreements in the same system.

We have also used the electronic auctioning system, made possible by the Act on procurements in specialised sectors, for inviting tenders for power supply transformers, among others.

Caruna's purchases are made using the IFS purchasing tool. The purchases are coordinated by Caruna's Procurement Unit, which adds control and transparency to the ordering and payment process.

Caruna's tendering and contract management processes have been digitised.

Caruna's procurement process



Material procurement

In terms of material procurement in 2017, we proceeded according to the procurement strategy we created earlier.

Our procurement strategy for network building defines our focus areas for the next few years, as well as the key network materials that Caruna procures itself. Transferring the responsibility of the largest acquisitions of materials to Caruna has made the monitoring of material quality and accountability requirements more efficient and increased cost-effectiveness. It also makes follow-up and reporting simpler.

The quality, safety and environmental aspects of the materials used by Caruna are carefully considered both when inviting tenders and during factory audits afterwards.

Materials, such as cables, transformers and secondary substations, are essential for building and renovating electricity networks. The key raw materials of network building are aluminium, copper and steel. As a rule, new electricity networks are built using new materials.

In terms of the procurement of key network building materials, such as transformers and cables, we continued the existing agreements with option years. The new supply agreements for secondary substations came into effect at the beginning of 2017. As a new category for agreement materials for Caruna, we invited tenders for cable cabinets, and the resulting supply agreements will come into effect at the beginning of 2018. In addition, we invited tenders via the electronic auctioning system for power supply transformers, among others, in 2017.

Also for key network building materials we switched to using an electronic ordering interface. We select all our material suppliers via Caruna's electronic procurement system without discrimination and according to the requirements set on competitive tendering in relation to public procurement.

The recycling of the materials dismantled from Caruna's networks is the responsibility of Kuusakoski Oy. Kuusakoski ensures that the materials are processed and recycled appropriately and supplies Caruna with detailed reports.

The quality, safety and environmental aspects of the materials used by Caruna are carefully considered both when inviting tenders and during factory audits afterwards.

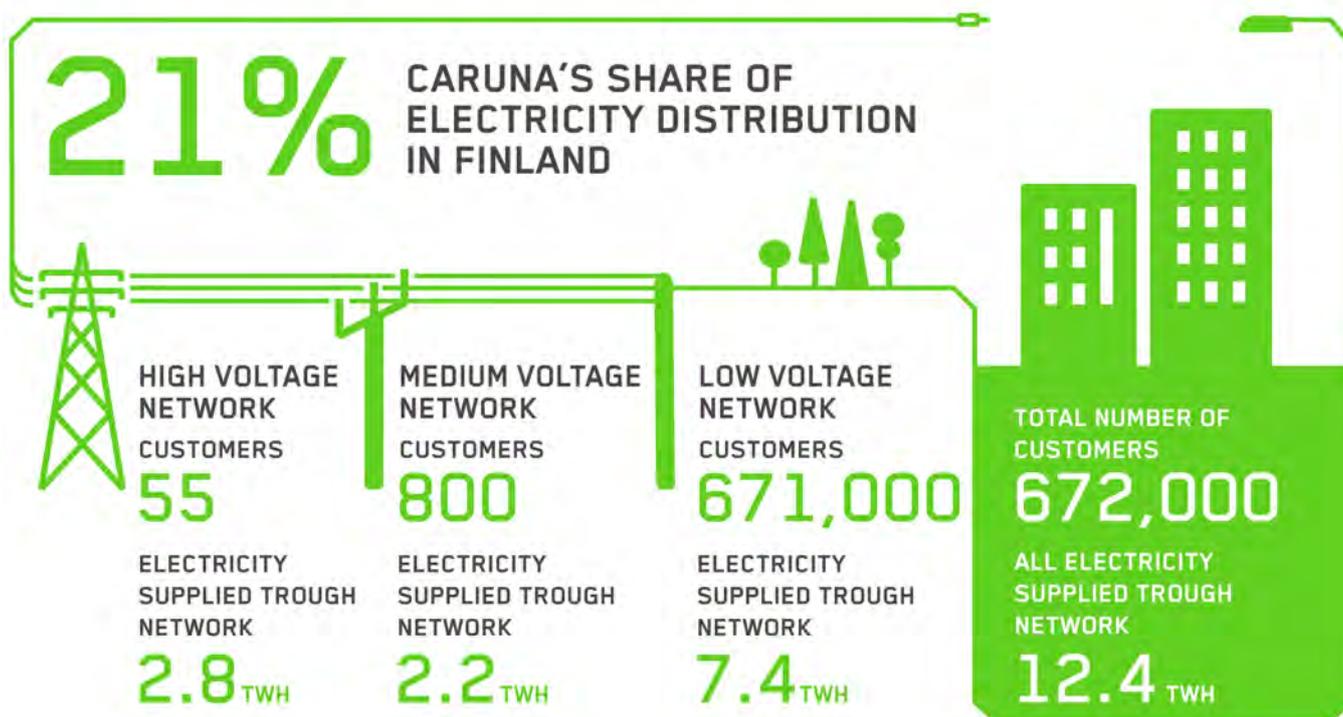
As a rule, new electricity networks are built using new materials.



Customers and society

Our society and the running of our daily lives are dependent on electricity, now more than ever before. Reliability of electricity distribution is a primary concern for our customers, businesses, the authorities and many other actors in society. Caruna's updated strategy has taken account of these issues.

- + In 2017, we continued to put effort in the development of Caruna's customer experience and the customer focus of our employees and partners.
- + Reliability of electricity supply, reasonable pricing and efficient service remain the three cornerstones of our customer experience.
- + We updated our invoicing system, developed our online customer service options and improved the flow of information in projects.
- + Over the year, we participated in three exercises conducted by the authorities to strengthen the security of supply.
- + Our three-year sponsoring partnership with the Finnish Ice Hockey Association supports low-threshold leisure activities for young people.
- + Inspired by Finland's 100th anniversary as an independent country, we held a competition to increase environmental and energy awareness, inviting school children from grades 7 to 9 to contribute their ideas for a future energy system.



Serving our customers

OUR CUSTOMER BASE

By our customer volume, Caruna is Finland's largest company dedicated to electricity distribution. Caruna Oy is responsible for electricity distribution to 467,000 households and businesses in its network areas in the regions of Uusimaa, Häme, Southwest Finland, Satakunta, South Ostrobothnia, Ostrobothnia, North Ostrobothnia and Lapland, where the network is mainly located in the countryside. Caruna Espoo Oy delivers electricity to 205,000 households and businesses in the urban areas of Espoo, Kauniainen, Kirkkonummi and Joensuu.

Our customer base has steadily increased since 2007 and we currently have 672,000 customers. This growth has resulted from several factors, such as the rate of urbanisation and the location of our network areas in towns and regions which are attracting new residents and growing.

OUR CUSTOMERS' EXPECTATIONS

Our customer promise is to make our customers' daily lives run smoothly, every single day. Our customers' most important expectations for Caruna are reliable electricity distribution, reasonable pricing and user friendliness.

We strive to meet our customers' expectations and, first and foremost, secure a supply of electricity that is as reliable as possible. We keep improving and developing our electricity network to meet the requirements and future needs of a modern society. Thanks to these efforts, our customers can generate electricity for their own use, and sell the surplus through our network. When customers require service or information, they expect user friendliness, a sense of responsibility and solutions from us.

In 2017, we continued to improve the customer experience. In late 2017, we introduced a new customer management and invoicing system that aligns our ICT solutions with our efforts to improve the customer experience, both at the customer interface and for the back office processes.

As part of the reconfiguration of Caruna's management system, our dedicated customer experience team was discontinued in September 2017. This reform ensures that the management of customer experience will be integrated in the management of each unit.

We changed our organisation at the customer interface to meet the segment-specific customer expectations. This change also took account of the geographical distribution of our customers across urban and sparsely populated areas, to ensure that our geographical network improvement projects can better serve our customers.

We will also improve the customer experience by reforming our online services with a dedicated customer website, to be launched in early 2018. During interruptions in the electricity supply, we serve our customers 24/7.

CUSTOMER SATISFACTION

We measure customer satisfaction on a regular basis. In 2017, NPS (Net Promoter Score) became one of Caruna's shared key performance indicators. Over the year, we implemented a NPS survey during several customer encounters. Our customer feedback is divided by customer segment to five stages of the customer path: beginning of the customer relationship, electricity use, customer-initiated network jobs, Caruna-initiated electricity network jobs and other customer contacts.

In 2017, our NPS score was -3.9 (on a scale of -100 to +100), which showed slight improvement from the previous year (-12.5). We also

We strive to meet our customers' expectations and, first and foremost, secure a supply of electricity that is as reliable as possible.

We measure customer satisfaction on a regular basis.

regularly monitor customer service availability, service levels, waiting times, total number of contacts, fault service availability, turnaround time of customer-initiated jobs and accuracy of metering data in invoicing, and keep developing our operations on the basis of this data.

We take customer feedback seriously. In 2017, the most important action we took to improve the customer experience was the introduction of a new customer management and invoicing system. Our objective is for the customers to feel that Caruna takes their needs into account in all contacts and operations. In 2018, we will launch a strategic key project to further develop the customer experience.

+ Case: Chat team completes the phone service



When trees fall onto electric lines due to a crown snow-load or autumn storm, it means a busy day for Caruna's customer service personnel. From the beginning of 2017, Caruna's Customer Service department has been boosted by a chat team of four who provide assistance on Facebook and Twitter, as well as on the chat facility on Caruna's website.

"Speed is an advantage online and that is what our customers expect from us. You can file a fault report in the chat service or on our social media sites in the middle of the day in between meetings without having to arrange a quiet moment for a phone call," says Customer Services Manager **Maarit Laiho**.

Many visitors to the Caruna website may have noticed the turquoise chat window that opens automatically in your browser when you are looking for contact information. The purpose of this service is to make it as easy as possible for you to contact us.

In the chat service, you can ask about an invoice or report a problem in the electricity supply just like in the more traditional phone service. We will do our best to take care of your issue at once and if the matter requires further investigation, we can agree together on the best time to contact you and whether you prefer to be contacted

by email or phone. Sending messages in the chat is safe and no details about the conversation are stored by the browser.

Customers have welcomed the new chat service with open arms. Although the majority of customers still contact us by phone, Caruna receives roughly a thousand messages a month via the chat facility.

This new channel has also shaped the way our customer service professionals work. More and more questions are asked about saving energy and about the customer's possibility of producing energy for their own use.

"It's satisfying to see that customers trust our expertise. In this job, you feel like you have a thousand skills: first I help someone with an urgent fault report and then I advise someone else on how to reduce their electricity bill. At best, you can have three or four conversations going on at the same time. So yes, my days in the chat customer service just fly by," expert **Tiia Turunen** laughs.

Together with Caruna's communications team, the chat team shares information about interruptions in electricity supply and the progress being made with repairs in the social media. Serving customers through chat requires the seamless cooperation of communications and customer service, and to ensure this, Caruna organises regular training.

"Facebook brings additional challenges to our work because communications there are public and anyone posting a question expects an answer quickly. You have to be able to articulate your thoughts clearly even when you're very busy. The advantage is that updates and comments in the social media are seen by hundreds or thousands of people, so we can serve more customers at once," Maarit Laiho explains.

Expectations on the level of customer service given and received grow continuously. That is why Caruna provides its customer service team with regular training and also recruits new people with specific skills when needed. One thing is for sure: Caruna will stay online.

NON-DISCRIMINATION OF CUSTOMERS

Concerning our customer contracts, we observe standardised and fair practices by customer group and contract type. The prices and terms and conditions of our network services are similarly fair and non-discriminatory for everybody accessing them, and they are made available on our website. The terms and conditions of our electricity network services are based on the general terms and conditions recommended by the Finnish Energy.

Our fair treatment of electricity retailers and other market parties contributes to an effective electricity market. Our employees are trained

The prices and terms and conditions of our network services are similarly fair and non-discriminatory for everybody accessing them.

to take account of the necessary requirements, both in customer service contacts and in data processing.

Each year, the Energy Authority receives some complaints concerning, for example, the pricing of electricity connections. In 2017, the Consumer Disputes Board issued several new decisions concerning Caruna's price changes of 1 March 2016. The Board has found the increases to be reasonable.

Our role in society

A modern society cannot function without a reliable supply of electricity. We form a central part of the Finnish key infrastructure and security of supply. We create prerequisites for economic activity, public services and the smooth running of our customers' daily lives.

SECURITY OF SUPPLY

As the largest distribution network operator in Finland, Caruna is considered a critical company for the security of supply, which means the ability to handle disturbances and crisis situations with a minimum amount of special arrangements and damage. We are prepared to maintain our ability to supply electricity on the current level of the reliability of supply even during a longer crisis. By investing into the reliability of our electricity network, we ensure the security and continuity of supply, particularly during disturbances caused by the climate.

In Finland, the power generation pool of the National Emergency Supply Agency controls energy security, which means detailed contingency and emergency planning of energy production, transmission and distribution. The key objective of the power generation pool is to ensure, while operating under normal circumstances, that there will be sufficient capacity to guarantee national power generation in emergencies. Observing the plans drawn up and tested in advance, the pool must be prepared to manage and carry out power generation in case of crisis, in accordance with the tasks and mandates assigned to it by the Government.

As a participant in the regional pools working under the power generation pool of the National Emergency Supply Agency, we belong to the ELVAR committee for regional preparedness. We are also a member of the Finnish Communications Regulatory Authority's HÄTY incident cooperation group, and the Krivat cooperation group for organisations critical for the security of supply. Over the year, we took part in three shared exercises coordinated by the authorities.

Many of our customers are classified by the authorities as organisations critical for the security of supply. Under emergency law, we would take special measures to secure power distribution to these customers.

By investing into the reliability of our electricity network, we ensure the security and continuity of supply, particularly during disturbances caused by the climate.

Economic impact

Our operations have direct and indirect economic impacts, both locally and nationally. They are felt especially in the regions where we operate, but through our electricity network and investments we also have nationwide impacts.

In 2017, we commissioned Gaia Consulting Oy to carry out an analysis of our social and regional impacts. The impact model used in the analysis was based on observing Caruna's electricity business value chain as a whole, and the economic, environmental and social impacts it has.

According to the analysis, the regional economic impacts of Caruna's operations can be felt locally, for example through job creation and tax revenue. New jobs are mainly created through service providers, especially for network improvement contracts. The domestic content ratio of these jobs has been estimated at 100%.

Caruna has 276 employees. In 2017, we also employed roughly 2,000 contractors in projects across Finland. In addition, Caruna indirectly provides work for some 4,000 people.

ECONOMIC VALUE ADDED TO SOCIETY

The most significant direct cash flows in our business consist of electricity distribution fees, purchases from service and goods suppliers, contributions to lenders, electricity network renewal and maintenance investments, personnel wages and tax-like payments.

EUR 426 million in income from customers

Caruna's net sales in 2017 were EUR 426 million. Net sales increased year-on-year. Our customer volume grew by 8,000 to 672,000 at the end of 2017.

EUR 142 million in payments to suppliers

This figure includes acquired materials and services, costs incurred from the loss of electricity, Fingrid's national grid fees, fault repair and maintenance costs and other smaller items of expenditure.

The domestic content ratio of created jobs has been estimated at 100%.

EUR 20 million to employees

We paid more than EUR 20 million to employees in salaries, pension payments and social security contributions.

EUR 129 million in contributions to lenders and shareholders

Electricity distribution is an extremely capital-intensive sector. Consequently, in relation to the net sales, the level of interest paid is higher than the average observed in other sectors. In compensation for the use of capital, we paid EUR 48.5 million in interest to our debtors in their order of priority, and EUR 80.5 million in interest for the loan raised from the parent company.

EUR 7 million in support of public interest and taxes

This amount covers the income taxes and property taxes paid, sponsoring and donations. In line with its values, Caruna supports junior sports that give positive energy.

INDIRECT ECONOMIC IMPACT

We observe the Finnish legislation in the paying, collecting, accounting and reporting of our taxes. For Caruna, accurate and timely actions in filing tax returns and dealing with other statutory obligations is of primary importance.

The term 'tax footprint' refers to the income society receives from a company's corporate taxes and tax-like payments. In addition to direct and indirect taxes, Caruna's tax footprint includes reports on tax withheld from employee wages and social security contributions.

The tax footprint summary includes taxes and tax-like payments Caruna is legally obliged to pay or collect. However, the summary does not cover taxes which are included in the purchase price of products or services and which Caruna is not legally required to report.

EUR 7 million in taxes paid

Caruna is a Finnish company that pays its taxes in Finland. The amount of corporate taxes increased in 2017, due to Caruna's improved taxable income. Other taxes include unemployment insurance payments, social security contributions, taxes on property and transfer taxes.

We observe the Finnish legislation in the paying, collecting, accounting and reporting of our taxes.

EUR 259 million in taxes collected

This amount covers the electricity tax collected from our customers and accounted to the government, value added tax and withheld taxes. A significant part of the electricity distribution fee collected from our customers is composed of the electricity tax and value added tax.

EUR 291 million in investments

Caruna invested EUR 276,5 million in the construction of an electricity network for the future. Other areas included investment in the IT systems to support the network business and customer service.

Stakeholder collaboration

In defining our most important areas of sustainability, we have identified our key stakeholders and their expectations for Caruna. We seek an open and fair dialogue with all stakeholders. We collect feedback from our stakeholders through an annual reputation survey. As from 2017, we will conduct a six-monthly reputation survey targeting our most important stakeholders.

For our key stakeholders and the forms of stakeholder dialogue, see the following table.

