

Governance at Caruna

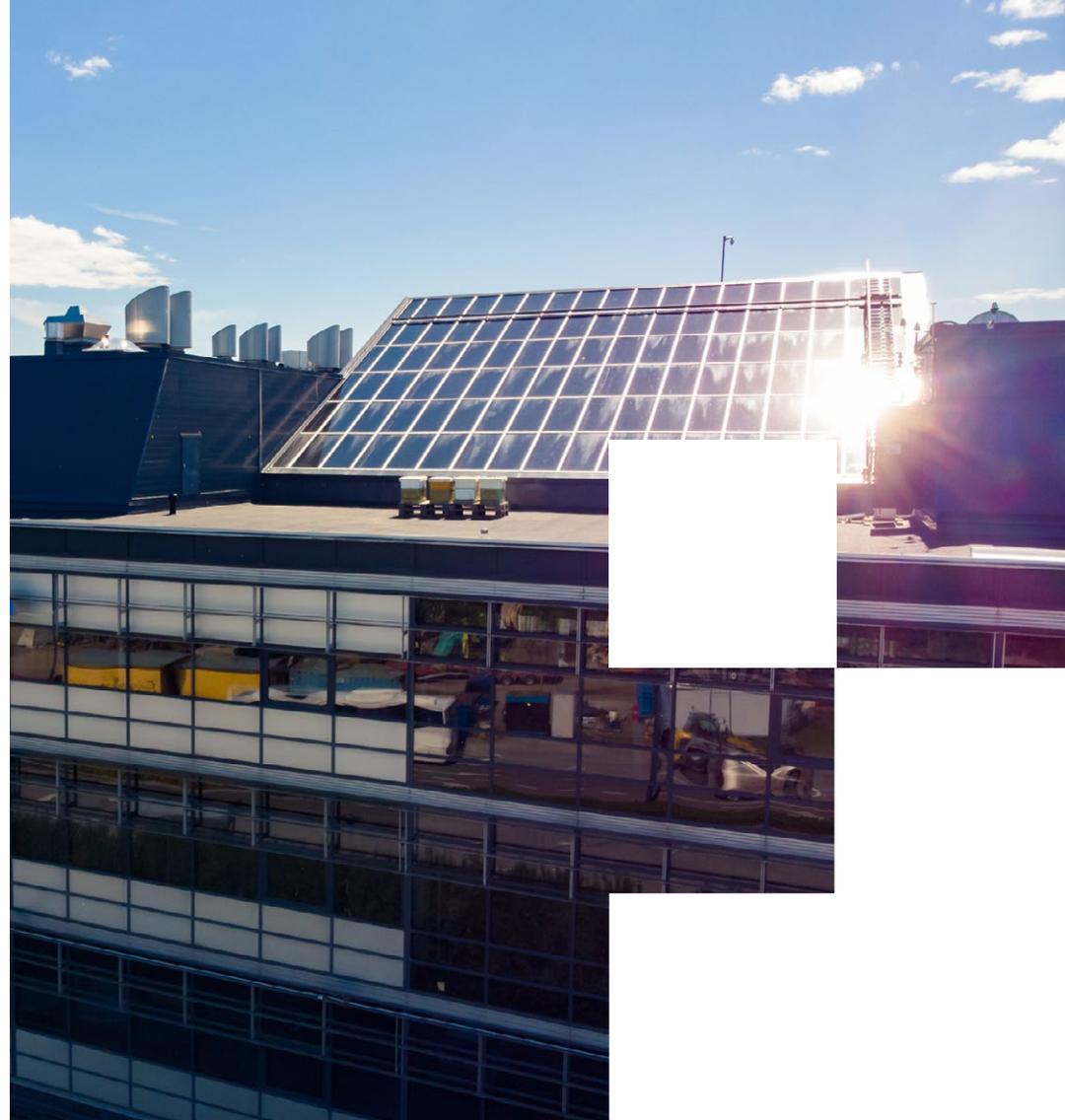
CORPORATE STRUCTURE

Caruna Networks Oy is the parent company of Caruna Networks Group (“Caruna”). The parent company of Caruna Networks Oy is Suomi Power B.V., which has its domicile in the Netherlands. Caruna Networks Oy is the owner of the other two companies in the Group, Caruna Oy and Caruna Espoo Oy.

The corporate governance is based on Finnish law, Group companies' articles of association and the Finland Chamber of Commerce's recommendations for improving corporate governance in unlisted companies.

The consolidated financial statements and interim reports are prepared in line with the International Financial Reporting Standards (IFRS) approved by the EU. The parent company's annual report and financial statements have been prepared in line with the Finnish Companies Act, Accounting Act, and instructions and statements issued by Finnish Accounting Board.

