



SECOND PARTY OPINION (SPO)

Sustainability Quality of the Issuer and Green Finance Framework

Fingrid Oyj
7 July 2023

VERIFICATION PARAMETERS

Type(s) of instruments contemplated	<ul style="list-style-type: none">Green Finance Instruments
Relevant standards	<ul style="list-style-type: none">Green Bond Principles, as administered by the International Capital Market Association (ICMA) (as of June 2021 with June 2022 Appendix 1)Green Loan Principles, as administered by the Loan Market Association (LMA) (as of February 2023)EU Taxonomy Climate Delegated Act (as of June 2021)
Scope of verification	<ul style="list-style-type: none">Fingrid Oyj Green Finance Framework (as of July 3, 2023)Fingrid Oyj Eligibility Criteria (as of July 3, 2023)
Lifecycle	<ul style="list-style-type: none">Pre-issuance verification
Validity	<ul style="list-style-type: none">Valid as long as the cited Framework remains unchanged.

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SCOPE OF WORK

Fingrid Oyj (“the Issuer” or “Fingrid”) commissioned ISS Corporate Solutions (ICS) to assist with its Green Finance Framework by assessing four core elements to determine the sustainability quality of the instruments:

1. Fingrid’s Green Finance Framework (as of July 3, 2023) – benchmarked against the International Capital Market Association’s (ICMA) Green Bond Principles (GBP) and the Loan Market Association’s (LMA) Green Loan Principles (GLP).
2. The Eligibility Criteria – whether the project category contributes positively to the UN SDGs and how they perform against proprietary issuance-specific key performance indicators (KPIs) (See Annex 1).
3. The eligibility of the project category against the EU Taxonomy on a best-efforts basis¹ – whether the nominated project category satisfies the EU Taxonomy Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation as included in the EU Taxonomy Climate Delegated Act (June 2021)².
4. Linking the transactions to Fingrid’s overall ESG profile – drawing on the issuance-specific Use of Proceeds categories.

FINGRID BUSINESS OVERVIEW


Fingrid Oyj holds an electricity network licence, owns Finland's high voltage electricity transmission system, the Main Grid, and holds the Main Grid agreements and the related cash flows. Fingrid is the owner and operator of the Main Grid and all major cross-border power interconnections with neighbouring countries. Fingrid's business comprises the provision of Main Grid services, cross-border services, balance services and electricity market services to connected customers as well as participants in the electricity market. Fingrid was founded on November 29, 1996 and is headquartered in Helsinki, Finland.

It is classified in the Gas and Electricity Network Operators industry, as per ISS ESG’s sector classification.

¹ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy have been evaluated on a "best efforts basis".

² European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, <https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=CELEX:32021R2139>

ASSESSMENT SUMMARY

SPO SECTION	SUMMARY	EVALUATION ³
Part 1: Alignment with GBP and GLP	The Issuer has defined a formal concept for its Green Finance Instruments regarding use of proceeds, processes for project evaluation and selection, management of proceeds and reporting. This concept is in line with the ICMA's Green Bond Principles and LMA's Green Loan Principles.	Aligned
Part 2: Sustainability quality of the Eligibility Criteria	<p>The Green Finance Instruments will (re-)finance the following eligible project category:</p> <p>Renewable Energy - Electricity Transmission And Distribution Infrastructure.</p> <p>Product and/or service-related use of proceeds category contributes to the following SDG:</p>  <p>The environmental and social risks associated with the use of proceeds category are managed.</p>	Positive
Part 3: Eligibility against the EU Taxonomy	<p>Fingrid's project characteristics, due diligence processes and policies have been assessed against the requirements of the EU Taxonomy (Climate Delegated Act of June 2021) Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation, on a best-efforts basis⁴.</p> <p>The Do No Significant Harm (DNSH) requirements and the Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed. It is to be noted that the Issuer has provided internal information on several of its processes and policies that are already in place to ensure alignment with some of the DNSH requirements. Nonetheless, it is yet to develop processes and policies that ensure full alignment with the DNSH requirements and human rights due diligence process that are externally communicated. The Issuer notes that it seeks full alignment with the DNSH and Minimum Safeguards Criteria for activity 4.9 Transmission and</p>	Eligible for assessing alignment at a later date

³ The evaluation is based on the Fingrid's Green Finance Framework (July 2023 version), and on the Indicative Corporate Rating and applicable at the SPO delivery date.