| STAKEHOLDER | EXPECTATIONS FOR CARUNA | CARUNA'S ACTIONS IN 2017 |
|-------------|--|--|
| Employees | <ul style="list-style-type: none"> • Professional development • Maintaining wellbeing and motivation | <ul style="list-style-type: none"> • Caruna's Day 4 strategy and development day for all employees • Several Switch job rotations, employee surveys and competence games. • Supervisor team coaching • Developing tools for assessing supervisors and experts • Diverse training opportunities, such as Caruna Academy, presentation and dialogue skills trainings and project management • Developing the rules for remote working • Targeted measures for developing teams and the organisation • Further developing Caruna's strategy and values and putting them into practice with employees • Planned activities for wellbeing at work, such as sports, fitness assessments and lifestyle courses |

table continues on the next page



| STAKEHOLDER | EXPECTATIONS FOR CARUNA | CARUNA'S ACTIONS IN 2017 |
|-------------|---|---|
| Customers | <ul style="list-style-type: none"> • Professional, friendly and service-oriented customer service • Communicating about changes and disturbances • Timely fault repair • Reliable invoicing • Reasonable pricing | <ul style="list-style-type: none"> • Putting the customer experience on centre stage in Caruna's updated strategy • Reforming the team structure of the customer service organisation to meet the expectations of our customer segments • Deploying our new customer management and invoicing system • Significantly increasing automated communications to monitor the progress of customer jobs • Collaboration concept with the local association of the Finnish Home Owners' Association • Closer collaboration with electricity retail sellers (e.g. retailer meetings) • Deploying new internal tools for communicating during disturbances • Active communications with customers, including Caruna Sähkövahti alerts • Developing the outages map (e.g. banners) • Executing the reliability of supply programme • Efficient preparation for disturbances caused by weather conditions • Setting up Caruna's invoicing team and introducing performance quality indicators • Developing the NPS indicators and making use of the survey results • Participating in the sector-specific customer satisfaction survey • Using customer surveys and a panel to develop the future pricing structure |

table continues on the next page



| STAKEHOLDER | EXPECTATIONS FOR CARUNA | CARUNA'S ACTIONS IN 2017 |
|--|---|--|
| Contractors, suppliers and partners | <ul style="list-style-type: none"> • Maintaining open and foreseeable partnerships • Fulfilling promises • Actively developing collaboration • Maintaining non-discrimination and effective markets • Extensive project implementation | <ul style="list-style-type: none"> • Caruna's stakeholder events and regular meetings; Caruna's Contractor Day and Caruna's Contractor Day for Network Builders • Maintaining and developing collaboration in accordance with the systematic management model for supplier relations • Systematically collating ideas for development at supplier meetings, and continued development focus in operations • Complying with and making use of the principles laid out in the Act 1398/2016 on public procurement in specialised sectors (erityisalojen hankintalaki) • Six supplier audits |
| Authorities and decision-makers (ministries, the Energy Authority, the Finnish Competition and Consumer Authority, political decision-makers and municipalities) | <ul style="list-style-type: none"> • Compliance with legislation and regulation • Maintaining the electricity network's reliability of operations • Operating responsibly and transparently • Active dialogue | <ul style="list-style-type: none"> • Complying with legislation and regulations and contributing to their development • Reporting to the authorities on matters such as the electricity network structural data, financial statements and technical indicators, and submitting the electricity network development plan to the Energy Authority • Submitting statements for regulatory decisions and their preparation • Systematic and continued collaboration with the authorities and decision-makers |

table continues on the next page



| STAKEHOLDER | EXPECTATIONS FOR CARUNA | CARUNA'S ACTIONS IN 2017 |
|---|---|--|
| Industry organisations and partners | <ul style="list-style-type: none"> • Developing the industry • Providing expert services • Active dialogue | <ul style="list-style-type: none"> • Contributing to the industry organisations (the Finnish Energy, Eurelectric, EDSO) and drawing attention to Caruna's views • Contributing to industry collaboration and lobby groups • Working in committees and working groups and sharing Caruna's expertise (the Finnish Energy's network committee, electricity distribution and regulation committee and working groups, Fingrid's advisory committee and Eurelectric's committees) |
| Interest groups and NGOs | <ul style="list-style-type: none"> • Developing collaboration concerning energy matters | <ul style="list-style-type: none"> • Increasing public awareness of the industry and Caruna's business • Collaboration with organisations such as Elf, Federation of Finnish Enterprises, Confederation of Finnish Industries, Finnish House Owners' Association, Central Union of Agricultural Producers and Forest Owners, Union of Swedish-speaking agricultural producers in Finland and WWF Finland |
| Political decision-makers and opinion leaders | <ul style="list-style-type: none"> • Providing an open and reliable partner in energy matters • Developing the industry | <ul style="list-style-type: none"> • Maintaining regular contact with the key energy and political decision-makers • Providing decision-makers with background information about current matters • Contributing to the development of the energy system and suggesting solutions |

table continues on the next page



| STAKEHOLDER | EXPECTATIONS FOR CARUNA | CARUNA'S ACTIONS IN 2017 |
|--|--|---|
| <p>Authorities (the rescue services, the police, the National Emergency Supply Agency, the Finnish Defence Forces)</p> | <ul style="list-style-type: none"> • Informing the rescue services about preparedness • Providing the rescue services and the police with details of the designated contact persons • Drawing up the contingency and emergency plan for the National Emergency Supply Agency every two years • Participating in stakeholder seminars and exercises | <ul style="list-style-type: none"> • Informing the rescue services and other authorities about power cuts caused by exceptional weather conditions and other factors, using channels such as the Krivat system • Supplying the rescue services and the police with the telephone numbers reserved for the authorities and keeping the contact details up to date • Updating the electricity network company's contingency and emergency plan and submitting it to the monitoring authority, the National Emergency Supply Agency • Participating in five contingency exercises held by the authorities, 12 regional meetings of the National Emergency Supply Agency's energy generation pool and 10 regional preparedness committee (ELVAR) meetings and seminars • Contributing to the work of the incident collaboration group HÄTY |
| <p>Shareholders</p> | <ul style="list-style-type: none"> • Sustainably increasing company value • Implementing the chosen strategy • Good governance | <ul style="list-style-type: none"> • Participating in six meetings of the Board of Directors and seven committee meetings as part of governance • Regular personal contact • Observing Caruna's guidelines and policies |

table continues on the next page



| STAKEHOLDER | EXPECTATIONS FOR CARUNA | CARUNA'S ACTIONS IN 2017 |
|-------------|---|---|
| Lenders | <ul style="list-style-type: none"> • Compliance with legislation and regulation • Compliance with the UN Declaration of Human Rights, International Labour Organization's (ILO) conventions, the UK anti-corruption principles and UN's Global Compact initiative • Maintaining a strong credit rating • Open communications and disclosure of information about the company's financial standing | <ul style="list-style-type: none"> • Bi-annual and annual reporting • Compliance certificates • Providing guideline training and other internal training • Maintaining effective operations and strong cash flow • Holding approximately 30 meetings with credit rating agencies, banks and other financial institutions |
| Media | <ul style="list-style-type: none"> • Open and proactive communications • Good availability of experts for interviews • Timely and easy access to information | <ul style="list-style-type: none"> • Responding to media enquiries for interviews and contacts • Press releases, meetings with representatives of the media • Communicating about disturbances on the website, social media channels, the media and text messages • Providing more information about Caruna • Developing and extending the social media content and channels |

We also hold project meetings with representatives of the key environmental organisations and landowners relevant to Caruna's operations.

Sponsorship

Our principle is to share good energy on our network areas through sponsorship. Sponsorship is based on Caruna's values. Caruna's support is focused on junior sports, with the Finnish Ice Hockey Association as our main partner for the 2016-2019 sponsorship period.

Through this partnership, we endeavour to promote the wellbeing of children and young people in Finland, while supporting club sports across the nation. We also wish to celebrate the valuable work volunteers do for their clubs.

In 2016-2019, our largest contribution to junior ice hockey is the low-threshold 'Caruna Easy Hockey' activities. These are aimed at young people aged 10 to 17 who are interested in ice hockey as a leisure activity rather than a competitive club sport. Studies indicate that children and young people should be encouraged to try a diverse range of sports and activities. Easy Hockey does not impose any targets or compulsory training, allowing the players decide the level of they play.

We endeavour
to promote the
wellbeing of
children and young
people in Finland.

+ Case: Easy Hockey



A lot of people play ice hockey in a target-oriented way, but you can also play it just for fun with the Easy Hockey programme. This is a low-threshold sports programme for children and teenagers developed by the Finnish Ice Hockey Association, and Caruna has sponsored it since 2016. The aim of this collaboration is to encourage children and teenagers to do sports and exercise and also to try different sports.

"The joy of exercise belongs to everyone. When we started this cooperation with the Ice Hockey Association we had a burning desire to make ice hockey as a hobby

available to every child and teenager, instead of supporting only national teams and elite sports,” says **Henna Tuominen**, Head of Communications at Caruna.

Ice hockey is one of the most popular sports in Finland, but not everyone wants to compete or follow a strict training or tournament schedule.

“The Easy Hockey programme is designed for over 8-year-old children and teenagers who like to play ice hockey but don’t have the time or opportunity to attend training sessions several times a week,” says Youth Hockey and Club Operations Director **Turkka Tervomaa** from the Finnish Ice Hockey Association.

In two years, Easy Hockey has inspired a great number of children and young people from many sports clubs to join in this low-threshold hobby. The activities are run by local ice hockey clubs with the support of the Finnish Ice Hockey Association.

In training sessions, everyone is on the ice and the players play a full-rink game or a game covering a section of the rink almost throughout the session. No previous experience of the game is required, and the players only need ice skates, a neck guard, a hockey stick and an ice hockey helmet with grid. Easy Hockey is suitable for both girls and boys.

“I want to send a huge thank you to our partner Caruna for their support in making this feel-good ice hockey project available to young people all over Finland. I’m thrilled that together we can offer a new way to play the game as a hobby and to give more and more people the opportunity to participate in the activities of ice hockey clubs throughout the country,” Turkka Tervomaa says.

A photograph showing two women sitting at a light-colored wooden table in a modern office setting. The woman on the left is seen in profile, wearing a white blouse. The woman on the right is facing her, wearing a blue blouse and smiling. There are two white coffee cups on the table. The background features a wood-paneled wall and a bright green wall section.

Our personnel

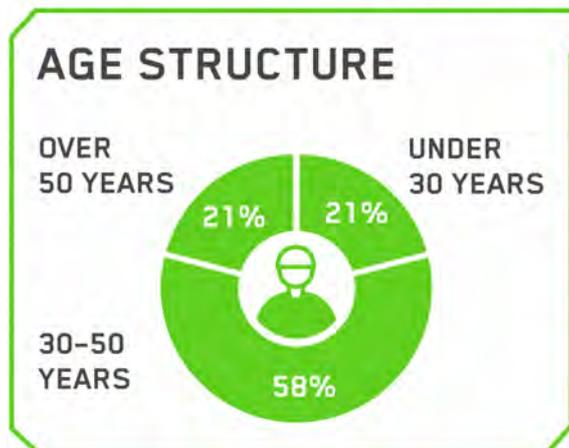
Our success is based on competent and committed employees who feel happy and satisfied at work. To ensure this, last year we made special effort to invest in employee wellbeing and professional development, job rotation and supervisor competences.

- + Employee development priorities included training for business processes and systems, the most significant being the training related to the change in the customer information system.
- + Both short-term and long-term work rotation continued to grow more popular.
- + Our investment in supervisor competences has produced results: 69% of Caruna employees feels that supervisors are competent.
- + Cooperation with educational institutions and our summer internship programme were also popular, and many interns continued as part-time employees in the autumn.

276 CARUNA EMPLOYEES

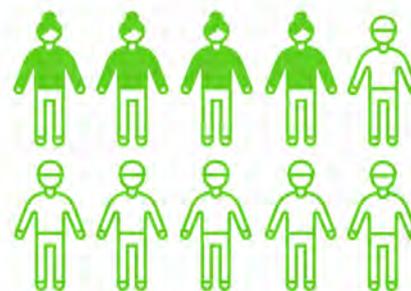
92% HAVE A REGULAR CONTRACT

95% OF EMPLOYEES IS WORKING FULL-TIME



69% OF PERSONNEL HAVE AT LEAST BACHELOR'S DEGREE

SHARE OF WOMEN
40%



39 IS AVERAGE AGE OF EMPLOYEES

Key figures on personnel

No significant changes occurred in the number of Caruna personnel during 2017. Employee turnover rate was approximately 8.7% in 2017. We hired 27 new permanent employees and 15 fixed-term employees (employment contracts at year-end). Of all the employment contracts, 23 (8.3%) were fixed-term and 5.5% were part-time.

We employ roughly twenty fixed-term summer interns a year to perform various roles. They act as stand-ins for regular employees who are taking their summer holidays, or as compilers of various theses and final year projects. In addition, Caruna had 37 temporary agency workers at the end of 2017. They work especially in customer service positions but also in IT projects at peak times.

In Caruna's operational model, contractors and other suppliers play a key role in building and maintaining the electricity network. We directly provide jobs to some 2,000 people and indirectly to 4,000 people in Finland.

Job satisfaction

We regularly assess the job satisfaction of our personnel. In the autumn of 2017, we had the extensive Kaiku employee survey done for the third time. We also completed three brief Pulssi surveys. The surveys gave our employees the opportunity to suggest development actions and to give open feedback on matters affecting their job satisfaction.

The results of the Kaiku employee survey were divided into several categories, all of which showed improvement, with the exception of wellbeing at work, which somewhat decreased. Most improvement was observed in the categories of personal growth, supervisor competences and leadership, and customer experience. The comprehensive employee survey showed the employee engagement index to be 67/100 (2016: 66).

The employee survey results indicated the employee experience to have improved in many areas. Work at Caruna is considered to be motivating, internal cooperation works well, and employees are treated fairly. Supervisor competences are considered to have clearly improved. However, more effort should be dedicated to developing the customer experience. The employee survey results also provided the basis for several team development plans.

In 2017, Caruna's values were reformed in collaboration between the management and employees. The new values support the company's new strategy. The values and the strategy were communicated to the staff in a shared development event in September. The strategy and the values continue to be put into practice in 2018.

To support the implementation of Caruna's values and strategy, all supervisors and several agents of change participated in change leadership coaching towards the end of the year. In addition, Caruna's management was involved in the Lead to Grow coaching programme to develop the company's leadership, responsibilities and working methods.

The employee engagement index in the last Pulssi survey of the year was 68/100 (2016: 65).

Work at Caruna is considered to be motivating, internal cooperation works well, and employees are treated fairly.

Workplace wellbeing

Over the year, we supported the preservation and development of working capacity in many ways. Our occupational health care partner changed following the merger of Diacor and Terveystalo. Our good partnership continued, for example with the planning of an all-employee health survey. Occupational health care was complemented by the services of the Enerkemi Insurance Fund.

We offer our personnel the opportunity of flexible working times, remote working and home care services for a sick child. To maintain employee working capacity, we also offer the opportunity for part-time sick leave and similar rehabilitation measures.

Our occupational wellbeing team coordinates wishes received from employees and strives to bring good energy to the working day through a comprehensive supply of services. In 2017, the most popular options included sports, cultural and commuting benefits, exercise and gym sessions with an instructor at our own gym, ski school, Pilates, cycling events, theatre visits and Firstbeat assessments. In the autumn, we launched a lifestyle course for a selected number of employee, offering both personal and group instruction to achieve better dietary and exercise habits.

Any development needs indicated in the occupational health and safety survey were addressed without delay. The rules for the open-plan office were made together with the staff. Lighting, ventilation and work ergonomics were improved in many ways.

We offer our personnel the opportunity of flexible working times, remote working and home care services for a sick child.

Personnel development

We want to provide our current and future employees a good place to work and develop as a skilled worker, expert or manager. In 2017, each Caruna employee used on average 25 hours for training.

The competence game project, launched in 2016, continued in early 2017. The game involved fellow workers discussing their development within Caruna’s shared areas of competence and giving each other feedback, as well as tips and advice for future development. Job rotation and shadowing a colleague (i.e. watching them at work) continued to grow more popular.

+ Case: Work rotation



A new episode in **Tytti Paananen’s** life and career began with a surprise phone call. She was working for Caruna in Espoo as a network service expert when her former supervisor from Äänekosken Energia, where she had had a summer job earlier, contacted her and offered her the temporary replacement post of the manager of electrical works.

Having grown up in Äänekoski, Paananen saw many benefits in the offer: she would gain supervisor experience at Äänekosken Energia and learn more about the building and maintenance of electricity networks.

“I had been working as a network service expert for some time and so the offer of something new and exciting was well worth considering. On the other hand, I really enjoy working at Caruna and didn’t want to give up my job entirely. In the end, I decided to ask my supervisor for unpaid leave for the duration of this temporary post.”

Her supervisor and Caruna’s Human Resources department viewed the proposal favourably and encouraged her to make the career leap, although work rotation outside the company was something new for them too. And so the electrical engineer,

who had grown roots in Espoo, packed up her bags and started work at Äänekosken Energia.

It was not just the scenery that changed but her job description too. Paananen was the supervisor of eight electricians and planned the construction of electricity networks and the cabling of electric lines. As a supervisor, she supervised and managed electrical works.

"I got quicker at making decisions and my confidence grew during the work rotation without my even noticing. In Äänekoski, I learned about and got to know electricity work sites and various equipment on site. Now I find it easier to understand the questions people ask us at the Caruna network service centre. It also feels good to share what I learned during my work rotation with others," Tytti Paananen says.

At Caruna, Paananen's workdays are filled with communications with electrical designers and contractors. The practical experience she gained at cabling work sites gave her a new perspective on her duties at Caruna.

"In a small company, everyone carries more responsibility and job descriptions are necessarily broader, so in that sense I learned a great deal from work rotation. I now see the whole picture more clearly. My role is clearer to me than before and I'm better able to take the viewpoints of different departments into account," Paananen explains.

At Caruna, her colleagues too have noticed Paananen's increased professional skills.

"I warmly recommend work rotation for everyone whose work and situation in life allows it. At least I encourage you to take the bold step of finding out if work rotation is possible in your case. Caruna took an open-minded view of my suggestion, and I feel that my skills and expertise are valued more than ever now," Paananen concludes.

To collect personal feedback, we developed the 360 supervisor and 360 expert assessment tools and successfully piloted them. Presentation and dialogue coaching remained popular. In the autumn, we launched an energy sector project management training in partnership with the Project Institute and Fingrid. The training will be continued in the coming years.

We prioritise safety and the environment in all our activities and emphasise them also in our training. During the year, the key development areas included training for business process and system reforms. Other training themes included electrical engineering, occupational safety, supervisor competences and leadership. The Caruna Academy concept was further developed. The Academy's lectures are open for all and they provide an insight into Caruna's business and special features of the industry.

We prioritise safety and the environment in all our activities and emphasise them also in our training.

HIGHLIGHTING COMPETENCE

The Caruna Talent operations model is a key tool for the development of Caruna's personnel and helps us to identify the skills and skilled persons crucial for the company's future. The model focuses on strengths and development opportunities, as well as the quality of feedback and continuous interaction. As a result, we will have a general impression of the focus areas for development, as well as concrete development plans whose realisation we will monitor regularly.

In accordance with Caruna's employee performance development model, we continued to emphasise one-on-one discussions between a supervisor and the people working under them that take place regularly but following a flexible cycle, along with performance appraisals and feedback that support an employee's comprehensive performance, development and wellbeing at work. We continued to encourage individuals to be active in developing their responsibilities and competences.

Principles of remuneration

To us, remuneration is an approach that supports occupational wellbeing and includes both material and immaterial benefits. At Caruna, our principles for remuneration include fairness, transparency and competitiveness. We have categorised pay grades according to a competence classification to ensure fair remuneration. We strive to reward people in a competitive manner and participate annually in pay studies, which provide information about developing remuneration.

Remuneration is directed by an individual's performance and the achievement of the company's strategic targets. Every Caruna employee belongs to the performance bonus system. In this system, parts of the targets are shared with everyone in the company and some are personal.



Caset

Caruna utilises the latest 3D laser technology in electricity network inspections



A helicopter takes off carrying the pilot, 3D laser sensors and a high resolution camera. During the flight, the sensors survey the terrain: data about the condition of the electricity network and the location of trees is transferred via the helicopter's equipment to the inspector's terminal.

You might think this sounds like some hypothetical situation in the future but it is a routine inspection of the electricity network. And thank goodness it is because without a high resolution camera and 3D laser, pinpointing faults would be considerably slower.

Although the majority of the network lies underground, overhead lines still have to be inspected regularly. Particular attention is paid to the trees growing near these lines because a gale or heavy snowfall could cause them to fall onto the line. This could then result in a power cut affecting thousands of homes.

“Regular inspections to check the condition of the lines are a part of Caruna’s programme to improve the electricity network’s reliability of operations. Aerial surveys play an important role in all our activities because they help us to direct our investments where they are most needed,” says **Sauli Antila**, Head of Network Development at Caruna.

With laser modelling it is possible to estimate the growth direction of the trees a decade from now, which helps to prevent faults and disturbances in electricity supply. Previously, inspections to check the condition of electricity networks was carried out through a visual examination of photographs. Now network planning is a lot quicker because the analysis of the pictures stored can be automated using the sensor data.

Helicopters are also used when thinning trees, although for safety reasons there is also an electrician on the ground. Many landowners may already have received a notice about tree thinning performed by helicopter. Often just the simple act of removing branches stretching across the electric lines is enough to prevent power cuts caused by storms.

Aerial surveys are often also carried out after a storm to find the fault locations in the network as quickly as possible and to prevent further faults. You will probably continue to see helicopters performing such tasks over the next few years, although there is already talk about utilising drones.

Caruna and Tampere Adult Education Centre TAKK bring new energy into designing electricity networks



The work of an electricity network designer requires extensive knowledge, ranging from electrical dimensioning to how to interact with landowners. It is a good idea to update your professional skills from time to time, and that is why Caruna has joined forces with the Tampere Adult Education Centre TAKK to organise further training for electricity network designers.

Provided since 2015, this popular continuing professional training has inspired a total of 226 professionals to grow their expertise. Based on the feedback from participants, contractors and the organisers of the training, there is a demand and need for further studies in this field.

“It has been great to collaborate with Caruna on this training and I hope this study programme continues to run for several years more. As an educator, this training has given me the opportunity to brush up my own skills in real time alongside the changes occurring in Caruna’s operations. The atmosphere in the classroom has been open and interactive. All in all, this is simply fantastic!” says educator **Jaana Harju** from the Tampere Adult Education Centre.

The four-day training is directed specifically for new designers just beginning their careers, but content-wise it is well suited also for more experienced professionals looking for a refresher course and for designers participating in Caruna’s projects for the first time. Applications are accepted twice a year.

This intensive course examines the design and planning principles of Caruna projects, electrical dimensioning, the positioning of the electricity network in the terrain and technical equipment, such as pad-mounted secondary substations. The course ends with an exam, and those who pass it receive a Caruna electricity network designer certificate. The educators on the course are Jaana Harju from TAKK, Caruna's own experts, and guest educators **Pepe Vahlberg** from the ELY Centre and **Airi Kulmala** from the Central Union of Agricultural Producers and Forest Owners (MTK).

In addition to the Tampere Adult Education Centre, Caruna has boosted its cooperation with the Central Union of Agricultural Producers and Forest Owners (MTK). This collaboration has generated parts of the course content, such as the section on interacting with landowners. The designers also learn more about what effects the placing of a cable in a field has on farming subsidies and why it is important to keep landowners up to date about work progress.