The auditor's report covers both the consolidated financial statements and parent company financial statements.



Governing bodies of Caruna Networks Oy

Caruna Networks Oy's governing bodies are the General Meeting and 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 for 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 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 power in the Group.

The Annual General Meeting appoints the members of the Board of Directors for a term of office commencing at the Annual General Meeting and ending at the next Annual General Meeting.

Planning the composition of the Board of Directors involves taking into account Caruna's current and future business needs and seeking to ensure the diversity of the Board in several aspects. Caruna's Board members must have adequate experience and expertise that complement those of the other members. The members' individual qualities are also emphasised.

The General Meeting's decisions usually require a simple majority of votes. 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 Directors is tasked with representing the Group and ensuring the oversight of accounting and financial management. The Board of Directors ensures that Caruna has values to complement the Code of Conduct it has adopted.

The Board has between one and ten ordinary members and at most four 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 charter for its activities.

The CEO, the CFO and the General Counsel, 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 Audit Committee, the Nomination and Remuneration Committee, and the Health, Safety and Environment Committee. The committees support the work of the Board by preparing and evaluating matters for decision-making by the Board.

Committee members are elected by the Board. Each committee must consist of a minimum of three members. The members' terms of office end after the conclusion of the next Annual General Meeting. All Board members have the right to attend committee meetings.

Each 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 minutes. The Board of Directors has approved the committees' written charter. The charters are regularly reviewed and updated.

AUDIT COMMITTEE

The Audit Committee assists the Board of Directors in its task related to oversight. The key duties of the Audit Committee include reviewing the financial information disclosed by Caruna and interaction with auditors.

Caruna's auditor, CEO, CFO and General Counsel, who acts as the committee secretary, regularly attend the committee meetings. Other directors attend the meetings by invitation.

The Audit Committee oversees the financial reporting process and auditing. Moreover, it monitors the effectiveness of the company's internal control, risk management and internal auditing, as well as the processes that ensure Caruna's compliance with the rules and regulations related to, for example, financial reporting. The Audit Committee reviews the policies in its area before they are submitted to the Board of Directors.

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 People and Culture, who also acts as the committee secretary.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The Health, Safety and Environment (HSE) Committee assists the Board in decision-making concerning the safety of operations, environmental issues and corporate responsibility. The committee reviews the health, safety and environmental policy and approves the Group's corporate responsibility programme and indicators. The Health, Safety and Environment Committee oversees the non-financial reporting process.

The CEO, the member of the Management Team responsible for HSE matters, the HSEQ Manager and the Sustainability Manager, who also acts as the committee secretary, regularly attend the meetings.

Board of Directors and committees in 2021

MEMBERS OF THE BOARD OF DIRECTORS

The changes of ownership that took place during the spring of 2021 also resulted in several changes in the composition of the Board and the committees.

From the beginning of 2021, the Board of Directors of the Caruna Group's parent company consisted of Chair Matti Ruotsala and members Jouni Grönroos, Matthew Liddle, Michael Mc Nicholas, Niall Mills, Ellen Richardson, Laura Tarkka and deputy members Agnieszka Gawron and Nicolas Grant. Niall Mills, Ellen Richardson and Nicolas Grant resigned from the Board on March 1, 2021.

From 2 March 2021 until the Annual General Meeting on 13 April 2021, the Board of Directors of the parent company consisted of Matti Ruotsala (Chair), and members James Adam, Jouni Grönroos, Matthew Liddle, Fredrik Lundeborg, Michael Mc Nicholas, Oleg Shamovsky and Laura Tarkka.

At the Annual General Meeting on 13 April 2021, Matti Ruotsala was elected Chair of the Board, and James Adam, Jouni Grönroos, Matthew Liddle, Fredrik Lundeborg, Michael Mc Nicholas, Oleg Shamovsky, Laura Tarkka were elected as members, and Tara Davies, Agnieszka Gawron, Katarina Romberg and Charles Thomazi were elected as deputy members. Matthew

Liddle, Michael Mc Nicholas, and Agnieszka Gawron resigned on 11 May 2021.

From 12 May 2021, the Board consisted of Matti Ruotsala (Chair), members James Adam, Julia Giese, Jouni Grönroos, Kerron Lezama, Fredrik Lundeborg, Oleg Shamovsky, Laura Tarkka, and deputy members Tara Davies, Katarina Romberg and Charles Thomazi.

At the Extraordinary General Meeting on 8 June 2021, Shankar Krishnamoorthy was elected as member of the Board to replace Julia Giese.

From 11 November 2021, the Board consists of Matti Ruotsala (Chair), members James Adam, Andrew Furze, Jouni Grönroos, Shankar Krishnamoorthy, Kerron Lezama, Fredrik Lundeborg, Laura Tarkka, and deputy members Tara Davies, Katarina Romberg and Charles Thomazi.

The Board of Directors convened seven times in 2021.

AUDIT COMMITTEE

At the beginning of 2021, the Audit Committee consisted of Jouni Grönroos (Chair), Matthew Liddle and Ellen Richardson (until 1 March 2021).

From 10 March 2021, the Audit Committee consisted of Jouni Grönroos (Chair), James Adam, Matthew Liddle, Fredrik Lundeborg and Oleg Shamovsky.

From 12 May 2021, the Audit Committee members were Jouni Grönroos (Chair), James Adam, Fredrik Lundeborg and Oleg Shamovsky.

From 1 September 2021, the Audit Committee consisted of Jouni Grönroos (Chair), James Adam, Shankar Krishnamoorthy and Fredrik Lundeborg.

From 3 November 2021, the Audit Committee consists of Jouni Grönroos (Chair), Shankar Krishnamoorthy, Kerron Lezama and Fredrik Lundeborg.

The Audit Committee convened four times in 2021.

NOMINATION AND REMUNERATION COMMITTEE

At the beginning of 2021, the Nomination and Remuneration Committee consisted of Matti Ruotsala (Chair), Nicolas Grant (until 1 March 2021) and Michael Mc Nicholas.

From 10 March 2021, the Nomination and Remuneration Committee consisted of Matti Ruotsala (Chair), James Adam, Michael Mc Nicholas and Oleg Shamovsky.

From 12 May 2021, the Nomination and Remuneration Committee consisted of Matti Ruotsala (Chair), James Adam and Oleg Shamovsky.

From 11 November 2021, the Nomination and Remuneration Committee consists of Matti Ruotsala (Chair), James Adam and Andrew Furze.

The Nomination and Remuneration Committee convened six times in 2021.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

At the beginning of 2021, the Health, Safety and Environment Committee consisted of Nicolas Grant (Chair, until 1 March 2021), Matthew Liddle, Ellen Richardson (until 1 March 2021) and Laura Tarkka.

From 10 March 2021, the Health, Safety and Environment Committee consisted of James Adam (Chair), Matthew Liddle, Fredrik Lundeborg, Oleg Shamovsky and Laura Tarkka.

From 12 May 2021, the Health, Safety and Environment Committee consisted of James Adam (Chair), Fredrik Lundeborg, Oleg Shamovsky and Laura Tarkka.

From 1 September 2021, the Health, Safety and Environment Committee consisted of Shankar Krishnamoorthy (Chair), James Adam and Laura Tarkka.

From 3 November 2021, the Health, Safety and Environment Committee consists of Shankar Krishnamoorthy (Chair), Kerron Lezama and Laura Tarkka.

The Health, Safety and Environment Committee convened five times in 2021.

ORDINARY BOARD MEMBERS



Matti Ruotsala
Chair



James Adam



Andrew Furze



Jouni Grönroos



Shankar Krishnamoorthy



Kerron Lezama



Fredrik Lundeberg



Laura Tarkka

DEPUTY BOARD MEMBERS

Tara Davies, Katarina Romberg and Charles Thomazi.



Management Team

The role of the CEO is stipulated in 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.

Tomi Yli-Kyyny has been 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 investments 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. Every quarter, the Management Team holds an extended quarterly meeting where the business units report on their activities. The quarterly meetings are attended by unit management teams and by representatives of salaried and senior salaried employees.

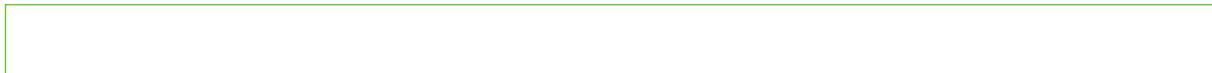
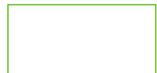
Each member of the Management Team is responsible for the operative implementation of the day-to-day business activities.

THE COMPOSITION OF THE MANAGEMENT TEAM CHANGED IN ORGANIZATIONAL CHANGE

In 2021, until the organisational change implemented on 1 October 2021, the Management Team consisted of CEO Tomi Yli-Kyyny, CFO and Deputy CEO Jyrki Tammivuori, Head of Electrical Network Kostu Rautiainen, Head of Regulation and Strategy Noora Neilimo-Kontio, Head of Customer Relations Katriina Kalavainen, Head of People and Culture Tommi Saikkonen, Head of Communications and Public Affairs Anne Pirilä, and Head of Development and Innovation Elina Lehtomäki.