"Our collaboration with TAKK and MTK is excellent and we will continue to organise this course if there is as much interest in it as there has been," promises **Kalle Sato** who acts as the person responsible for this training at Caruna's end.

Caruna awards contractors for work to promote occupational safety



Every year, Caruna gives prizes for contractors who have distinguished themselves by promoting occupational safety. In 2017, the jury focused on subcontractors' efforts to make the work site a safer place. The award in the company category went to Lounais-Suomen Verkonrakennus Oy, which has acted as Netel Oy's subcontractor for Caruna's network building project.

"Safety is something we at Caruna pay a great deal of attention to, right up to top management. This seems to be the case also at Lounais Suomen Verkonrakennus. During Caruna's work site inspections, we have noticed the company's broad experience, considerable expertise, their employees' skills and their appropriate plant and machinery," says Caruna's CEO **Tomi Yli-Kyynty**.

Lounais-Suomen Verkonrakennus has not had a single accident at work. This company of seven is confident that they will be able to keep their exemplary record of zero accidents also in the future.

"For us, occupational safety begins with our employees' strong professional skills, professional pride and excellent work ethic. Occupational safety also requires continuous studying and development. If our employees discover a fault in safety on the field, they inform us of it immediately and we start looking for solutions right away," says **Janne Syväjärvi**, one of the owners of Lounais-Suomen Verkonrakennus.

In addition to the company category, there is a personal category and in

2017 Caruna awarded **Robert Norrgård** from Netel and **Juha Kaltiokumpu** from Voimatel.

Manager of field work, Robert Norrgård, was applauded for his uncompromising attitude to occupational safety. His solid expertise in field work and safety at work enable him to make sure that everyone pays attention to safety issues, including subcontractors. Norrgård has also developed a practice whereby contractors check each other's work, which has noticeably reduced deficiencies in work site safety.

Project manager for Voimatel in Northern Finland, Kaltiokumpu notifies any safety deviations quickly and investigates them thoroughly. Kaltiokumpu also provides induction and guidance for the staff at his own work sites. Caruna applauds his exemplary work.

"Congratulations to the winners of the safety award for work well done! I hope that their example will encourage others to pay attention to occupational safety too. We value our every employee and contractor and want to see everyone go home in good health at the end of the day," says Sustainability Manager **Piia Häkkinen** from Caruna.

Seeking solutions to safety challenges in the HSE network



Although safety at Caruna work sites is improving constantly, the beginning of 2017 brought bleak figures to the statistics of occupational accidents: the first three months of the year saw as many serious contractor injuries as the whole of 2016.

Caruna decided to step in and founded the HSE network for contractors (Health, Safety and the Environment) in order to find solutions for the safety challenges in the sector. Its goal is to improve safety at work by standardising occupational safety practices and streamlining the flow of information at work sites. The network also works to increase awareness of environmental issues. About a dozen contractor representatives joined the network straight away.

The network shares good practices for safe cable installations and dismantling, for example. Based on the feedback received, there has been a clear need for this kind of a new form of cooperation.

“Starting the HSE network was a superb idea for improving occupational safety. Contractors have found that through this network the occupational safety requirements and goals set by Caruna have become clearer to them. It is not always necessary to reinvent the wheel; instead, you can adopt methods that others have tested and found useful. An example of this is the use of electrical tools in occupational safety inspections,” says HSEQ Manager **Juhani Kamila** from Eltel Networks Oy.

Until now, the HSE network has worked on a safety inspection method for employees to check their own work and standardised the practices

of reporting safety deviations. Previous accidents and their causes have been examined together and corrective measures to prevent them from happening again have been agreed upon. Faster flow of information and consistent modes of operation have also facilitated work with subcontractors.

“We have improved and clarified both Caruna’s and our partners’ modes of operation and instructions. These have helped to improve turnaround times at work sites because different work sites have different safety challenges. Now we always apply the best possible modes of operation for the safety of the site in question,” Project Manager **Timo Rantala** from TLT Connection Oy explains.

The whole network agrees that the best way to improve occupational safety is to do it together.

“We want to be involved in creating a new occupational safety culture for the entire sector. I hope that, in the future, subcontractors will also join the network,” says Network Service Manager **Hannu Hiltunen** from Rejlers Oy.

Chat team completes the phone service



When trees fall onto electric lines due to a crown snow-load or autumn storm, it means a busy day for Caruna's customer service personnel. From the beginning of 2017, Caruna's Customer Service department has been boosted by a chat team of four who provide assistance on Facebook and Twitter, as well as on the chat facility on Caruna's website.

"Speed is an advantage online and that is what our customers expect from us. You can file a fault report in the chat service or on our social media sites in the middle of the day in between meetings without having to arrange a quiet moment for a phone call," says Customer Services Manager **Maarit Laiho**.

Many visitors to the Caruna website may have noticed the turquoise chat window that opens automatically in your browser when you are looking for contact information. The purpose of this service is to make it as easy as possible for you to contact us.

In the chat service, you can ask about an invoice or report a problem in the electricity supply just like in the more traditional phone service. We will do our best to take care of your issue at once and if the matter requires further investigation, we can agree together on the best time to contact you and whether you prefer to be contacted by email or phone. Sending messages in the chat is safe and no details about the conversation are stored by the browser.

Customers have welcomed the new chat service with open arms. Although the majority of customers still contact us by phone, Caruna receives roughly a thousand messages a month via the chat facility.

This new channel has also shaped the way our customer service professionals work. More and more questions are asked about saving energy and about the customer's possibility of producing energy for their own use.

"It's satisfying to see that customers trust our expertise. In this job, you feel like you have a thousand skills: first I help someone with an urgent fault report and then I advise someone else on how to reduce their electricity bill. At best, you can have three or four conversations going on at the same time. So yes, my days in the chat customer service just fly by," expert **Tiia Turunen** laughs.

Together with Caruna's communications team, the chat team shares information about interruptions in electricity supply and the progress being made with repairs in the social media. Serving customers through chat requires the seamless cooperation of communications and customer service, and to ensure this, Caruna organises regular training.

"Facebook brings additional challenges to our work because communications there are public and anyone posting a question expects an answer quickly. You have to be able to articulate your thoughts clearly even when you're very busy. The advantage is that updates and comments in the social media are seen by hundreds or thousands of people, so we can serve more customers at once," Maarit Laiho explains.

Expectations on the level of customer service given and received grow continuously. That is why Caruna provides its customer service team with regular training and also recruits new people with specific skills when needed. One thing is for sure: Caruna will stay online.

High energy and the joy of exercise on the ice



A lot of people play ice hockey in a target-oriented way, but you can also play it just for fun with the Easy Hockey programme. This is a low-threshold sports programme for children and teenagers developed by the Finnish Ice Hockey Association, and Caruna has sponsored it since 2016. The aim of this collaboration is to encourage children and teenagers to do sports and exercise and also to try different sports.

“The joy of exercise belongs to everyone. When we started this cooperation with the Ice Hockey Association we had a burning desire to make ice hockey as a hobby available to every child and teenager, instead of supporting only national teams and elite sports,” says Henna Tuominen, Head of Communications at Caruna.

Ice hockey is one of the most popular sports in Finland, but not everyone wants to compete or follow a strict training or tournament schedule.

“The Easy Hockey programme is designed for over 8-year-old children and teenagers who like to play ice hockey but don’t have the time or opportunity to attend training sessions several times a week,” says Youth Hockey and Club Operations Director **Turkka Tervomaa** from the Finnish Ice Hockey Association.

In two years, Easy Hockey has inspired a great number of children and young people from many sports clubs to join in this low-threshold hobby. The activities are run by local ice hockey clubs with the support of the Finnish Ice Hockey Association.

In training sessions, everyone is on the ice and the players play a full-rink game or a game covering a section of the rink almost throughout the session. No previous experience of the game is required, and the players only need ice skates, a neck guard, a hockey stick and an ice hockey helmet with grid. Easy Hockey is suitable for both girls and boys.

“I want to send a huge thank you to our partner Caruna for their support in making this feel-good ice hockey project available to young people all over Finland. I’m thrilled that together we can offer a new way to play the game as a hobby and to give more and more people the opportunity to participate in the activities of ice hockey clubs throughout the country,”
Turkka Tervomaa says.

Work rotation took Tytti Paananen to Äänekosken Energia as manager of electrical works



A new episode in **Tytti Paananen's** life and career began with a surprise phone call. She was working for Caruna in Espoo as a network service expert when her former supervisor from Äänekosken Energia, where she had had a summer job earlier, contacted her and offered her the temporary replacement post of the manager of electrical works.

Having grown up in Äänekoski, Paananen saw many benefits in the offer: she would gain supervisor experience at Äänekosken Energia and learn more about the building and maintenance of electricity networks.

"I had been working as a network service expert for some time and so the offer of something new and exciting was well worth considering. On the other hand, I really enjoy working at Caruna and didn't want to give up my job entirely. In the end, I decided to ask my supervisor for unpaid leave for the duration of this temporary post."

Her supervisor and Caruna's Human Resources department viewed the proposal favourably and encouraged her to make the career leap, although work rotation outside the company was something new for them too. And so the electrical engineer, who had grown roots in Espoo, packed up her bags and started work at Äänekosken Energia.

It was not just the scenery that changed but her job description too. Paananen was the supervisor of eight electricians and planned the construction of electricity networks and the cabling of electric lines. As a supervisor, she supervised and managed electrical works.

“I got quicker at making decisions and my confidence grew during the work rotation without my even noticing. In Äänekoski, I learned about and got to know electricity work sites and various equipment on site. Now I find it easier to understand the questions people ask us at the Caruna network service centre. It also feels good to share what I learned during my work rotation with others,” Tytti Paananen says.

At Caruna, Paananen’s workdays are filled with communications with electrical designers and contractors. The practical experience she gained at cabling work sites gave her a new perspective on her duties at Caruna.

“In a small company, everyone carries more responsibility and job descriptions are necessarily broader, so in that sense I learned a great deal from work rotation. I now see the whole picture more clearly. My role is clearer to me than before and I’m better able to take the viewpoints of different departments into account,” Paananen explains.

At Caruna, her colleagues too have noticed Paananen’s increased professional skills.

“I warmly recommend work rotation for everyone whose work and situation in life allows it. At least I encourage you to take the bold step of finding out if work rotation is possible in your case. Caruna took an open-minded view of my suggestion, and I feel that my skills and expertise are valued more than ever now,” Paananen concludes.

Caruna's innovation competition challenged 14–16-year-old teenagers to envision the future of the energy sector



How will energy be used and generated a hundred years from now? Is renewable energy the answer to future challenges in energy production, or will personal energy consumption be measured more and more accurately?

Caruna invited 14–16-year-old teenagers to envision the future of the energy sector in an innovation competition organised in honour of Finland's centenary celebration. The consequent teenagers' think tank generated videos, pieces of writing, paintings and board games, poems and even a rap song about energy. Based on these creative and inspiring works, renewable natural resources, eco-friendliness and new technologies still in development will be major assets in future energy production.

Ida Mehtätalo and **Neemi Sinko** from the Joensuu Steiner school reflected on their own role as energy consumers in a bold and broadminded way. Their video examines the causes behind climate change and gives practical tips for energy saving.

"The students' entries we received display admirable open-mindedness and creativity which we adults can learn a lot from. The teenagers who took part in the competition are clearly very well informed about energy matters and demand ecological solutions for the growing energy requirements of today's society. The solutions and ideas they

have presented offer us great inspiration as we continue to develop our business operations in line with our new strategy,” says Head of Communications **Henna Tuominen** from Caruna.

The aim in organising this competition was to increase environmental and energy consciousness and spread the feel-good energy in Caruna’s network area. A total of 38 schools from all over Finland participated in the contest, from Espoo to Oulu and from Kurikka to Joensuu. None of the finalists left empty-handed, as the winner of every school was rewarded with a prize of 100 euros.

“I want to thank Caruna for making a contest like this possible. It’s just fantastic to see the achievements and innovations students are capable of. It was invigorating for us teachers too to see the results. Although choosing the winner among numerous superb works was anything but easy,” says physics and chemistry teacher **Suvi-Päivi Malvikko** from Harjunrinne upper level comprehensive school in Riihimäki.

ISO 55001 certificate awarded to Caruna in recognition of its quality work in managing its electricity network



In the spring of 2017, representatives of the auditing company Lloyd's Register could be seen working at Caruna's head office in Leppävaara, Espoo, as well as at its contractors' work sites within the company's network area. These visits were a part of the auditing for the ISO 55001 certification, which Caruna decided to pursue in March 2016. This number sequence stands for the international standard for asset management, which provides the steps for the development of business activities in an open and sustainable way.

As an electricity distribution company, Caruna contributes to the smooth functioning of the society and people's everyday lives.

"In practice, asset management begins with the design of the electricity network and ends with its demolition and renovation, which is a time span of 40-60 years. Customers, the society and investors have to be able to trust that the electricity networks are being managed responsibly and for the benefit of the whole society throughout their life cycle," says Quality Manager of Asset Management **Jukka Haakana**, who also heads the certification project.

Trust is vital, and Caruna has made a commitment to the network development and construction project, which is worth two billion euros and will take a decade to complete. Its goal is to improve the reliability of electricity supply for Caruna's customers.

Caruna has previously been awarded the environmental management system certificate ISO 14001:2004 and the occupational health and safety management system certificate OHSAS 18001:2007. Asset management certification was the next logical step.

“We wanted to find out how our own management processes and operations would fare in an international assessment and to make absolutely sure our operations are of the highest quality. The last few years have been a time of great changes for us, so it’s a very healthy thing to do to take a moment to assess how we’re doing. When the initial charting looked promising we decided to kick off the auditing process,” Haakana continues.

In the official, two-stage auditing process that took almost three weeks, the representatives of Lloyd’s Register observed and examined Caruna’s activities, from the implementation of its strategy to the procedures of its subcontractors. They met and interviewed members of the Management Team and Caruna’s experts and evaluated the company’s operations, such as processes, the data relating to its assets and its ICT systems. They also assessed documents, such as policies, instructions and guidelines on various subjects.

The process that started with an initial charting culminated in the official certificate, which was granted to Caruna in June 2017.

“We wanted to act as openly and transparently as possible throughout the process. Our philosophy was to boldly set our unfinished matters on the table for all to see. This ensured that we got all that we could out of the assessment. We answered any questions that came up in the inspections openly and quickly and, whenever necessary, adjusted our operations based on the feedback we received,” Haakana explains.

The certification steering and project group included representatives from all areas of business. The entire process took less than a year altogether, which is an excellent achievement by both national and international standards.

“We are very proud of having carried out the certification process almost entirely without external assistance. It was also rewarding to be recognised for our persevering work. This just shows that our management systems were well set up even before the official recognition. Of course, receiving this certificate is a sign of the high

quality of our work both in the development and maintenance of our electricity networks and in our other activities,” Haakana says.

The fundamental principle of the ISO 55001 certificate is that operations can be assessed annually. The first such evaluation has already taken place and the certificate is still hanging on the same wall where it was placed in June.

“This is not the end of our development work by any means. The certificate is a great incentive that pushes us to keep the bar where it should be: as high as possible,” Haakana adds.

A photograph of a woman with blonde hair and glasses, wearing a grey sweater, sitting on a bed. She is holding a tablet and looking at it. A young child with curly hair is lying on the bed next to her, looking at the tablet. The child is wearing a white shirt and a yellow headband. There are books and a stuffed animal on the bed. A lamp is visible in the background.

Values, business principles and strategy

In addition to applicable legislation and regulations, Caruna's operations are conducted in accordance with jointly defined values, company strategy and good corporate governance principles.

Values

Caruna's values were updated together with the personnel, Management Team and Board of Directors in 2017. The renewed values emphasise individual responsibility and Caruna's role in society, along with the importance of good customer relationships.

I WORK IN THE BEST INTERESTS OF OUR CUSTOMERS

- I identify the customer's needs and do my best to meet them
- Together with our network, I ensure an excellent customer experience
- I am Caruna's voice and face
- I keep my promises, both to external and internal customers
- I can explain what we do in the customer's language



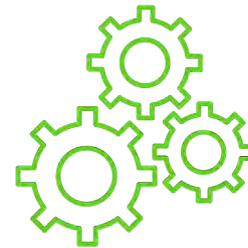
I HAVE THE COURAGE TO GET THINGS DONE

- I strive to make progress and reform my work – I am not afraid of change
- I take responsibility and make decisions
- I set the bar high and I strive to improve my performance
- We succeed and fail together
- We celebrate success and learn from experience
- I identify risks and take them into account



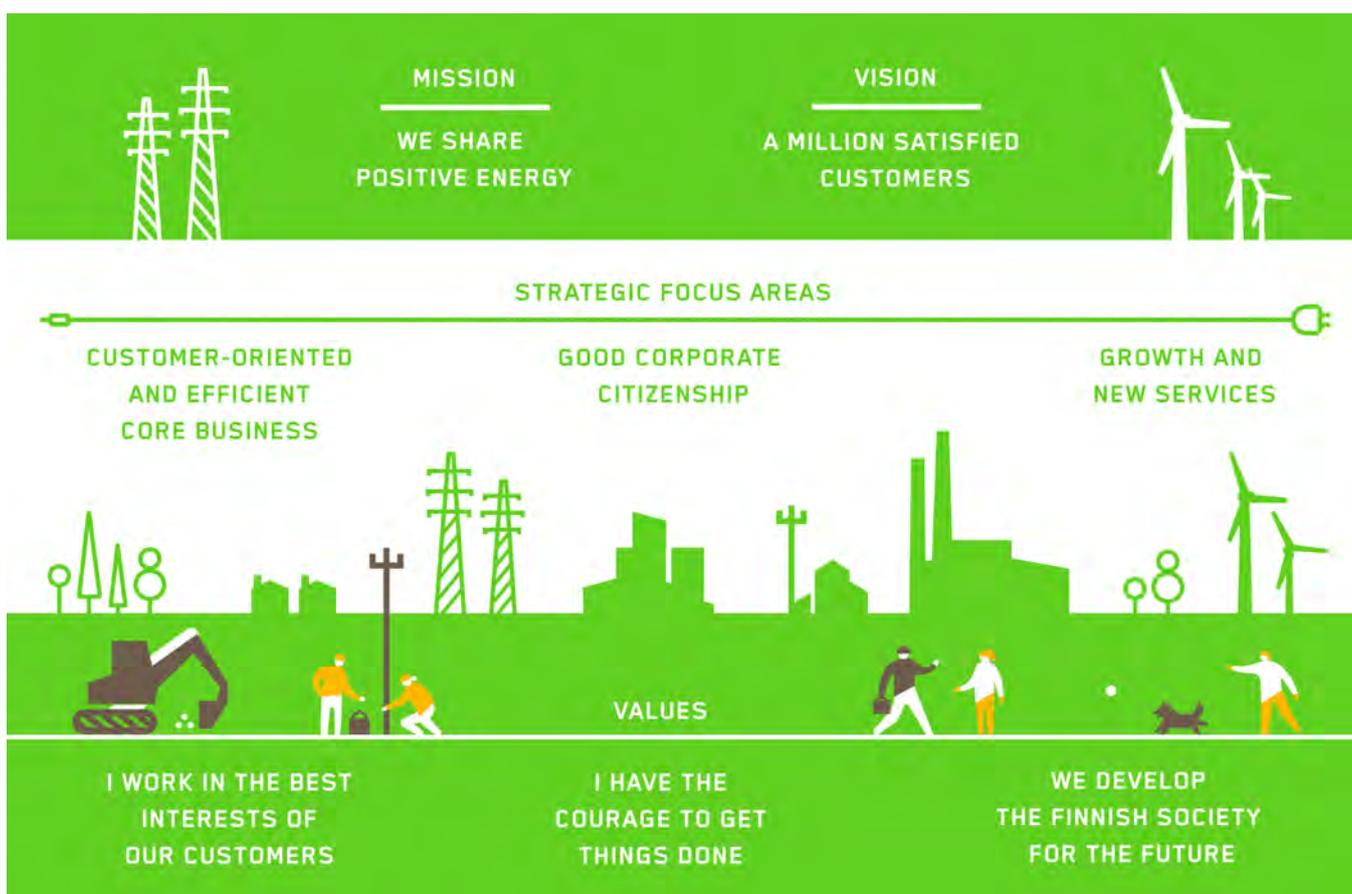
WE DEVELOP THE FINNISH SOCIETY FOR THE FUTURE

- We look after our electricity network, which is a pillar of our society
- We are local and easy to approach
- We create opportunities for other operators and the society as a whole
- We join in the social debate
- We act transparently and responsibly
- We develop our network with a comprehensive and long-term perspective



Strategy

In accordance with our company strategy, updated in 2017, we serve our customers in the best possible way, look after the wellbeing of our personnel as well as possible, maintain and develop our electricity network so that it meets the present and future needs of our users and society, and make our expertise available for a wider use by the sector.



Our vision, *a million satisfied customers*, seeks to achieve customer satisfaction and growth. Our strategic choices are satisfied customers and the ability to evolve along with the changes in our operating environment. To achieve this, we focus on developing a customer-oriented and efficient core business, showing good corporate citizenship and enabling growth and new services.

The way we work

Caruna's Code of Conduct is based on our values and it forms the basis for our operating principles. It defines how we take care of Caruna's property, how we collaborate and act toward each other, and how we run our electricity distribution business. The Code of Conduct and the guidelines based on it are part of Caruna's Compliance system.

The Code of Conduct ensures that everyone at Caruna understands the practices and ethical principles that guide our operations in the same way. We adhere to our Code of Conduct in all our business operations, both within the company and when dealing with our interest groups and the surrounding society.

The Code of Conduct concerns all Caruna employees, managers and Board members alike. Everyone at Caruna takes an online course on the Code of Conduct and commits to its principles as part of their induction process. We also require our contractors, service providers, suppliers and other contractual partners to adhere to the same principles. Caruna has drawn up a separate document for contractors and suppliers, the Supplier Code of Conduct, and each contractor and supplier is expected to commit to following it.

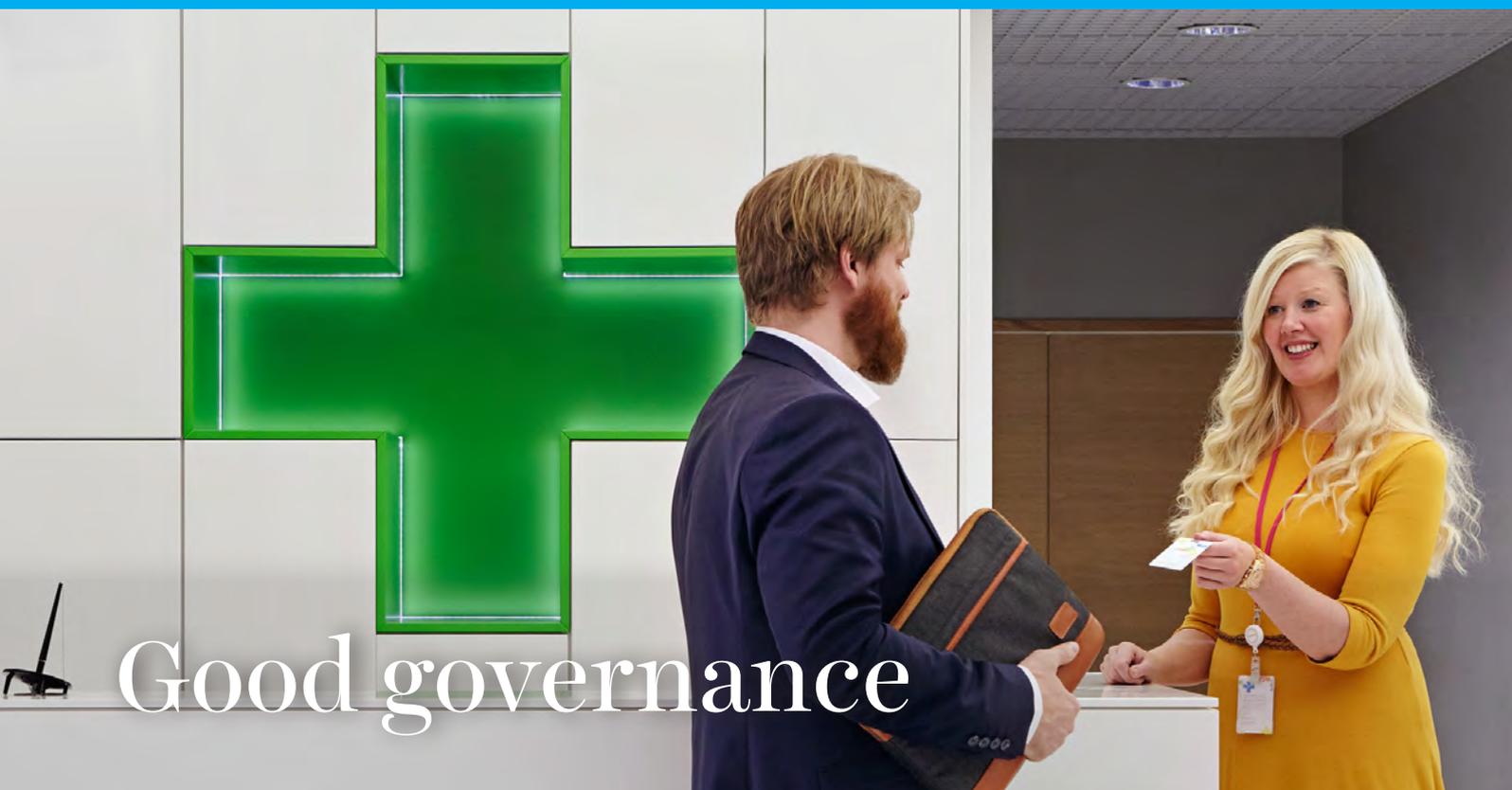
Our Code of Conduct is complemented by policies approved by the Board, outlining more in detail the operational principles concerning Caruna's focus areas, as well as by internal guidelines. Caruna has in place separate guidelines for areas such as anti-corruption measures, conflicts of interest and confidential data. Regarding competition law, we have specific guidance and an online course which is part of employee induction.

Caruna's policies and guidelines are available to the entire personnel in the company's intranet. Documents in use by both Caruna and its contractors and other partners are found in the common digital working spaces. The principles and the key points of our HR policy, HSE policy and contracting policy for our key operational areas can be found in this report's chapters about corporate responsibility and on our website.

Suspected cases of misconduct can be reported using the reporting channel available on our website.

We respect the UN Declaration of Human Rights, International Labour Organization's (ILO) conventions and the UN Global Compact initiative. Caruna's consolidated financial statements are drawn up in accordance with the International Financial Reporting Standards (IFRS).

The Code of Conduct ensures that everyone at Caruna understands the practices and ethical principles that guide our operations in the same way.



Good governance

We observe good governance practices in all our activities. Transparent and clearly defined governance forms the basis of our reliable and responsible operations, which benefits all stakeholders.

Corporate structure

Caruna Networks Oy is the parent company of Caruna Networks Group ("Caruna"). The parent company of Caruna Networks Oy is Suomi Power BV, domiciled in The Netherlands. Caruna Networks Oy is the owner of the two other companies in the Group, Caruna Oy and Caruna Espoo Oy.

Caruna Oy and Caruna Espoo Oy conduct regional and distribution network activities in their own electricity networks under a network licence granted by the Energy Authority. Caruna Oy is responsible for electricity distribution in its networks areas in the regions of Uusimaa, Häme, Southwest Finland, Satakunta, South Ostrobothnia, Ostrobothnia, North Ostrobothnia and Lapland. The network in Lapland is mainly located in the countryside, while Caruna Espoo Oy operates in an urban environment in the cities of Espoo, Kauniainen, Kirkkonummi and Joensuu.

Caruna Oy and Caruna Espoo Oy are separate companies with separate pricing policies, because factors such as local network conditions affect the price of electricity distribution.

Up to 31 December 2017, the Group also comprised Caruna Networks Sähkösiirto Oy and Caruna Networks Espoo Oy. Caruna Networks Oy owned both Caruna Networks Sähkösiirto Oy and Caruna Networks Espoo Oy, which, in turn, owned both Caruna Oy and Caruna Espoo Oy. The company structure was streamlined at the end of 2017, and from 1 January 2018, Caruna Networks Espoo Oy and Caruna Networks Sähkösiirto Oy were merged into Caruna Networks Oy.

Caruna's governing bodies

Caruna Networks Oy's decision-making bodies are the general meeting and the Board of Directors. The Board of Directors' three committees, the Audit Committee, the Nomination and Remuneration Committee and the Health, Safety and Environment Committee, prepare the items debated by the Board and assist the Board in its decision making. The CEO is responsible for executive management. In decision making, the CEO is supported by Caruna's Management Team.

Internal auditors help to ensure that the Group's operations remain effective and appropriate. They report to the Board and Audit Committee.

GENERAL MEETING

Caruna Networks Oy's general meeting exercises the highest decision-making powers in the Group.

The general meeting's decisions usually require a simple majority. Such decisions include approving the financial statements, paying dividends, discharging the Board of Directors and the CEO from liability, electing the Board of Directors and the auditors and making decisions regarding their remuneration.

In accordance with the Limited Liability Companies Act and the articles of association, the general meeting is convened by the Board of Directors.

BOARD OF DIRECTORS

Caruna's Board of Directors is responsible for the Group's strategic development and for monitoring and steering the Group's business operations and governance. In accordance with the Limited Liability Companies Act and the articles of association, the Board of Director is tasked with representing the Group and ensuring the oversight of accounting and financial management. The Board of Directors decides on Caruna's values.

The Board has between one and ten ordinary members and two deputy members. The Annual General Meeting elects the members for a term which ends at the next Annual General Meeting.

The Board convenes according to an agreed schedule to discuss matters assigned to it. The Board has approved the rules of procedure for its activities.

The CEO, the CFO and the Head of Risk Management, who also acts as the Board's secretary, regularly attend Board meetings. Other Management Team members and directors of the Group attend the meetings by invitation.

COMMITTEES OF THE BOARD OF DIRECTORS

Committees under the Board are the Control Committee, Nomination and Reward Committee, and the Health, Safety and Environment Committee. The committees support the work of the Board by preparing and evaluating matters for decision by the Board.

Committee members are elected by the Board. Each committee must consist of three members. The members' term of office ends at the conclusion of the next Annual General Meeting. All Board members have the right to attend committee meetings.

The committee's chair regularly reports to the Board on the committee activities after each meeting. All Board members can access the committee meeting documents and agendas. The Board of Directors has approved the committees' written rules of procedure. The rules are regularly reviewed and updated.

AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in tasks related to financial reporting, risks and oversight. The Audit Committee oversees the financial reporting process and monitors the effectiveness of the Group's internal auditing and risk management systems.

Caruna's auditor, CEO, CFO and Head of Risk Management, who acts as the committee secretary, regularly attend the committee meetings. Other directors attend the meetings by invitation.

The Audit Committee approves the rules of procedure for the internal audit and the auditing plan. The committee also reviews the plan for the external auditing of the accounts and discusses the auditing plan, the Audit Reports and their effects.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee assists the Board of Directors in tasks related to the nominations and remuneration of the Group's management.

The committee meetings are regularly attended by the CEO and the Head of Risk Management, who also acts as the committee secretary. The Head of HR attends the meetings by invitation.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment Committee assists the Board in decision making concerning the safety of operations, environmental issues and corporate responsibility. The committee approves the Group's corporate responsibility programme and indicators.

The CEO, the Board member responsible for HSE matters, the HSE Manager and the Head of Risk Management, who also acts as the committee secretary, regularly attend the meetings.

Board of Directors and committees in 2017

MEMBERS OF THE BOARD OF DIRECTORS

Until the Annual General Meeting of 13 March 2017, the Board members were Juha Laaksonen (Chair), Jouni Grönroos, Niall Mills, Ralph Berg, Alejandro Lopez Delgado and Tomas Pedraza and deputy members Gregor Kurth and Delphine Voeltzel.

The Board members elected at the Annual General Meeting of 13 March 2017 are Juha Laaksonen (Chair), Jouni Grönroos, Niall Mills, and new members Kenton Bradbury, John Guccione ja Gregor Kurth until the 2018 Annual General Meeting. Tomas Pedraza and Delphine Voeltzel were elected as deputy members.

The Board of Directors convened six times in 2017.

JUHA LAAKSONEN

b. 1952

Chairman of the Board

Degree:

- Sc. (Economics)

Present positions:

- Chairman of the Board since 2017 and Member of the Board since 2016, Technopolis Oyj
- Member of the Board, Directors' Institute of Finland (DIF), since 2016
- Chairman of the Board, Alfred Kordelin Foundation, since 2014
- Member and Vice-Chairman of the Board, Taaleritehdas Oyj, since 2013

Previous positions:

- Chairman of the Board, the Association of Finnish Fine Arts Foundations, 2012–2017
- Member of the Board and Chairman of the Audit Committee, Kemira Oyj, 2007–2017
- Executive Vice President and CFO, Fortum Corporation, 2000–2012
- Vice President, Mergers & Acquisitions, Fortum Oyj, 2000
- Executive Vice President, Finance & Planning, Fortum Oil & Gas, 1999
- Chief Financial Officer, Neste Oyj, 1998–1999
- Corporate Controller, Neste Oyj, 1997–1998
- Vice President, Finance & Strategy, Neste Chemicals, 1993–1996
- Various managerial and expert positions, Neste Corporation, 1979–1992
- Member of the Board, Sponda Oyj, 2013–2016
- Chairman of the Board, The Fortum Art Foundation, 2006–2016
- Chairman of the Board, Sato Oyj, 2007–2015
- Member of the Supervisory Board, Kemijoki Oy, 2002–2013
- Member of the Board, Teollisuuden Voima Oy, 2003–2010
- Member of the Board, Neste Oil Oyj, 2005–2007
- Member of the Supervisory Board, Tapiola Mutual Insurance Company, 2002–2007
- Chairman of the Board, Fortum Pension Fund, 2001–2005

JOUNI GRÖNROOS

b. 1965

Member of the Board

Degree:

- Sc. (Economics), Helsinki School of Economics

Present positions:

- Deputy Chief Executive Officer and Chief Financial Officer, Fazer Group, since 2010
- Chairman or Vice-Chairman of the Board in several subsidiaries of Fazer Group
- Member of the Board, Hartwall Capital Oy, since 2018
- Member of the Delegation, Helsinki Region Chamber of Commerce, since 2017
- Member of the Food Sector, National Emergency Supply Agency, since 2017
- Deputy Member of the National Auditing Board, Finnish Patent and Registration Office, since 2016
- Deputy Member of the Board, East Office Oy, since 2013
- Member of the Board, Finnish Coast Artillery Foundation, since 2002

Previous positions:

- Member and Deputy Member of the State Auditing Board, Finland Chamber of Commerce
- CFO, Rapala VMC Corporation and AvestaPolarit Oyj
- Managerial positions in Outokumpu Oyj
- Auditor, KPMG

NIALL MILLS

b. 1968

Member of the Board

Degree:

- MBA, London Business School
- Diploma in Company Direction, Institute of Directors
- BEng (Hons) in Civil Engineering
- Member of the Institution of Civil Engineers

Present positions:

- Partner and Head of Infrastructure Asset Management, European Direct Infrastructure, First State Investments (FSI)

Previous positions:

- Director positions at Anglian Water Group, Electricity North West, Regasificadora del Noroeste, Newham Hospital Healthcare Services, Caruna and Digita
- Asset Director, Southern Water
- Director of Projects, Novar Projects Limited
- Project Director, Bechtel Limited

KENTON BRADBURY

b. 1970

Member of the Board

Degree:

- First Class Honours degree in Engineering, Cambridge University
- Attended a program for management development at Harvard
- Member of the Institute of Engineering and Technology

Present positions:

- Managing Director, Asset Management, OMERS Infrastructure

Previous positions:

- Director, Infracapital, M&G Investments
- SVP Infrastructure and Regulation, E.on, Germany

JOHN GUCCIONE

b. 1972

Member of the Board

Degree:

- BA, University of Toronto
- B., Osgoode Hall, York University

Present positions:

- Managing Director, Legal, OMERS Infrastructure

Previous positions:

- Member of the energy and infrastructure group, Linklaters LLP
- Member of the corporate group at Torys LLP

GREGOR KURTH

b. 1981

Member of the Board

Degree:

- Sc. (Finance and Accounting), Cass Business School, City University of London
- Sc. (Economics), Maastricht University

Present positions:

- Director, European Direct Infrastructure, First State Investments (FSI)
- Member of the Advisory Board, Ferngas Group, since 2013
- Member of the Board, Digita Oy, since 2012

Previous positions:

- Investment Analyst, 3i Infrastructure
- Analyst, Deutsche Bank

TOMAS PEDRAZA

b. 1977

Deputy Member of the Board

Degree:

- Industrial Engineer, Universidad Pontificia de Comillas
- MBA, IESE Business School, University of Navarra
- MBA, Stephen M. Ross School of Business, University of Michigan
- MBA, China Europe International Business School

Present positions:

- Director, European Direct Infrastructure, First State Investments (FSI)

Previous positions:

- Manager, Business Development, Union Fenosa S.A.
- Operations Manager, Union Fenosa International
- Deputy Area Manager, Union Fenosa Distribution

DELPHINE VOELTZEL

b. 1984

Deputy Member of the Board

Degree:

- Sc. (Finance), HEC School of Management

Present positions:

- Associate Director, OMERS Infrastructure

Previous positions:

- Mergers & Acquisitions Analyst, Rothschild

AUDIT COMMITTEE

Following the Annual General Meeting of 13 March 2017, Jouni Grönroos (Chair), Delphine Voeltzel and Gregor Kurth were elected to the Audit Committee. During the previous term, which ended at the Annual General Meeting, the committee members were Jouni Grönroos (Chair), Delphine Voeltzel and Tomas Pedraza.

The Audit Committee convened three times in 2017.

NOMINATION AND REMUNERATION COMMITTEE

Following the Annual General Meeting of 13 March 2017, Juha Laaksonen (Chair), Niall Mills and John Guccione were elected to the Nomination and Remuneration Committee. During the previous term, which ended at the Annual General Meeting, the members were Juha Laaksonen (Chair), Niall Mills and Alejandro Lopez Delgado.

The Nomination and Remuneration Committee convened three times in 2017.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

Following the Annual General Meeting of 13 March 2017, Niall Mills (Chair), Kenton Bradbury and Gregor Kurth were elected to the committee. During the previous term, which ended at the Annual General Meeting, the committee members were Niall Mills (Chair), Kenton Bradbury and Tomas Pedraza.

The Health, Safety and Environment Committee convened twice in 2017.

Management Team

The CEO has a management role under the Limited Liability Companies Act. The CEO chairs the Management Team. In accordance with the Limited Liability Companies Act and the instructions and orders given by the Board, the CEO is responsible for the Group's executive management. Under the Limited Liability Companies Act, the CEO is responsible for ensuring that the company's accounts are in compliance with the law and its financial affairs have been arranged in a reliable manner.

In 2017, Jyrki Tammivuori was appointed as the Group's acting CEO until 30 April 2017. Tomi Yli-Kyyny was appointed as the Group's CEO as of 1 May 2017.

The Management Team supports the CEO's work. The Management Team assists the CEO in achieving strategic and sustainable business objectives in a manner decided by the Board, prepares the Group's business plans and decides on investment and business arrangements that fall within its remit.

Financial performance and the outcomes of the corporate responsibility programme are monitored by monthly reporting and reviewed monthly by the Management Team. The Group's operational management includes extended quarterly business monitoring meetings. The extended Management Team includes, in addition to the Management Team members, key persons appointed by the CEO, along with the elected representatives of Caruna's employees and senior employees.

Each member of the Management Team is responsible for the operative implementation of the day-to-day business activities.

MEMBERS OF THE MANAGEMENT TEAM

In September 2017, Caruna reformed its organisation and the Management Team to better meet its strategy, which was updated in 2017. The key changes concerned the development and operation of Caruna's electricity network, and its communications and public affairs management. Seeking to improve effectiveness, Caruna has fewer members in its Management Team.

The Asset Management and Network Operation units were combined to form a new Electricity Networks unit. CEO Tomi Yli-Kyyny has acted as the temporary head of unit. In December 2017, Kosti Rautiainen M.Sc (Tech.)

was appointed as the head of unit and will take up his duties at Caruna in March 2018.

Tekir Oy’s Chairman of the Board Harri Saukkomaa has joined Caruna as Head of Communications and Public Affairs on a temporary and part-time basis. During his appointment, Mr Saukkomaa will contribute to the work of Caruna Management Team. In December 2017, Anne Pirilä M.Sc (Social Sciences) was appointed as Caruna’s Head of Communications and Public Affairs, commencing her duties on 5 February 2018.