Caruna's organisation and the composition of its Management Team were changed on 1 October 2021 to align with the company's updated strategy. After the change, the company's Management Team consists of CEO Tomi Yli-Kyyny, SVP, Network Management and Operations Elina Lehtomäki, SVP, Customer Value and New Ventures Relations Kostu Rautiainen, CFO and Deputy CEO Jyrki Tammivuori, and SVP, People, Public Affairs and Regulation Noora Neilimo-Kontio.

In November, CEO Tomi Yli-Kyyny announced his resignation from Caruna.



Management Team



TOMI YLI-KYINY

M. Sc. (Engineering), b. 1962
CEO

Background: Besides experience in the energy sector, Yli-Kyyny has 20 years of experience in the insurance and banking business.

Previous positions and other roles:

2011–2017 CEO, Vapo
2005–2010 CEO, Pohjola Insurance Ltd
2005–2006 Toimitusjohtaja, Pohjola Group Oyj
2020– Chair of the Board, SRV Group Plc
2019–2021 Member of the Board, Fennia Mutual Insurance Company
2015–2019 Member of the Board, Garantia Oy
2014–2019 Member of the Board, Barona Oy



JYRKI TAMMIVUORI

M. Sc. (Economics), b. 1971
CFO and Deputy CEO

Background: Over 20 years of experience in financial roles.

Previous positions:

2013–2014 acting CFO, Stora Enso Oyj
2008–2014 Group Treasurer, Stora Enso Oyj
1999–2008 Several posts at Stora Enso Oyj Brussels, London and Helsinki offices
2012–2015 Member of the Board, Tornator Oyj
2010–2012 Deputy member of the Board, Tornator Oyj
2009–2014 Member of the Board, Thiele Kaolin Company, GA USA



ELINA LEHTOMÄKI

M. Sc. (Electrical Engineering), b. 1974
SVP, Network Management and Operations
(Head of Development and Innovation until 30 September 2021)

Background: Almost 20 years of experience in managerial, development and advisory positions in the energy and electricity distribution business.

Previous positions and other roles:

2020- Member of the Board, Adato Energia Oy
2016–2018 Business Development Manager, Caruna Oy
2013–2015 Head of Growth Investments and Maintenance, Caruna Oy
2010–2013 Head of Network Services, Fortum Distribution
1999–2010 Advisor, Electrical Network, Finnish Energy



NOORA NEILIMO-KONTIO

M. Sc. (Economics), b. 1975
SVP, People, Public Affairs and Regulation
(Head of Regulation and Strategy until 30 September 2021)

Background: 20 years of experience in business and strategy development tasks both as a management consultant and in companies.

Previous positions:

2017–2020 Head of Strategy and Business Performance Management, Caruna Group
2014–2017 Head of Business Control and Business Performance Management, Caruna Group
2007–2014 Head of Strategy and Performance Management, Accenture
2003–2007 Senior Consultant, Management Advisory and Outsourcing Services, Ernst & Young



Management Team



KOSTI RAUTIAINEN

M. Sc. (Technology), b. 1977

SVP, Customer Value and New Ventures (Head of Electrical Network until 30 September 2021)

Background: Over 15 years of international experience in managerial and executive positions in the energy sector.

Previous positions:

2017–2018 Executive Vice President, Maintpartner Group

2015–2017 Senior Vice President, Ekokem

2012–2015 Vice President Technology, Fortum India

2008–2012 Production Director, Fortum Heat

2003–2008 Multiple positions e.g. in Vattenfall and Wärtsilä



SEIJA VIRKAJÄRVI

LL.M., b. 1962

General Counsel, Secretary of the Management Team

Background: Almost 30 years of experience in legal positions in the energy, telecoms and banking sectors.

Previous positions:

2007–2014 Legal Counsel, Fortum Group

2001–2006 Legal Counsel, Secretary of the Board of Directors, E.ON Finland Oy

1997–2001 Legal Counsel, Elisa Communications Oy

2011 Member of the Board, Fortum Energiaratkaisut Oy

2007–2009 Member of the Board, Ojamon Lämpö Oy

2005–2006 Member of the Board, Kainuun Energia Oy

2000–2001 Member of the Supervisory Board, Comptel Corporation



Management at Caruna

CARUNA IS MANAGED BASED ON ITS STRATEGY AND VALUES

We have defined Caruna's strategy and business goals on a Group-wide basis and shared them with the entire organisation.