TOMI YLI-KYYNTY

M.Sc. (Engineering), b. 1962

CEO since 1 May 2017; acting Head of Electrical Network since 22 September 2017

Degree: M.Sc. (Engineering)

Experience: In addition to several years of experience from energy sector, 20 years of experience from insurance and banking.

Previous and other positions:

- 2015- Member of the Board, Garantia Oy
- 2014- Member of the Board, Barona Oy
- 2011-2017 CEO, Vapo
- 2005-2010 CEO, Pohjola Insurance
- 2005-2006 CEO, Pohjola Group Oyj



JYRKI TAMMIVUORI

M.Sc. (Economics), b. 1971

CFO, Deputy to CEO; acting CEO until 30 April 2017

Degree: M.Sc. (Economics)

Experience: Over 20 years of experience in finance.

Previous positions:

- 2013-2014 Acting Chief Financial Officer, Stora Enso Oyj
- 2008-2014 Group Treasurer, Stora Enso Oyj
- 1999-2008 Several other finance positions at Stora Enso Oyj in Brussels, London and Helsinki
- 2012-2015 Member of the Board, Tornator Oyj
- 2010-2012 Deputy Member of the Board, Tornator Oyj
- 2009-2014 Non-executive Member of the Board, Thiele Kaolin Company, GA USA



KATRIINA KALAVAINEN

B.Sc. (Economics), b. 1970

Head of Customer Relations

Degree: B.Sc. (Economics)

Experience: 9 years in electricity distribution, 15 years in customer services.

Previous positions:

- 2008-2013 Head of Customer Data Management, Fortum Distribution
- 2008 Team Manager, Customer Service, Fortum Distribution
- 2006-2008 Customer Service Manager, private and small business customers, Elisa Oyj
- 2004-2005 Customer Service Manager, private customers, Elisa Oyj



HARRI PYNNÄ

LL.M., b. 1956

Head of Company Development until 21 September 2017, Head of Governance, Compliance and Risks since

Degree: Master of Laws

Experience: 20 years of experience in energy business.

Previous positions:

- 1998-2013 General Counsel, Fortum Corporation
- 1994-1998 Industrial Counsellor, Ministry of Trade and Industry
- 1982-1994 Legal Counsel and Senior Vice President, Corporate and Investment banking, Union Bank of Finland



TOMMI SAIKKONEN

M.Sc. (Economics), b. 1966

Head of HR

Degree: M.Sc. (Economics)

Experience: 10 years of experience in electricity distribution, 25 years in HR

Previous positions:

- 2008-2013 VP Human Resources, Fortum Distribution
- 2000-2008 HR Manager/HR Director, Nokia Ltd
- 1997-2000 HR Consultant/HR Manager, ICL Data Ltd



HARRI SAUKKOMAA

Journalist, b. 1957

Acting Head of Communications and Public Affairs since 22 September 2017

Degree: Journalist, Sanoma School of Journalism

Experience: Over 40 years of experience in journalism and of different kinds of communications positions in various corporations.

Previous and other positions:

- 2017- Member of the Board, Pop & Jazz Konservatorio
- 2015- Member of the Board, Viestilehdet ry
- 2007- Member of the Board, Ylioppilaslehdet Kustannus Oy
- 2007- Founder, Consultant and Executive Chairman of the Board, Tekir Ltd



JÖRGEN DAHLQVIST

B.Sc. (Engineering), b. 1966

Head of Network Operations and member of the Management Team until 21 September 2017, Network Operations Director since

Degree: B.Sc. (Engineering)

Experience: Over 20 years in electricity distribution.

Previous positions:

- 2006-2013 Head of Network Operations, Fortum Distribution
- 2003-2005 Operation Manager, Fortum Distribution
- 2003 Network Service Manager, Fortum Distribution
- 1995-2002 Network Operations/Primary Substations Project Management, ELNOVA/Uudenmaan Sähköverkko



RIIKKA HIRVISALO-OJA

M.Sc. (Economics), b. 1966

Head of Regulation and Revenue and member of the Management Team until 21 September 2017, Public Affairs Director

Degree: M.Sc. (Economics)

Kokemus: 15 years in electricity distribution.

Previous positions:

- 2009-2013 Head of Customer Relations, Fortum Distribution
- 2007-2009 VP Purchasing and AMM, Fortum Distribution
- 2005-2007 Head of Measurements and Technical Customer Service, Fortum Distribution
- 2002-2005 Head of Technical Customer Service, Fortum Distribution



HEIKKI LINNANEN

M.Sc. (Engineering), b. 1971

Head of Projects and IT and member of the Management Team until 21 September 2017, IT Director since

Degree: M.Sc. (Engineering)

Experience: 10 years in electricity distribution, 15 years in project and IT management.

Previous positions:

- 2013 Head of Projects, IT and Sustainability, Fortum Distribution
- 2008-2012 Project Manager, Smart Metering Project Finland, Fortum Distribution
- 2006-2008 Program Manager, Integration and Solution Sales, Nokia Siemens Networks
- 2005-2006 Portfolio Manager, Nokia Siemens Networks



HENNA TUOMINEN

M.A. (Intercultural business communication), b. 1976

Head of Communications and member of the Management Team until 21 September 2017, Communications Director since

Degree: M.A. (Intercultural Business Communication)

Experience: Over 15 years of experience in communications.

Previous position:

- 2009-2014 Communications Manager, Elisa Oyj
- 2001-2009 Communications Consultant, PR and Reputation, Pohjoisranta



TIMO JUTILA

B.Sc. (Engineering), b. 1966

Head of Asset Management and member of the Management Team until 21 September 2017

Degree: B.Sc. (Engineering)

Experience: 18 years in electricity distribution and 9 years in multiple positions in the electricity machines manufacturing industry.

Previous positions:

- 2013 Head of Local Network, Sweden and Finland, Fortum Distribution
- 2008-2012 Head of Customer Relations, Finland, Fortum Distribution
- 2008 Head of Technical Service (Customer Relations), Fortum Distribution
- 2004-2007 Head of Technical Service Finland, Fortum Customer Services

Remuneration of management, Board of Directors and committees

The remuneration paid to the members and deputy members of the Board of Directors and committees came to a total of EUR 178 thousand in 2017.

In 2017, the total earnings paid to Caruna's acting CEO Jyrki Tammivuori and CEO Tomi Yli-Kyyny, who took up his duties in May 2017, came to EUR 424 thousand, consisting of a monthly salary, employee benefits and the long- and short-term performance-based management incentives. The salaries and remuneration received by other Management Team members in management positions amounted to EUR 1,558 thousand in 2017.



Management

Caruna's management is based on the company strategy, values, guidelines and good governance.

Caruna's management

Caruna's management practices are based on the company's strategy and values, as well as on policies and principles defined on the Group-level. Our management practices adhere to good corporate governance and the best leadership principles. We have defined Caruna's strategy and business goals on a Group-wide basis and shared them with the entire organisation.

Caruna's operations are led by our Management Team, in charge of long-term strategic planning and the business plan. The business plan is drawn up for four-year periods and adjusted yearly as necessary. Each business unit uses these documents as the basis for their own yearly operation plans. In September 2017, an extended Management Team was created to support the Management Team. The first priority of the extended team is to steer the strategic changes in the Group.

The operations and goals are monitored regularly by the unit management teams, the Caruna Management Team and the extended Management Team. The results are reported to the Board of Directors.

Our management practices adhere to good corporate governance and the best leadership principles.

A set of company- and unit-specific performance indicators have been created for monitoring Caruna's operations, including a range of targets down to a person-specific level. The operations are examined as a whole, and the indicators have been designed to exclude the possibility of partial optimisation. Each employee's performance is compared with the company's strategic business goals. The set of indicators also functions as a basis for our reward system. Caruna's reward system applies to the entire personnel.

The quality of management is evaluated by yearly personnel surveys. Caruna promotes self-management and encourages employees to actively participate in improving the working environment.

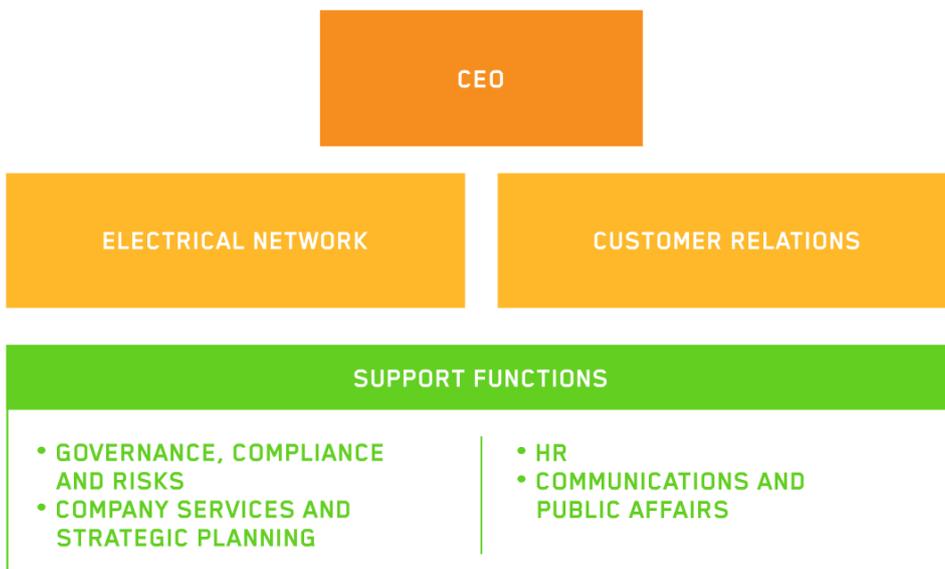
Organisational structure

Caruna’s organisation was reformed in September 2017. Until then, Caruna had three business units: Asset Management, Network Operation and Customer Relations. In September, the number of business units was reduced to two: Electricity Networks and Customer Relations. Network Operation and Asset Management were merged into the Electricity Networks business unit.

Communications and Public Relations along with the HR continue to be led by their own heads of units. ICT, legal matters, regulation and finances were merged into the Company Services and Strategic Planning. Each unit’s head reports directly to the CEO and is a member of the Caruna Management Team. The Management Team convenes twice per month.

The Management Team is supported by the extended Management Team, which primarily acts as the steering group for strategic changes. The extended Management Team includes all Management Team members, two employee representatives and key persons from the business units appointed by the CEO. The extended Management Team convenes once per month.

In Caruna’s management process, the business unit management teams undertake preparatory work. They are responsible for ensuring that the tasks delegated to them by the CEO are carried out by the appropriate people.



Management of different areas

ASSET MANAGEMENT

Caruna's Asset Management unit is in charge of managing the electricity network assets and responsible for the principles of network asset management. The management of assets is guided by the network building and maintenance principles, and the network development plan submitted to the Energy Authority every two years. All plans take account of Caruna's customers, quality standards and the environment.

The key principle and factor steering Caruna's asset management is the reliability of electricity supply. Electricity network building is also guided by the age of the network, growth and the needs of a changing society.

Network investment, along with maintenance projects and programmes, are discussed and approved as part of investment reviews. The purpose of these reviews is to ensure that Caruna's electricity network development is aligned with Caruna's strategy, financial and technical targets and the network building and maintenance principles.

MANAGEMENT OF OCCUPATIONAL HEALTH, SAFETY AND THE ENVIRONMENT

Caruna's occupational health, safety and environmental (HSE) policy defines the principles of our health and safety management and environmental action. Our HSE policy also applies to our partners and covers our entire supply chain.

Caruna's HSE management is based on goals and on the principle of continuous improvement. Safety-related matters are set goals and targets, whose realisation is monitored and communicated regularly. The frequency of incidents causing contractor absences is one of the key indicators on the level of the entire company. Caruna's safety management covers our entire supply chain, including our partners.

Caruna's Management Team sets the shared rules, goals and targets for HSE activities, and monitors their realisation. The Management Team ensures the availability of personnel and material resources required by these goals. Responsibilities are further allocated to business units in accordance with the types of their activities.

The key principle and factor steering Caruna's asset management is the reliability of electricity supply.

Caruna's safety management covers our entire supply chain, including our partners.

In occupational health, safety and environmental management, the Management Team is supported by the HSE Manager, together with the HSE working group composed of representatives from the business units. Caruna's occupational wellbeing team and industrial safety committee handle issues related to the occupational health and work-related wellbeing of the company's own personnel.

Caruna's occupational health and safety management system, which complies with OHSAS 18001:2007, was certified in 2016. Caruna also has set up a certified environmental management system that complies with ISO 14001:2015.

HR MANAGEMENT

Caruna's objective is to be a desired employer who attracts and retains competent employees. Caruna's HR policy guides our day-to-day operations. The Head of HR is responsible for the management and development of Caruna's people. The Head of HR is a member of the Management Team. The HR unit together with supervisors and employee representatives are responsible for the implementation of Caruna's HR policy.

We observe the following principles concerning Caruna's people:

- We believe that good leadership is the cornerstone of employee engagement and performance excellence.
- We observe fair, open and competitive remuneration practices at each level of the organisation.
- We support Caruna employees' career and development opportunities.
- Resourcing at Caruna is based on long-term planning.
- We provide a safe and healthy working environment.
- We respect the freedom of association and the right to negotiate collective agreements.
- We are an equal rights employer.

Caruna's supervisors are expected to share a set of supervisor competences. These have been defined as direction, high-quality decision making and development of teams and individuals. Attention is paid to these competences in recruitment, and they guide the development of supervisor activities.

**We support
Caruna employees'
career and
development
opportunities.**

PROCUREMENT MANAGEMENT

All purchasing-related areas and processes have been assigned to Caruna's procurement organisation. A centralised organisation working under the Head of Procurement enables a professional procurement function and adherence to high standards.

Our competitive tendering is guided by the Act 1398/2016 on public procurement in specialised sectors (erityisalojen hankintalaki) which includes provisions on the tendering process. In the process, particular attention is paid to fair and non-discriminatory treatment of bidders and the total cost of purchases, including quality standards.

Risk management plays a key role in Caruna's Source to Pay procurement process and selection of partners. The management of supplier risk is an essential part of Caruna's procurement function. We seek to proactively minimise supplier risk and secure Caruna's business operations and continuity under any circumstances.

CUSTOMER RELATIONS MANAGEMENT

Caruna's Management Team is responsible for the management of customer experience, seeking to develop Caruna's business operations efficiently and with a customer-centric approach, in line with Caruna's strategy. In the 2017, Caruna discontinued the customer experience group established in late 2016, and each unit has taken responsibility for developing and implementing the customer experience in their own area.

The implementation and development of Caruna's customer services belongs to the Customer Relations unit, which ensures a high-quality customer experience for electricity network service customers with regard to their customer service, fault service, metering service, balance management, invoicing and debt collection. The Customer Relations unit is responsible for Caruna's customer communications in all channels. Customer Relations coordinates Caruna's customer communications and events in collaboration with the other units.

We manage customer relations in accordance with Caruna's general leadership principles. Clearly defined responsibilities, goals and on-going monitoring are management cornerstones. In addition, HR management plays a key role in customer relations management.

Our competitive tendering is guided by the act on public procurement in specialised sectors which includes provisions on the tendering process.

Caruna's Management Team is responsible for the management of customer experience, seeking to develop Caruna's business operations efficiently and with a customer-centric approach.

Customer satisfaction is the most important principle and factor in guiding customer relations management, along with customer contacts, up-to-date invoicing and our partners' operations as part of the service process.

Customer Relations reports to company management and the Board of Directors.

FINANCIAL MANAGEMENT

Our responsibility as a company is to ensure our business is profitable and to improve our operations and network assets with a long-term view. The profitability and competitiveness of our business enables us to be a reliable employer and a significant investor and buyer of services.

We manage financial responsibilities in accordance with Caruna's general leadership principles. Clearly defined responsibilities, goals, on-going monitoring, and internal supervision are management cornerstones. In addition to these, risk assessment is critical for financial management. A comprehensive coverage of market and operative risks allows us to optimise Caruna's financial performance and minimise any factors threatening our business operations.

The Corporate Services and Strategy unit is in charge of financial reporting and of verifying the accuracy of the reports every month. The Group employs appropriate financial reporting systems, used in accordance with internal supervising principles.

The Finances unit provides the Management Team, the Board and the Audit Committee operating under the Board's direction with reports of the Group-wide, company-wide and unit-specific financial performance.

The Board uses this information to assess the Group's current and future condition. The company's financial statements are approved by the Board.

In addition to the Audit Committee, the accuracy of financial reporting and functionality of processes are audited by Caruna's internal audit and an independent Authorised Public Audit company. The Group's consolidated financial statements are drawn up in accordance with the IFRS standards, and the separate financial statements of the parent company and affiliate companies follow the Finnish Accounting Act.

Clearly defined responsibilities, goals, on-going monitoring, and internal supervision are management cornerstones.

MANAGEMENT OF CORPORATE RESPONSIBILITY

Caruna's corporate responsibility is guided by the company's vision, mission, values, and strategy. Good corporate citizenship is one of the priorities in the updated strategy, and it shows both in the planning of activities and operative implementation.

Caruna's Board of Directors and the HSE Committee reporting to it are responsible for the strategic monitoring and guidance related to corporate responsibility in the entire company. The CEO, Head of Communication and HSE Manager report the corporate responsibility goals and results to the Board. Corporate responsibility is discussed regularly by Caruna's Management Team. The key indicators of the priorities set out for corporate responsibility, such as reliability of supply, contractor safety and customer experience, constitute an important component of the company's KPIs that are monitored monthly.

The Head of Communications is responsible for materiality analysis, determination of priorities, corporate responsibility programme, indicators and objectives. Caruna's Management Team and Board approve the priorities, objectives and key actions of corporate responsibility. Coordination and implementation of corporate responsibility are carried out by the extended Management Team with members from all Caruna business units. The Head of Communications and the HSE Manager are responsible for more detailed planning and implementation of matters related to corporate responsibility within their own competences.

Good corporate citizenship is one of the priorities in the updated strategy.



Risk management

We ensure the continuity of our operations by actively identifying and managing risks.

Exceptional weather conditions

The most significant operational risks relate to exceptional weather conditions, such as storms, heavy snowfall, and exceptionally severe frosts, which can affect the reliability of electricity supply in the transmission and distribution network. The key method of preventing interruptions is to replace overhead lines with underground cables, forest management near overhead lines and development of remote network control.

In addition, we develop the structure of our networks in such a way that a faulty part can be secluded during an outage, which again improves our ability to minimise the number of customers affected by it. Careful prior planning enables adequate preparation, which is essential in case of a disturbance.

Changes in the regulatory environment

In the long term, operational risks often emerge as a result of changes in regulations but also, in the short term, from differing interpretations of regulations and decisions. The Finnish regulatory environment can be considered stable. The current regulation period commenced at the beginning of 2016, and it provides an 8-year perspective instead of a 4-year one.

Supplier risk

Due to various reasons, such as liquidation, the suppliers we use may be unable to deliver the commissioned network projects and services. Our procurement model will ensure Caruna a favourable and sound position for competition in each of its network areas.

A systematic control model for contractors and services will provide fast signals from the market of any contractor-specific problems, consequently providing the opportunity to step in and perform the necessary corrective actions in time.