Our operations are led by the CEO and Management Team, who are in charge of the execution of our long-term strategy. The Management Team sets goals for the business planning period and defines the focal areas for each year. Our business units – Customer Relations and New Businesses, Electricity Network Management and Operation, Public Affairs and Regulation, and Corporate Services – prepare their annual business plans on this basis. The results are monitored in view of the plans and goals on a monthly basis.

Finance, legal affairs, procurement, ICT and architecture and agile development have been merged under the Corporate Services unit. Strategy and innovation, public affairs, People & Culture, and communications and marketing are the responsibility of the Public Affairs and Regulation unit under the leadership of the Head

of Strategy and Regulation. Corporate responsibility is included in the area of responsibility of the Public Affairs and Regulation unit.

All unit heads are members of the Caruna Management Team and report directly to the CEO. The Management Team convenes twice a month.

GUIDELINES, POLICIES AND STANDARDS SUPPORT THE MANAGEMENT

In addition to laws and regulations, management is guided by our corporate values, policies (such as HR, risk management, asset management, finance, communications, compliance, and health, safety and environmental policy) and more specific guidelines.

Caruna's Code of Conduct lays the foundation for our way of work. It defines how we work together and treat each other, how we engage in the business of electricity distribution, and how we take care of Caruna's assets. Our responsibility principles are described in our health, safety and environmental policy.

The Code of Conduct and policies apply to all Caruna employees, managers and Board members. We also require that our supply chain complies with the Supplier Code of Conduct. The basic premise is that everyone working for Caruna or for our partners observes a consistent code of conduct.

WE HAVE THE FOLLOWING CERTIFIED SYSTEMS IN PLACE:

- ISO 55001:2014 Asset Management System
- ISO 45001:2018 Occupational Health and Safety Management System
- ISO 14001:2015 Environmental Management System

WE REGULARLY ASSESS OUR OPERATIONS

Our Management Team and units regularly monitor our business and attainment of goals and report on them regularly also to the Board of Directors.

A set of company- and unit-specific performance indicators have been created for monitoring Caruna's operations, including a range of targets down to the level of each individual. The set of indicators includes both financial and non-financial, responsibility indicators. 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 against the company's strategic business goals. The set of indicators also functions as a basis for our incentive system, which applies to the entire personnel.

We evaluate the quality of management through yearly personnel surveys. We promote self-management and encourage employees to actively participate in improving the working environment.

We are continuously improving our management system. Caruna is a Great Place to Work certified workplace.



Risk management

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

Risk management is part of Caruna's internal control system. We regularly assess the strategic and operative risks facing the Group. Our risks are divided into the following subcategories: financial risks, regulatory and compliance risks, customer and market risks, people risks, environmental risks, technology and physical assets risks, and data and cyber security risks. Risk management strives to ensure that any risks affecting the Group's business operations are identified, managed, and monitored. The Group has taken out appropriate insurance policies that provide comprehensive cover for its operations.

STRATEGIC RISKS

Strategic risks include regulatory risk, that is, harmful and negative impacts on the regulatory environment or the low predictability of changes in the regulatory environment. The changing operating environment, availability of financing,

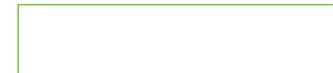
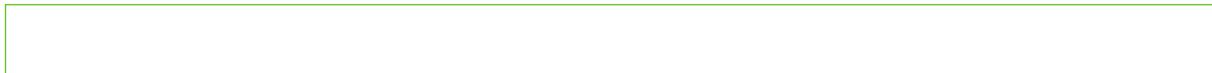
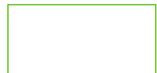
and the availability of competent personnel are also essential risks at the strategic level. Reputation risk has also been identified. Its realisation will slow down the implementation of our strategy and could be a trigger for other strategic risks.

Challenges in the operating environment

The strategy is reviewed annually and changes are made as necessary. Climate change is one of the key long-term megatrends emerging from our operating environment. We evaluate the risks and opportunities of climate change in accordance with the TCFD (Task-force on Climate-related Financial Disclosures) framework. In 2021, we set our mission as helping our customers and the society in the energy transition.

OPERATIONAL RISKS

The most significant risks to operations are related to cyber security, exceptional weather conditions, supplier risk and safety. For example, exceptional weather conditions may affect the reliability of the distribution network. The key means of preventing interruptions are to replace overhead lines with underground cables, manage forests near overhead lines, and develop remote network control. Caruna has identified risks related to cybersecurity and has developed its operations to mitigate these risks.



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