Risks related to health, safety and the environment

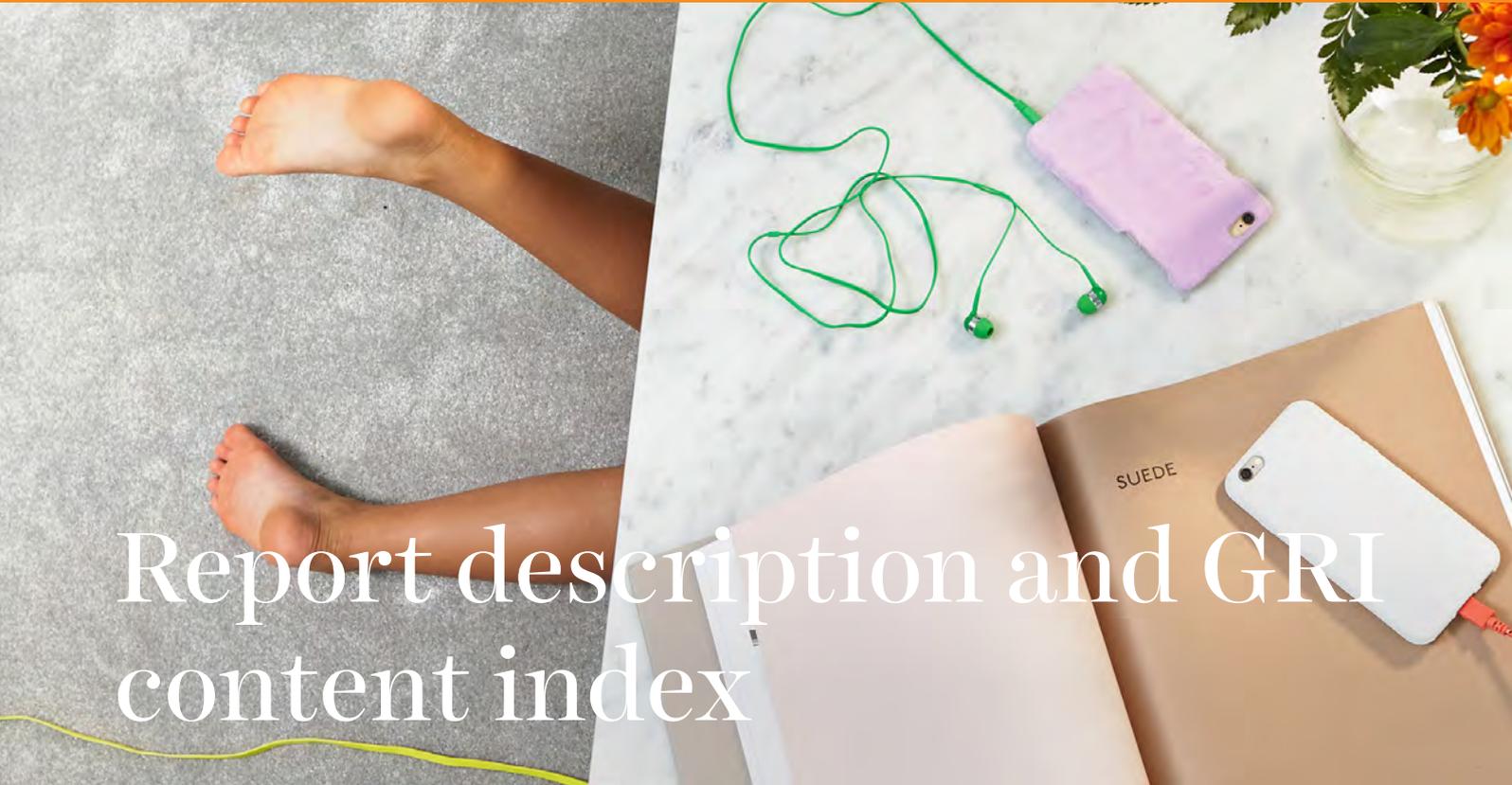
The management of health, safety and environmental (HSE) risks is integrated in Caruna's total risk management and dealt with in accordance with the company's risk management principles.

Identification and assessment of HSE risks, along with the definition and monitoring of the measures to manage such risks, are part of work carried out by Caruna's internal HSE working group. A comprehensive HSE risk assessment is carried out every year as part of the business planning process. The list of risks is revised monthly, and the changes in risks are reviewed quarterly, including an assessment of the level of risk and the status of measures. In the company-level risk matrix, the level of all identified HSE risks is given as low or moderate.

Caruna's safety risks include incidents such as subcontractor injuries and serious near misses. Subcontractors, who do not have a contractual relationship with Caruna, carry out a significant part of the work on site. The majority of their work is demanding and requires specific expertise.

The number of contractor injuries that occurred during the first quarter of 2017 was the same as that for the whole of 2016. Half of all the injuries and all serious injuries happened to the subcontractors. As a risk management measure, Caruna supplemented its contractor safety improvement programme, with particular attention paid to the measures affecting subcontractors, such as the Caruna Card training and the HSE partnership network. The injury frequency rate evened out towards the end of the year, and the results for the fourth quarter had clearly improved from the previous quarters.

The most significant environmental risk has been the risk of oil spills, especially in the class 1 groundwater areas. Caruna's objective is to completely eliminate this risk by the end of 2019 with the help of the groundwater pole-mounted transformer regeneration programme.



Report description and GRI content index

Report description

Caruna reports on the corporate responsibility of its operations now for the third time. The reporting complies with GRI's G4 guidelines. Caruna's Annual Report includes a review of financial performance.

This Annual Report covers Caruna's operations from 1 January 2017 to 31 December 2017. Caruna reports on its operations on an annual basis. The next report will be published in the spring of 2019.

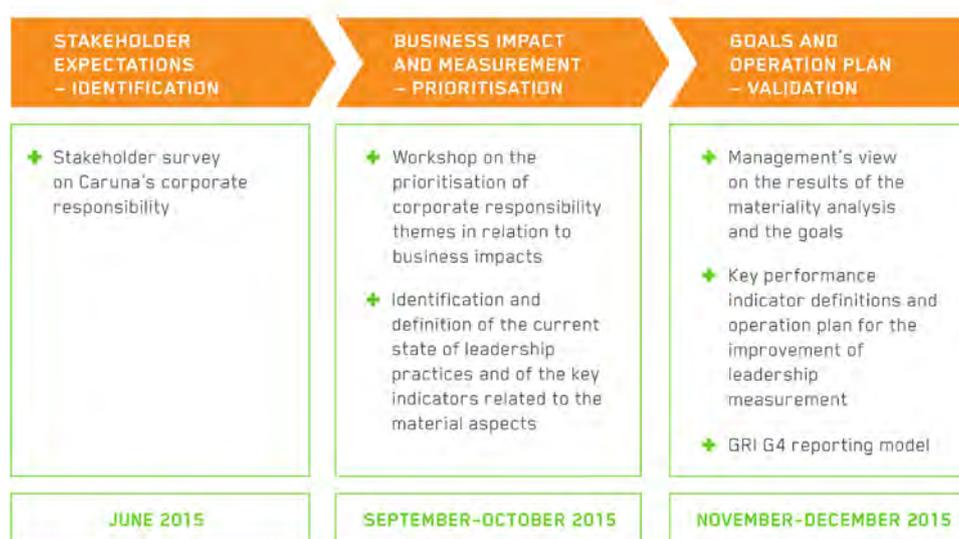
Defining the report contents

Caruna’s report on corporate responsibility for 2017 has been drawn up in accordance with the Global Reporting Initiative’s GRI G4 Guidelines. The report is formulated by complying with the procedural methods and core application scope in the GRI G4 guidelines. The report covers the standard disclosures of the G4 Guidelines, its Electric Utilities Sector Disclosures, and the aspects of corporate responsibility considered material to Caruna’s operations. Corporate responsibility agency Mitopro Oy has reviewed the Report’s compliance with the Core scope of the GRI G4 Guidelines.

In mid- and late-2015, we identified the key areas of our corporate responsibility. The process covered the economic, environmental and social aspects of Caruna’s activities regarding both stakeholders and business operations. The process begun with an internal definition of the framework for Caruna’s operations from the point of view of corporate responsibility. This stage also involved identifying a wide range of themes related to sustainability. The following stage consisted of a sustainability survey where we asked both internal and external stakeholders to share their views regarding Caruna’s operations, sustainability, and the most important development areas.

The stakeholder survey covered corporate customers, private customers, contractors and other partners, municipal decision-makers, government authorities, regional administrations, rescue services, higher education institutions, industry organisations and Caruna’s employees.

Materiality assessment process



The results of the stakeholder survey were processed by Caruna’s HSE working group, the Management Team and the HSE Committee appointed by the Board of Directors. At the last stage of the process, we summarised and grouped our sustainability themes and aspects into six groups and several sub-groups.

Themes and aspects of corporate responsibility

| RELIABILITY OF SUPPLY | SAFETY | CUSTOMERS AND THE SOCIETY |
|--|--|---|
| <ul style="list-style-type: none"> + Investments in network development + Readiness for exceptional conditions and quick repair of faults | <ul style="list-style-type: none"> + Occupational safety of own and subcontractors' employees + Customer and public safety of electricity networks and work sites | <ul style="list-style-type: none"> + Customer satisfaction + Non-discrimination of customers and reasonable pricing + Local economic impact + Stakeholder collaboration |
| RESPONSIBLE SOURCING | ENVIRONMENT | PERSONNEL |
| <ul style="list-style-type: none"> + Purchase practices and equality toward contractors + Sustainable sourcing of materials + Subcontractor work conditions | <ul style="list-style-type: none"> + Minimisation of adverse effects on the environment + Environmental safety + Sustainable and efficient use of natural resources + Land use and landscape impacts | <ul style="list-style-type: none"> + Good leadership + Expertise + Occupational well-being and health + Equality |
| <p>OPENNESS, ETHICAL BUSINESS PRINCIPLES AND GOOD CORPORATE GOVERNANCE</p> | | |

We will carry out a new materiality analysis process and introduce GRI Standards into our corporate responsibility reporting during 2018.

GRI's material aspects and boundaries

The companies covered by Caruna's consolidated financial statements are listed in the introduction to the Annual Report. The data provided in the report on corporate responsibility cover Caruna Group's companies and business operations.

Caruna's material GRI G4 aspects and their boundaries are described in the following table.

| CARUNA'S PRIORITIES | GRI G4 ASPECTS | CALCULATION LIMITS OF SPECIFIC ASPECTS |
|--|---|---|
| Security of supply <ul style="list-style-type: none"> • Network investments and development • Emergency preparedness and quick fault repair | <ul style="list-style-type: none"> • Availability and security of electrical supply • System efficiency • Research and development expenditure • Crisis and emergency preparation | Caruna's own operations, customers and community |
| Safety <ul style="list-style-type: none"> • Safety of employees and contractors • Network and public safety | <ul style="list-style-type: none"> • Occupational health and safety • Customers' health and safety | Caruna's own operations, contractors, customers and community |
| Customers and society <ul style="list-style-type: none"> • Customer satisfaction • Non-discrimination of customers and reasonable pricing • Local economic impact • Interest group collaboration | <ul style="list-style-type: none"> • Product and service information • Financial results • Indirect economic impact • Caruna's own aspect: Non-discrimination of customers • Protection of privacy | Caruna's own operations, customers and community |
| Responsible procurement <ul style="list-style-type: none"> • Procurement practices and fair treatment of suppliers and contractors • Responsibility in material procurement • Working conditions in supply chain | <ul style="list-style-type: none"> • Procurement procedures • Suppliers' environmental assessments • Assessment of suppliers' working conditions • Assessment of suppliers' social impact | Caruna's own operations, contractors and contracting chain |

table continues on the next page



| CARUNA'S PRIORITIES | GRI G4 ASPECTS | CALCULATION LIMITS OF |
|---|---|--|
| <p>Environmental factors</p> <ul style="list-style-type: none"> • Minimising environmental hazards • Sustainable and effective use of natural resources • Environmental safety • Impacts on land use and landscape | <ul style="list-style-type: none"> • Materials • Energy • Emissions • Waste water and wastes • Biodiversity • Compliance with regulations | <p>Caruna's own operations and contractors</p> |
| <p>Personnel</p> <ul style="list-style-type: none"> • Good management • Expertise • Well-being at work and occupational health • Equality | <ul style="list-style-type: none"> • Employment • Training • Diversity and equal opportunities • Caruna's own aspect: Well-being at work | <p>Caruna's own operations</p> |
| <p>Openness, ethical business principles and good corporate governance principles</p> | <ul style="list-style-type: none"> • Opposition to bribery and corruption • Limits on competition • Compliance with regulations | <p>Caruna's own operations</p> |

GRI Content Index

— Strategy and Analysis

| GRI Code | GRI Content | Reporting | Comments |
|----------|--|--|----------|
| G4-1 | CEO Statement | From the CEO | |
| G4-2 | Description of key impacts, risks, and opportunities | From the CEO Corporate responsibility | |

— Organisational Profile

| GRI Code | GRI Content | Reporting | Comments |
|----------|---|--|----------|
| G4-3 | Name of the organisation | Caruna in brief | |
| G4-4 | Primary brands, products, and services | Caruna in brief | |
| G4-5 | Location of the organisation's headquarters | Caruna in brief | |
| G4-6 | Countries where the organisation operates | Caruna in brief | |
| G4-7 | Nature of ownership and legal form | Caruna in brief | |
| G4-8 | Markets served | Caruna in brief | |
| G4-9 | Scale of the organisation | Caruna in brief | |
| G4-10 | Workforce | Employees Caruna's supply chain | |
| G4-11 | Employees covered by collective bargaining agreements | Employees Sustainability requirements | |
| G4-12 | Supply chain | Caruna's supply chain | |
| G4-13 | Significant changes during the reporting period regarding the organisation's size, structure, ownership, or its supply chain. | Main events during 2017 Caruna's supply chain | |

table continues on the next page



— Organisational Profile

| GRI Code | GRI Content | Reporting | Comments |
|----------|---|--|--|
| G4-14 | Addressing the precautionary principle | Corporate responsibility principles Risk management | |
| G4-15 | External charters, principles or initiatives endorsed | The way we work Energy Efficiency Agreement | |
| G4-16 | Memberships of associations | Stakeholder collaboration | |
| EU1 | Installed capacity, broken down by primary energy source and by regulatory regime | | Does not apply, no own production |
| EU2 | Net energy output broken down by primary energy source and by regulatory regime | | Does not apply, no own production |
| EU3 | Number of residential, industrial, institutional and commercial customer accounts | Customers | |
| EU4 | Length of above and underground transmission and distribution lines | Electricity network and reliability of supply | |
| EU5 | Allocation of CO2e emissions allowances | | Does not apply, Caruna is not involved in emissions trade system |

table continues on the next page



— Identified Material Aspects and Boundaries

| GRI Code | GRI Content | Reporting | Comments |
|----------|--|---------------------------------------|--|
| G4-17 | Entities included in the organisation's consolidated financial statements | Corporate structure | |
| G4-18 | Process for defining the report content and the Aspect Boundaries | Defining the report contents | |
| G4-19 | Material Aspects identified | Defining the report contents | |
| G4-20 | Aspect Boundary within the organisation | GRI's material aspects and boundaries | |
| G4-21 | Aspect Boundary outside the organisation | GRI's material aspects and boundaries | |
| G4-22 | Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements | | Changes are reported in connection with relevant performance indicators. |
| G4-23 | Report significant changes from previous reporting periods in the Scope and Aspect Boundaries | | No significant changes. |

table continues on the next page



— Stakeholder Engagement

| GRI Code | GRI Content | Reporting | Comments |
|----------|---|---|----------|
| G4-24 | Provide a list of stakeholder groups engaged by the organisation | Stakeholder collaboration | |
| G4-25 | Report the basis for identification and selection of stakeholders with whom to engage | Stakeholder collaboration | |
| G4-26 | Organisation’s approach to stakeholder engagement | Stakeholder collaboration | |
| G4-27 | Report key topics and concerns that have been raised through stakeholder engagement | Stakeholder collaboration Defining the report contents | |

— Report Profile

| GRI Code | GRI Content | Reporting | Comments |
|----------|--|--------------------|--|
| G4-28 | Reporting period (such as fiscal or calendar year) for information provided | Report description | |
| G4-29 | Date of the previous report | Report description | |
| G4-30 | Reporting cycle (such as annual, biennial) | Report description | |
| G4-31 | Provide the contact point for questions regarding the report or its contents | | Contact us |
| G4-32 | GRI Content Index | GRI Content Index | |
| G4-33 | Report the organization’s policy and current practice with regard to seeking external assurance for the report | | Corporate responsibility information is not externally assured |

table continues on the next page



— Governance

| GRI Code | GRI Content | Reporting | Comments |
|----------|---|--|----------|
| | Governance structure and composition | | |
| G4-34 | Governance structure and committees | Caruna's governing bodies | |
| G4-35 | Delegating authority | Board of Directors Management of corporate responsibility | |
| G4-36 | Responsibility for economic, environmental and social topics | Management of corporate responsibility | |
| G4-38 | Composition of the highest governance body and its committees | Board of Directors and committees in 2017 | |
| G4-42 | Board of Directors' role in setting the organisation's purpose, values and strategy | Values, business principles and strategy | |

— Ethics and Integrity

| GRI Code | GRI Content | Reporting | Comments |
|----------|---|---|----------|
| G4-56 | Values, principles, standards and norms of behavior such as codes of conduct and codes of ethics | Values, business principles and strategy The way we work | |
| G4-57 | Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organisational integrity | The way we work | |
| G4-58 | Internal and external mechanisms for reporting concerns about unethical or unlawful behavior | The way we work | |

table continues on the next page



— Specific Standard Disclosures

| GRI Code | GRI Content | Reporting | Comments |
|----------|--|--|---|
| G4-DMA | <p>Generic Disclosures on Management Approach (DMA)</p> <p>ECONOMIC RESPONSIBILITY</p> <p><i>Economic performance</i></p> | <p>Corporate responsibility Management of corporate responsibility</p> <p>Financial management</p> | Disclosure on Management Approach (DMA) |
| G4-EC1 | <p>Direct economic value generated and distributed</p> <p><i>Indirect economic impacts</i></p> | Economic impact | |
| G4-EC8 | <p>Significant indirect economic impacts, including the extent of impacts</p> <p><i>Procurement practices</i></p> | <p>Indirect economic impact</p> <p>Caruna's supply chain</p> | Disclosure on Management Approach (DMA) |
| G4-EC9 | <p>Proportion of spending on local suppliers at significant locations of operation</p> <p><i>Availability of electricity and reliability of supply (EU)</i></p> <p><i>System efficiency (EU)</i></p> | <p>Asset management</p> <p>Reliable electricity distribution</p> | <p>Does not apply, the procurement criteria used is based on the Act on public contracts in special sectors</p> <p>Disclosure on Management Approach (DMA)</p> <p>Disclosure on Management Approach (DMA)</p> |
| EU12 | Transmission and distribution losses | Environment | |

table continues on the next page



— Specific Standard Disclosures

| GRI Code | GRI Content | Reporting | Comments |
|----------|---|--|---|
| | <i>Research and development (EU)</i> | <i>Electricity networks in the future</i> | Disclosure on Management Approach (DMA) |
| | ENVIRONMENTAL RESPONSIBILITY | <i>Management of occupational health, safety and the environment</i> | Disclosure on Management Approach (DMA) |
| | <i>Environmental goals</i> | | |
| | <i>Materials</i> | | |
| G4-EN1 | Materials used by weight or volume | <i>Use of materials</i> | Material flows connected with network construction are reported |
| | <i>Energy</i> | | |
| G4-EN3 | Energy consumption within the organisation | <i>Environment</i> | |
| G4-EN6 | Reduction of energy consumption | <i>Energy Efficiency Agreement</i> | Energy efficiency measures are reported |
| | <i>Biodiversity</i> | | |
| G4-EN12 | Description | <i>Responsible land use and biodiversity</i> | |
| | <i>Emissions</i> | | |
| G4-EN15 | Direct greenhouse gas emissions (scope 1) | <i>Environment</i> | SF6 emissions are reported |
| G4-EN19 | Reduction | <i>Greenhouse gases</i> | Reduction measures are reported |
| | <i>Effluents and waste</i> | | |
| G4-EN23 | Total weight of waste by type and disposal method | <i>Dismantling and recycling of electricity networks</i> <i>Environment</i> | Poles disposed are reported |

table continues on the next page



— Specific Standard Disclosures

| GRI Code | GRI Content | Reporting | Comments |
|------------------------------|---|--|---|
| G4-EN24 | Total number and volume of significant spills <i>Compliance</i> | Environmental damage | |
| G4-EN29 | Monetary <i>Supplier environmental assessments</i> | Environmental damage Procurement management Caruna's supply chain | Disclosure on Management Approach (DMA) |
| G4-EN32 | Percentage | Caruna's supply chain Procurement | |
| SOCIAL RESPONSIBILITY | | | |
| | Labor practices and decent work <i>Employment</i> | HR management | Disclosure on Management Approach (DMA) |
| G4-LA1 | Total number and rates of new employee hires and employee turnover by age group, gender and region | Employees Key figures on personnel | |
| EU17 | Days worked by contractor and subcontractor employees involved in construction, operation & maintenance activities <i>Occupational health and safety</i> | Procurement Management of occupational health, safety and the environment | Disclosure on Management Approach (DMA) |
| G4-LA6 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender | Safety | |

table continues on the next page



— Specific Standard Disclosures

| GRI Code | GRI Content | Reporting | Comments |
|----------|--|--|---|
| EU18 | Percentage of contractor and subcontractor employees that have undergone relevant health and safety training <i>Training and education</i> | <i>Safety and environmental training</i> <i>Personnel development</i> | Disclosure on Management Approach (DMA) |
| G4-LA9 | Average hours of training per year per employee by gender, and by employee category | <i>Employees</i> | |
| G4-LA10 | Programs | <i>Highlighting competence</i> | |
| G4-LA11 | Percentage of employees receiving regular performance and career development reviews <i>Diversity and equal opportunity</i> | <i>Employees</i> | |
| G4-LA12 | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity <i>Supplier assessment for labor practices</i> | <i>Employees</i> <i>Procurement management</i> <i>Supply chain and procurement</i> | Disclosure on Management Approach (DMA) |
| G4-LA14 | Percentage of new suppliers that were screened using labor practices criteria | <i>Caruna's supply chain</i> <i>Supply chain and procurement</i> | |

table continues on the next page



— Specific Standard Disclosures

| GRI Code | GRI Content | Reporting | Comments |
|----------|---|--|---|
| | Society | <i>The way we work</i> | Disclosure on Management Approach (DMA) |
| | <i>Anti-corruption</i> | | |
| G4-S04 | Communication and training on anti-corruption policies and procedures | <i>The way we work</i> | |
| G4-S05 | Confirmed incidents of corruption and actions taken | | No incidents in 2017 |
| | <i>Anti-competitive behavior</i> | | |
| G4-S07 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes | | No incidents in 2017 |
| | <i>Compliance</i> | | |
| G4-S08 | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations | | No incidents in 2017 |
| | <i>Supplier assessment for impacts on society</i> | <i>Procurement management</i> <i>Supply chain and procurement</i> | Disclosure on Management Approach (DMA) |
| G4-S09 | Percentage of new suppliers that were screened using criteria for impacts on society | <i>Caruna's supply chain</i> <i>Procurement</i> | |
| | <i>Disaster/emergency planning and response (EU)</i> | <i>Preparedness for exceptional circumstances</i> | Disclosure on Management Approach (DMA) |

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— Specific Standard Disclosures

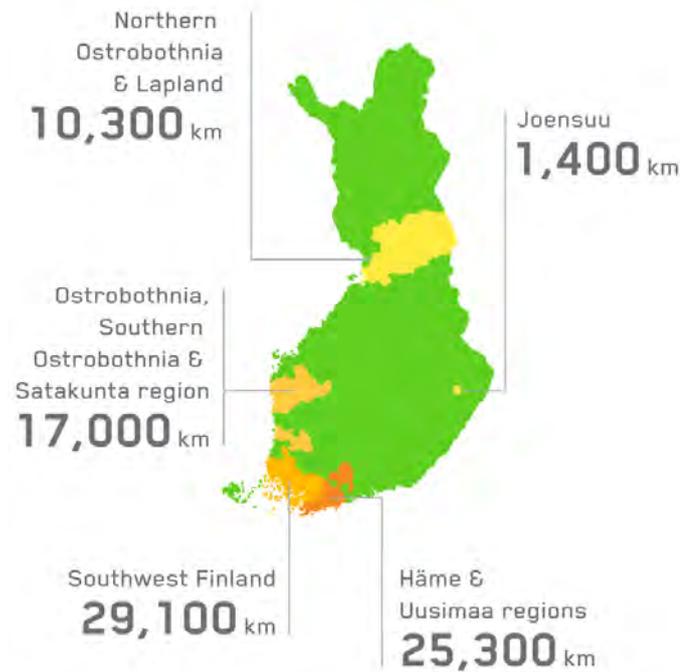
| GRI Code | GRI Content | Reporting | Comments |
|----------|---|---|---|
| | Product responsibility | | |
| | <i>Customer health and safety</i> | Management of occupational health, safety and the environment | Disclosure on Management Approach (DMA) |
| EU25 | Number of injuries and fatalities to the public involving company assets | Safety Safe electricity network | |
| | <i>Product and service labeling</i> | Customer relations management | Disclosure on Management Approach (DMA) |
| G4-PR5 | Results of surveys measuring customer satisfaction | Customers | |
| | <i>Customer privacy</i> | Regulation of electricity distribution | Disclosure on Management Approach (DMA) |
| G4-PR8 | Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data | | No incidents in 2017 |
| | <i>Access (EU)</i> | Asset management | Disclosure on Management Approach (DMA) |
| EU28 | Power outage frequency | Electricity network and reliability of supply | |
| EU29 | Average power outage duration | Electricity network and reliability of supply | |



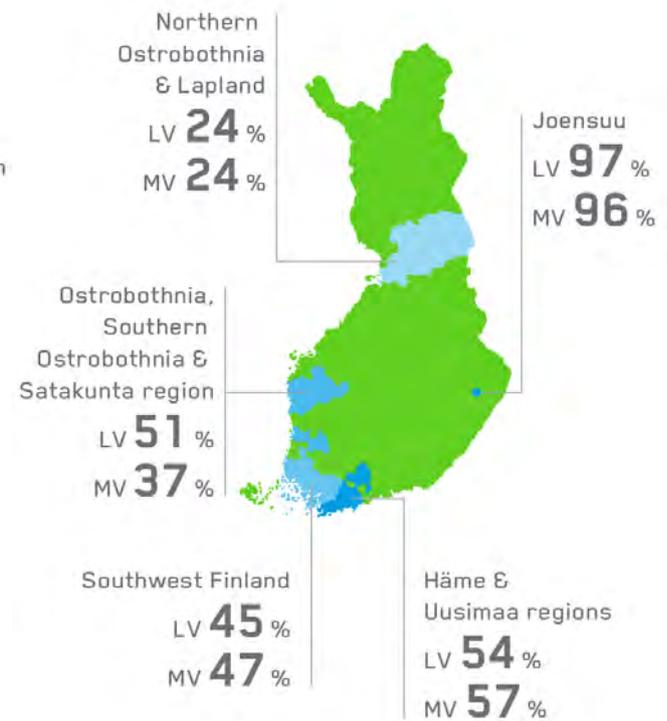
Electricity network and reliability of supply

Key indicators reflecting Caruna's electricity network and reliability of electricity supply can be seen below.

Electricity network key indicators by network area

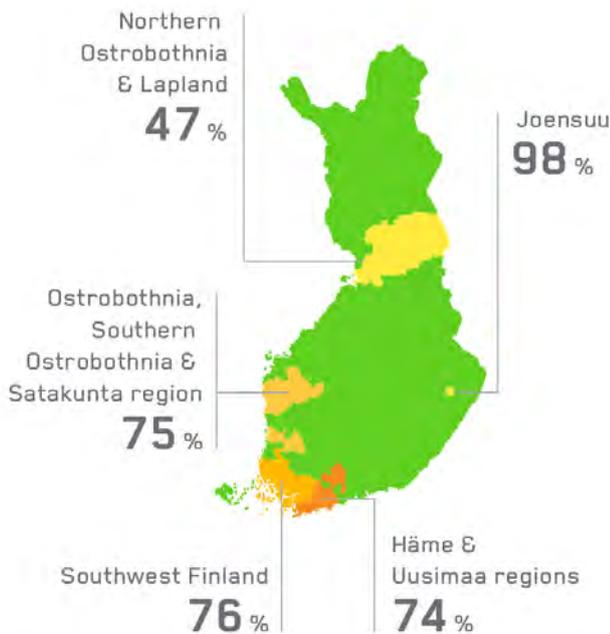


Cabling rates of low and medium voltage networks

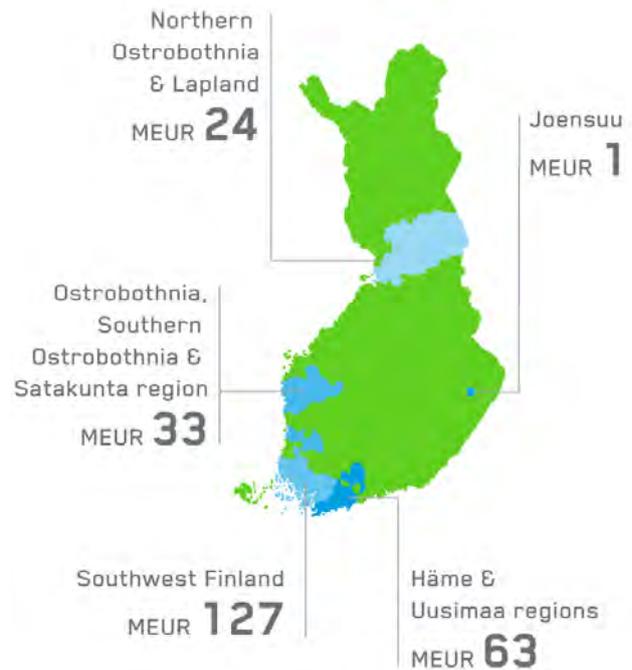


Our electricity network is approximately 85,000 km long.

Level of weather resistance by network area*



Regional investments in low- and medium-voltage networks in 2017



*Level of weather resistance refers to the percentage of medium-voltage network which either has been cabled or is located in an environment where trees do not compromise electricity distribution.

| ELECTRICITY NETWORK KEY INDICATORS | 2017 | 2016 | 2015 |
|--|--------|--------|--------|
| Length of electricity network in total (km) | 85 200 | 82 150 | 78 850 |
| Length of low-voltage network | 52 400 | 51 700 | 50 300 |
| Length of medium-voltage network | 30 700 | 28 400 | 26 500 |
| Length of high-voltage network | 2 100 | 2 050 | 2 050 |
| Number of secondary substations | 30 600 | 28 600 | 27 300 |
| Number of primary substations | 207 | 190 | 180 |
| Underground cable network laid during the year (km) | 6 200 | 4 600 | - |
| Level of cabling in total (%) | 45 | 40 | 36 |
| Level of cabling in the low-voltage network | 48 | 45 | 42 |
| Level of cabling in the medium-voltage network | 44 | 33 | 23 |
| Level of weather resistance in the medium-voltage network* (%) | 71 | 65 | - |
| Investments in the electricity network** (MEUR) | 276,5 | 238 | 173 |

*Level of weather resistance refers to the percentage of medium-voltage network which either has been cabled or is located in an environment where trees do not compromise electricity distribution.

**The investment figure for 2017 is not completely comparable to earlier years due to different calculation methods.

| ELECTRICITY NETWORK KEY INDICATORS BY NETWORK AREA | UUSIMAA AND HÄME | SOUTHWEST FINLAND | SATAKUNTA, SOUTH OSTROBOTHNIA AND OSTROBOTHNIA | NORTH OSTROBOTHNIA AND LAPLAND | JOENSUU |
|--|------------------|-------------------|--|--------------------------------|----------|
| Length of electricity network | 25 300 km | 29 100 km | 17 000 km | 10 300 km | 1 400 km |
| Level of cabling in the low-voltage network | 54 % | 45 % | 51 % | 24 % | 97 % |
| Level of cabling in the medium-voltage network | 57 % | 47 % | 37 % | 24 % | 96 % |
| Level of weather resistance in the medium-voltage network* | 74 % | 76 % | 75 % | 47 % | 98 % |
| Investments in the electricity network 2017** | MEUR 63 | MEUR 127 | MEUR 33 | MEUR 24 | MEUR 1 |
| Investments in the electricity network 2018-2020 | MEUR 179 | MEUR 208 | MEUR 119 | MEUR 67 | MEUR 3 |

*In addition, we are investing EUR 29 million in a high-voltage regional network.

**The 2017 data is not entirely comparable with the data from 2016 and 2015 due to a slightly different measurement method.

| RELIABILITY OF SUPPLY KEY INDICATORS | 2017 | 2016 | 2015 |
|---|-------|-------|-------|
| System Average Interruption Frequency Index (SAIFI) (no of incidents) | 1,8 | 1,7 | 2,3 |
| System Average Interruption Duration Index (SAIDI) (min) | 123 | 95 | 137 |
| Damage caused by interruptions (MEUR) | 27,9 | 22,6 | 28,7 |
| Rate of the reliability of electricity supply (%) | 99,98 | 99,98 | 99,98 |

Safety

Key indicators reflecting the safety of Caruna’s operations can be seen below.

| ELECTRICAL SAFETY KEY INDICATORS | 2017 | 2016 | 2015 |
|--|------|------|------|
| Electricity-related injuries to third parties and reported to Tukes (no of incidents) | 8 | 0 | 3 |
| Near misses involving outsiders and reported to Tukes (no of incidents) | 1 | 2 | 10 |
| Reported overvoltage events caused by network faults (so-called zero faults) (no of incidents) | 384 | 358 | 451 |

| OCCUPATIONAL SAFETY KEY INDICATORS | 2017 | 2016 | 2015 |
|--|-------|-------|------|
| Safety Walks by own personnel* (no) | 422 | 492 | 787 |
| Safety Walks, work site inspections and work site visits by Caruna’s contractors and other partners in total | 2 930 | 2 277 | - |
| Injury Frequency of own personnel (TRIF)** | 0 | 0 | 1,9 |
| Injury Frequency of contractors (LWIF)*** | 9,5 | 5,2 | 9,8 |
| Serious injuries to contractors**** (no of incidents) | 4 | 3 | 2 |
| Fatalities related to work | 0 | 0 | 0 |

*Safety walks carried out by Caruna’s employees on worksites and offices. The results for 2016 and 2017 are not comparable with those for 2015 because Caruna outsourced project supervision in August 2015 and since then the Safety Walks carried out by the project supervision have been reported as site inspections.

**The TRIF (Total Recordable Injury Frequency) reflects the ratio of occupational accidents to Caruna’s employees, leading to absences from work or requiring medical treatment visits, in relation to working hours (incidents/million realised working hours).

***The LWIF (Lost Workday Injury Frequency) reflects the ratio of work-related injuries to contractors or subcontractors, including trainees and temporary workers, while they work for Caruna or are within Caruna’s work sites, leading to a disability of at least one working day, in relation to working hours (incidents/million realised working hours).

****An injury leading to a disability of over 30 days or a permanent disability.

No occupational diseases were diagnosed among Caruna’s employees in 2017.

Environment

The following indicators describe Caruna's environmental impact.

| KEY INDICATORS FOR ENVIRONMENTAL IMPACT | 2017 | 2016 | 2015 |
|---|-------|---------|-------|
| Grid loss (GWh) | 379,8 | 389,3 | 375,3 |
| Own electricity consumption* (GWh) | 2,06 | 2,21 | 1,71 |
| Own heat energy consumption* (GWh) | 1,76 | 1,82 | 1,22 |
| SF6 gas leak volume (kg) | 4,8 | 23,29** | 6,9 |
| Number of significant (> 100kg) oil spills | 1 | 7 | 7 |
| Volume of disposed electricity poles (tonnes/strong→) | 4 637 | 3 013 | 1 509 |
| Volume of dismantled overhead cables (km) | 3 200 | 2 200 | - |
| Recycling rate of disposed electricity network material (%) | 32 | 15 | - |
| Number of pole transformers within groundwater areas | 800 | 1 150 | - |

*The energy consumption of the restaurant operating in Caruna's Upseerinkatu premises has not been taken into account in the electricity and heat energy consumption figures. The figures for 2015 exclude Caruna's share of the energy consumption in the company's previous head office building.

**Of the 2016 leaks, the Gumböle primary substation gas leak accounted for 20 kg.

| ELECTRICITY NETWORK LOSSES IN RELATION TO THE TOTAL QUANTITY OF DISTRIBUTED ENERGY (%) | 2017 | 2016 | 2015 |
|--|----------------------|----------------------|---------------------|
| Caruna Oy regional network (110 kV) | 0,6 % (40,1 GWh) | 0,6 % (45,0 GWh) | 0,7 % |
| Caruna Oy distribution network | 3,7 % (262,0 GWh) | 3,6 % (261,4 GWh) | 3,7 % |
| Caruna Espoo Oy distribution network | 2,5 % (77,7 GWh) | 2,5 % (82,8 GWh) | 2,7 % (84,0 GWh) |

| SF6 GAS AND LEAKS | 2017 | 2016 | 2015 |
|---|--------|-------|-------|
| Volume of SF6 gas in Caruna's electricity network components (kg) | 14 400 | 9 610 | 9 276 |
| SF6 leaks (kg) | 4,8 | 23,3 | 6,9 |
| SF6 leaks (CO ₂ e*) | 109,4 | 531,0 | 157,3 |
| Percentage of SF6 leaks of total volume of gas (%) | 0,03 | 0,24 | 0,07 |

*CO₂e = tonne of carbon dioxide equivalent = GWP value x weight; GWP = Global Warming Potential; the GWP value of SF6 gas is 22,800.

| OIL SPILLS AND SOIL DECONTAMINATION | 2017 | 2016 | 2015 |
|--|------|------|------|
| Number of significant (> 100kg) oil spills/strong→ | 1 | 7 | 7 |
| Number of oil spills in total | 29 | 34 | 35 |
| Cost of treatment of oil spills* (thousand euros) | 174 | 210 | 264 |
| Volume of decontaminated soil* (tonnes) | 226 | 447 | 329 |

*Partly estimated

Procurement

The following indicators describe Caruna's contracting.

| PROCUREMENT KEY INDICATORS | 2017 | 2016 | 2015 |
|---|------|------|------|
| Working ours reported by network contractors* (million hours) | 2,09 | 1,94 | 1,74 |
| Number of supplier audits | 6 | 5 | 0 |
| Number of main contractor companies | 13 | 13 | - |
| Number of subcontractor companies | 480 | 238 | - |

**Includes the working hours of Caruna's main contractors and their subcontractors. Subcontractor working hours are partly estimates.*

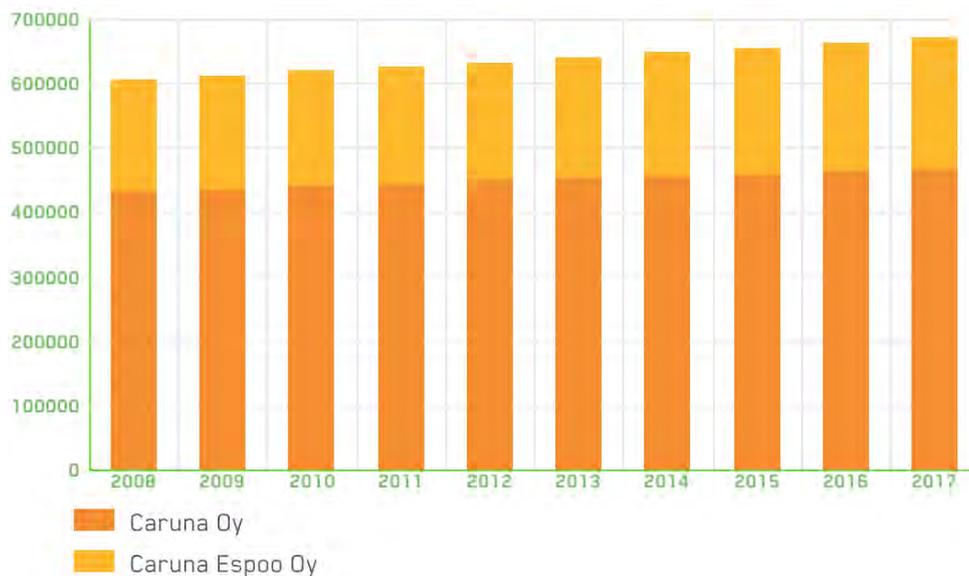
Customers

Key indicators describing Caruna’s customers can be seen below.

| CARUNA’S CUSTOMER VOLUMES BY NETWORK AREA | 2017 | 2016 | 2015 |
|--|----------------|----------------|----------------|
| Uusimaa and Häme | 346 000 | 342 000 | 336 000 |
| Southwest Finland | 160 000 | 158 000 | 156 000 |
| Satakunta, South Ostrobothnia and Ostrobothnia | 94 000 | 93 000 | 92 000 |
| North Ostrobothnia and Lapland | 35 000 | 35 000 | 35 000 |
| Joensuu | 37 000 | 36 000 | 35 000 |
| Total | 672 000 | 664 000 | 656 000 |

| CARUNA’S CUSTOMER VOLUMES BY VOLTAGE LEVEL | 2017 | 2016 | 2015 |
|---|---------|---------|---------|
| Customer volume in the low-voltage network | 671 000 | 663 000 | 655 000 |
| Customer volume in the medium-voltage network | 800 | 800 | 800 |
| Customer volume in the high-voltage network | 55 | 50 | 44 |

Development of customer volumes

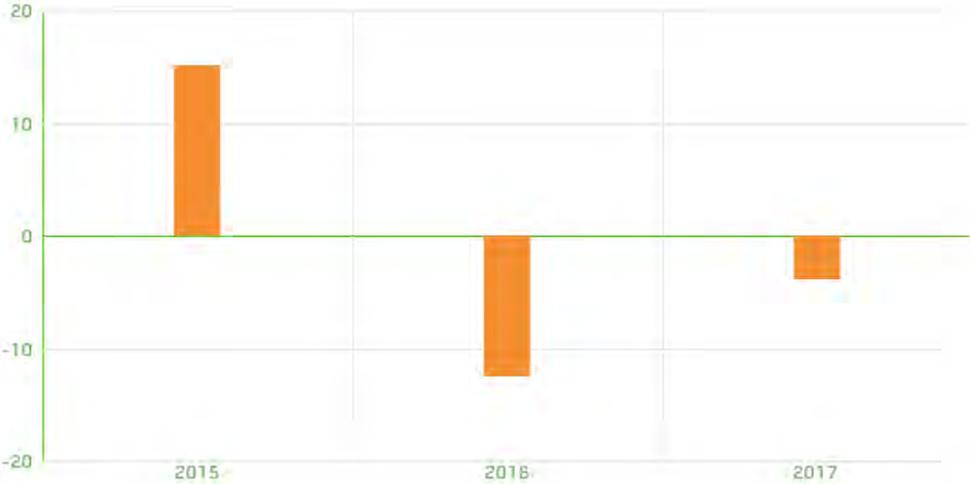


Share of Caruna and other companies of the electricity supplied through the distribution network



| NUMBER OF CUSTOMERS GENERATING ELECTRICITY | |
|--|--------------|
| Private customers generating electricity | 2 092 |
| Corporate customers generating electricity (Business ID) | 346 |
| Total | 2 438 |

NPS customer satisfaction (on a scale of -100 to +100)



Economic impact

Key indicators describing Caruna's economic impact can be seen below.

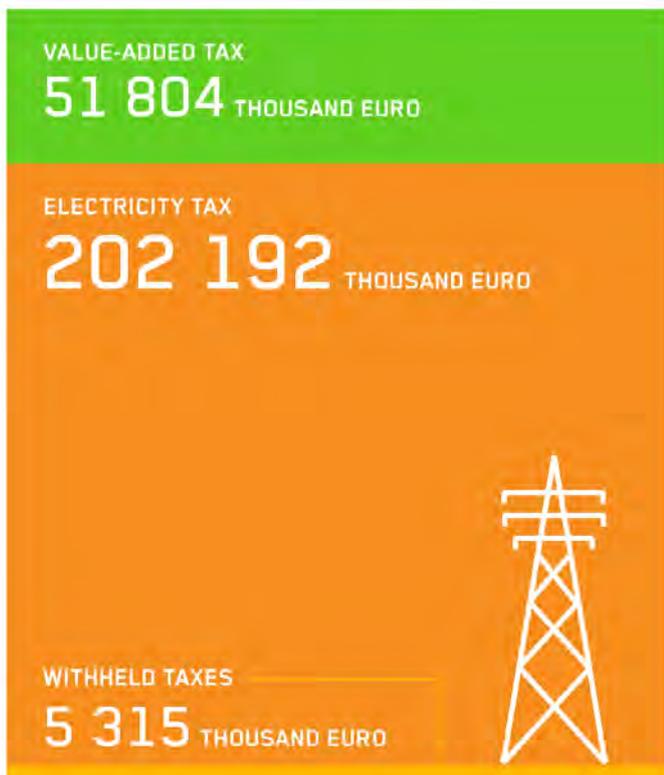
| Direct economic value generated and distributed (thousand euros) | 2017 | 2016 | 2015 |
|--|----------------|-----------------|----------------|
| Income from customers | | | |
| Net sales | 426 427 | 384 028 | 287 523 |
| Other operating income | 6 013 | 7 626 | 9 184 |
| Fair value adjustments | -1 112 | -2 987 | -2 001 |
| Income from customers in total | 431 328 | 388 667 | 294 706 |
| Payments to suppliers | | | |
| Acquired materials and services | 88 116 | 81 851 | 72 631 |
| Other expenses | 54 147 | 55 679 | 69 761 |
| Tax on property | -212 | -213 | -184 |
| Donations and sponsoring | -192 | -387 | -113 |
| Payments to suppliers in total | 141 859 | 136 930 | 142 095 |
| Contributions to personnel | | | |
| Wages, remuneration and social security costs | 20 362 | 21 806 | 24 001 |
| Contributions to personnel in total | 20 362 | 21 806 | 24 001 |
| Contributions to lenders and shareholders | | | |
| Financing costs to shareholders | 80 462 | 81 135 | 88 747 |
| Financing costs to others | 48 720 | 91 848* | 81 274 |
| Contributions to lenders and shareholders in total | 129 182 | 172 983* | 170 021 |
| Support in public interest and taxes | | | |
| Income tax from the financial period | 6 338 | 456 | 366 |
| Tax on property | 212 | 184 | 184 |
| Donations and sponsoring | 192 | 387 | 113 |
| Support in public interest and taxes in total | 6 742 | 1 027 | 663 |
| ECONOMIC VALUE GENERATED | 133 183 | 51 693 | -42 074 |

**In the 2016 Annual Report, the 2016 financing costs to other than shareholders were reported wrongly as EUR 96,076 thousand and therefore the total contribution to lenders and shareholders was also reported wrongly as 177,211.*

| Caruna's tax footprint (thousand euros) | 2017 | 2016 | 2015 |
|---|----------------|----------------|----------------|
| Tax due | | | |
| Income tax | 6 338 | 456 | 366 |
| Unemployment insurance payments | 671 | 471 | 680 |
| Social security contributions | 194 | 367 | 331 |
| Tax on property/td→ | 212 | 213 | 184 |
| Transfer tax | 2 | 28 | 20 |
| Tax due in total | 7 417 | 1 535 | 1 581 |
| Collected and accounted tax | | | |
| Value-added tax (net accounted) | 51 804 | 54 866 | 42 639 |
| Electricity tax | 202 192 | 189 137 | 199 340 |
| Withheld tax | 5 315 | 5 049 | 6 180 |
| Accounted tax in total | 259 311 | 249 052 | 248 159 |

TAXES COLLECTED AND ACCOUNTED TO THE GOVERNMENT

259 311 THOUSAND EURO



CORPORATION TAX, OTHER TAXES AND EMPLOYER'S CONTRIBUTIONS PAID

7 417 THOUSAND EURO



Employees

Key indicators describing Caruna's employees can be seen below.

| EMPLOYEE KEY INDICATORS | 2017 | 2016 | 2015 |
|---|--------|--------|--------|
| Total number at the end of year* | 276 | 273 | 274 |
| Number on average* | 274 | 276 | 307 |
| Employee turnover** (%) | 8,7 | 5,9 | 6,5 |
| Share of fixed-term employment contracts (%) | 8,3 | 6,6 | 6,2 |
| Share of part-time employment contracts (%) | 5,5 | 5,1 | 5,8 |
| Women in workforce (%) | 40 | 40 | 38 |
| Women in governing bodies (%) | 12,5 | 12,5 | 0 |
| Share of employees under collective agreements (%) | 92 | 91 | 89 |
| Share of employees entitled to performance appraisals (%) | 100 | 100 | 100 |
| Share of sick absence of theoretical working days (%) | 1,8 | 2,2 | 2,0 |
| Employee average age | 39 | 39 | - |
| Employee job satisfaction (0-100) | 68 | 65 | 76 |
| Number of training hours per person*** | 24,5 | 31,5 | 10,6 |
| Salaries and wages (thousand euros) | 16 681 | 17 757 | 19 462 |

*The 2015 data differs slightly from the data included in the 2015 Annual Report due to a different measurement method.

**Turnover describes the percentage of employees departing on their own initiative.

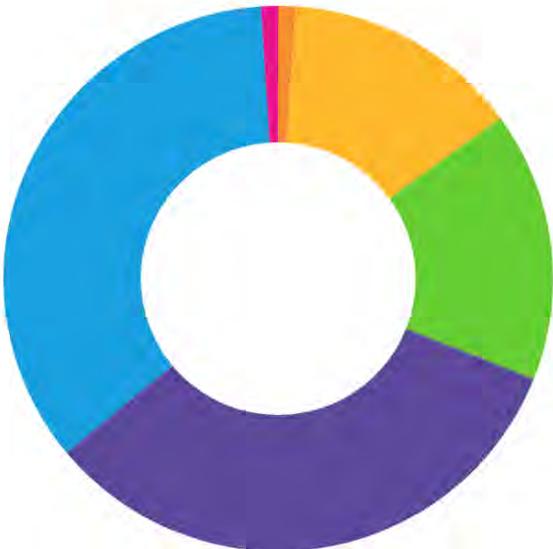
***Hours per person-year. The 2015 data may have some deficiencies due to the manual reporting system. A new reporting system was introduced at the beginning of 2016.

| EMPLOYEE TURNOVER | NUMBER | SHARE OF EMPLOYEES |
|--|--------|--------------------|
| New employees in total* | 42 | 15,2 % |
| All discontinued employment contracts (excl. summer interns) | 36 | 13 % |
| Discontinued permanent employment contracts | 24 | 8,7 % |

*Employees hired during the year and with an employment contract at year-end, incl. fixed-term contracts.

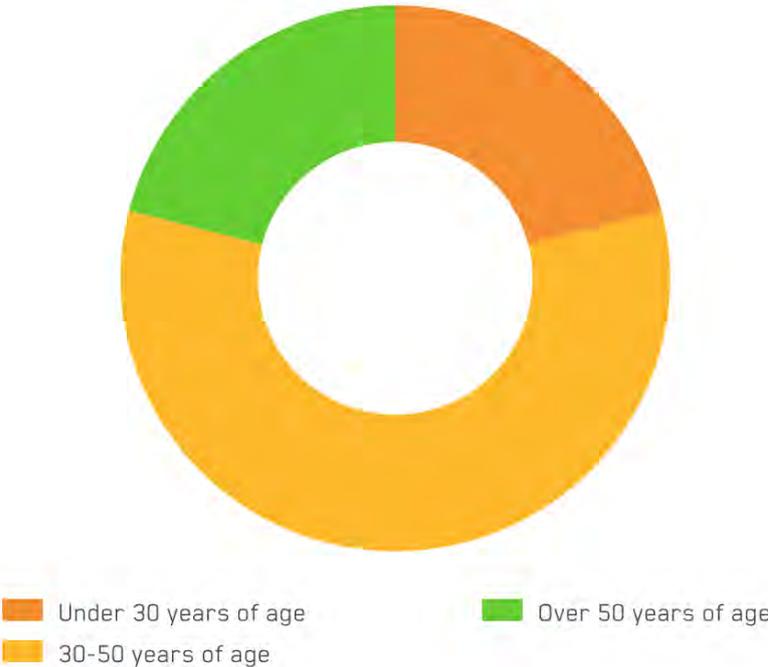
| EMPLOYEE TRAINING HOURS | 2017 | 2016 | 2015 |
|---|------|------|------|
| Average training hours for all employees per person | 24,5 | 31,5 | 10,6 |
| Average training hours for office workers per person | 22,4 | 33,9 | 9,4 |
| Average training hours for senior workers and management per person | 26,0 | 29,0 | 11,9 |
| Average training hours for women per person | 26,0 | - | - |
| Average training hours for men per person | 23,0 | - | - |

Educational background of employees (%)



- Primary and lower secondary education
- General upper secondary education or vocational education and training
- Upper secondary education qualification
- Bachelor's degree
- Master's degree
- Licentiate, doctorate

Employee age structure (%)

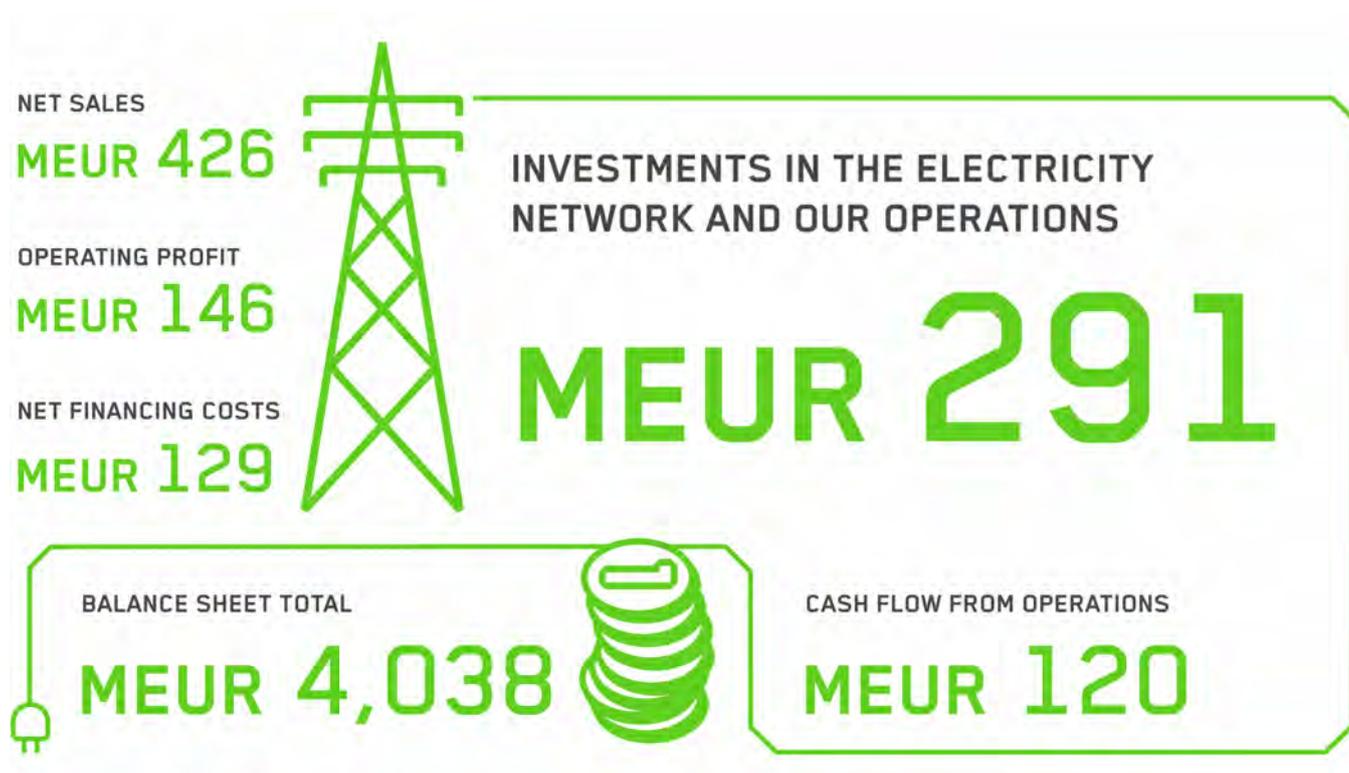


| EMPLOYEE GENDER STRUCTURE | 2017 | 2016 | 2015 |
|---------------------------|------|------|------|
| Women | 40 % | 40 % | 38 % |
| Men | 60 % | 60 % | 62 % |



Financial statements

Financial key figures



Profit and loss statement

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (IFRS)

Attributable to:

| 1 000 eur | 2017 | 2016 |
|--|----------------|----------------|
| NET SALES | 426 427 | 384 028 |
| Other operating income | 6 012 | 7 626 |
| Direct costs | -88 116 | -81 851 |
| Personnel expenses | -20 362 | -21 806 |
| Other operating expenses | -54 386 | -55 679 |
| Depreciations, amortisations and impairment charges | -123 894 | -112 926 |
| | -286 758 | -272 262 |
| Operating profit/loss | 145 681 | 119 392 |
| Finance income | 6 415 | 4 263 |
| Finance costs | -135 577 | -177 211 |
| Loss before taxes | -16 519 | -53 556 |
| Income taxes | 12 259 | 21 925 |
| LOSS FOR THE PERIOD | -28 778 | -31 631 |
| Attributable to: | | |
| Equity holders of the parent | -28 778 | -31 631 |

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (IFRS)

| 1 000 eur | 2017 | 2016 |
|--|----------------|----------------|
| LOSS FOR THE PERIOD | 28 778 | -31 631 |
| Other comprehensive income: | | |
| Other comprehensive income to be reclassified to profit or loss in subsequent periods: | | |
| Net movement on cash flow hedges | -4 | -1 285 |
| Income tax effect | 1 | 257 |
| Net other comprehensive income to be reclassified to profit or loss in subsequent periods | -3 | -1 028 |
| Other comprehensive income not to be reclassified to profit or loss in subsequent periods | | |
| Re-measurement gains (losses) on defined benefit plans | -38 | -25 |
| Income tax effect | 8 | 5 |
| Net other comprehensive income not to be reclassified to profit or loss in subsequent periods | -30 | -20 |
| Other comprehensive income for the period, net of tax | -33 | -1 048 |
| Total comprehensive income for the period, net of tax | -28 745 | -32 679 |
| Attributable to: | | |
| Equity holders of the parent | -28 745 | -32 679 |

Financial position

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

| 1 000 eur | 31.12.2017 | 31.12.2016 |
|----------------------------------|------------------|------------------|
| Assets | | |
| Non-current assets | | |
| Goodwill | 62 468 | 62 468 |
| Intangible assets | 1 585 940 | 1 578 794 |
| Property, plant and equipment | 2 235 159 | 2 075 414 |
| Derivative financial instruments | 905 | 738 |
| Other non-current assets | 49 | 473 |
| Deferred tax assets | 73 | 73 |
| Total non-current assets | 3 884 594 | 3 717 960 |
| Current assets | | |
| Trade and other receivables | 109 877 | 117 433 |
| Derivative financial instruments | 151 | 1 243 |
| Cash and cash equivalents | 42 900 | 59 790 |
| Total current assets | 152 928 | 178 466 |
| Total assets | 4 037 522 | 3 896 426 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IFRS)

| 1 000 eur | 31.12.2017 | 31.12.2016 |
|---|------------------|------------------|
| EQUITY AND LIABILITIES | | |
| Share capital | 3 | 3 |
| Invested unrestricted equity fund | 171 204 | 171 204 |
| Other equity fund | -2 511 | -2 477 |
| Retained earning | -296 374 | -325 152 |
| Total equity | -127 678 | -156 422 |
| Non-current liabilities | | |
| Interest bearing loans and borrowings | 3 174 068 | 3 032 925 |
| Derivative financial instruments | 24 679 | 31 323 |
| Deferred tax liabilities | 521 158 | 539 763 |
| Provisions | 208 | 246 |
| Net employee defined benefit liabilities | 160 | 111 |
| Other non-current liabilities | 304 546 | 304 957 |
| Total non-current liabilities | 4 024 819 | 3 909 325 |
| Current liabilities | | |
| Trade payables | 55 316 | 53 344 |
| Other payables | 35 451 | 32 860 |
| Derivative financial instruments | 11 | 665 |
| Provisions | 160 | 480 |
| Other current liabilities | 49 443 | 56 174 |
| Total current liabilities | 140 381 | 143 523 |
| Total liabilities | 4 165 200 | 4 052 848 |
| Total shareholders' equity and liabilities | 4 037 522 | 3 896 426 |

Cash flow statement

CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

| 1000 eur | 2017 | 2016 |
|--|-----------------|-----------------|
| Net loss for the period | -28 778 | -31 631 |
| Adjustments: | | |
| Taxes | -21 259 | -21 925 |
| Finance costs - net | 129 162 | 172 948 |
| Depreciation, amortisation and impairment charges | 123 894 | 112 926 |
| | 240 797 | 263 949 |
| Operating profit before depreciation (EBITDA) | 269 575 | 232 318 |
| Non-cash flow items | -1 525 | -3 073 |
| Interest paid | -148 824 | -112 682 |
| Interest received | 6 943 | 2 615 |
| Taxes | -7 121 | -97 |
| | -150 527 | -113 237 |
| Funds from operations | 119 048 | 119 081 |
| Change in working capital: | | |
| Change in trade and other receivables | -9 135 | -26 830 |
| Change in trade and other payables | -4 652 | 6 819 |
| Change in connection fee payables | -411 | -272 |
| | -4 072 | -20 283 |
| Net cash flows from operating activities | 123 120 | 98 798 |
| Capital expenditure | -293 495 | -273 162 |
| Proceeds from sales of fixed assets | 453 | 544 |
| Net cash flows used in investing activities | -293 042 | -272 618 |

table continues on the next page



CONSOLIDATED STATEMENT OF CASH FLOWS (IFRS)

| 1000 eur | 2017 | 2016 |
|---|----------------|----------------|
| Loans withdrawal | 400 000 | 2 926 531 |
| Repayments of long-term liabilities | -250 000 | -2 756 820 |
| Net cash used in financing activities | 150 000 | 169 711 |
| Net increase in cash and cash equivalents | -19 922 | -4 109 |
| Cash and cash equivalents at 1 January | 59 790 | 63 899 |
| Cash and cash equivalents at 31 December | 39 868 | 59 790 |