⁴ Whilst the Final Delegated Act for Mitigation and Adaptation were published in June 2021, the Technical Screening Criteria allow for discretion on the methodologies in determining alignment in certain cases. Therefore, at this stage the alignment with the EU Taxonomy has been evaluated on a "best efforts basis".

	Distribution of Electricity once they are subjected to the Taxonomy Regulation (which the Issuer expects to occur in fiscal year 2024 onwards).	
Part 4: Linking the transaction to Fingrid's overall ESG profile	<p>The key sustainability objectives and the rationale for issuing Green Finance Instruments are clearly described by the Issuer. The majority of the project categories considered are in line with the sustainability objectives of the Issuer.</p> <p>At the date of publication of the report and leveraging ISS ESG Research, no severe controversies have been identified.</p>	Consistent with Issuer's sustainability strategy

SPO ASSESSMENT

PART I: ALIGNMENT WITH ICMA GREEN BOND PRINCIPLES AND LMA GREEN LOAN PRINCIPLES

This section evaluates the alignment of the Fingrid Green Finance Framework (as of July 3, 2023) with the International Capital Market Association's (ICMA) Green Bond Principles (GBP) and the Loan Market Association's (LMA) Green Loan Principles (GLP).

GBP AND GLP	ALIGNMENT	OPINION
1. Use of Proceeds	✓	<p>The Use of Proceeds description provided by Fingrid's Green Finance Framework is aligned with the ICMA's Green Bond Principles and LMA's Green Loan Principles.</p> <p>The Issuer's green categories align with the project categories as proposed by the ICMA's Green Bond Principles and LMA's Green Loan Principles criteria are defined in a clear and transparent manner. Environmental benefits are described.</p> <p>The Issuer defines exclusion criteria for harmful projects categories. The Issuer has defined a look-back period of 3 years from the time of issuance for OPEX activities.</p>
2. Process for Project Evaluation and Selection	✓	<p>The Process for Project Evaluation and Selection description provided by Fingrid's Green Finance Framework is aligned with the ICMA's Green Bond Principles and LMA's Green Loan Principles.</p> <p>The project selection process is defined and structured in a congruous manner. ESG risks associated with the project categories are identified and managed through an appropriate process. Moreover, the projects selected show alignment with the sustainability strategy of the Issuer.</p> <p>The Issuer clearly defines responsibilities in the process for project evaluation and selection and is transparent about it and also involves various stakeholders in this process and the Issuer is aligned with market wide taxonomies, which are in line with best market practice.</p>
3. Management of Proceeds	✓	<p>The Management of Proceeds proposed by Fingrid Green Finance Framework is aligned with the ICMA's Green Bond Principles and LMA's Green Loan Principles.</p>

		<p>Fingrid confirms that it will achieve a level of allocation for the Eligible Green Project Portfolio that matches or exceeds the balance of net proceeds from its outstanding Green Finance. The net proceeds will be managed on an aggregated basis for multiple Green Bonds (portfolio approach) and tracked in an appropriate manner. Unallocated proceeds will be held temporarily in Fingrid’s liquidity portfolio, in cash or other short term liquid instruments.</p>
<p>4. Reporting</p>	<p>✓</p>	<p>The allocation and impact reporting proposed by Fingrid Green Finance Framework is aligned with the ICMA’s Green Bond Principles and LMA’s Green Loan Principles.</p> <p>The Issuer commits to disclose the allocation of proceeds transparently and to report in an appropriate frequency. The reporting will be publicly available on the Issuer’s website. Fingrid explains the level of expected reporting and the type of information that will be reported. Moreover, the Issuer commits to report annually, until the proceeds have been fully allocated.</p>

PART II: SUSTAINABILITY QUALITY OF THE ISSUANCE

A. CONTRIBUTION OF THE GREEN FINANCE INSTRUMENTS TO THE UN SDGs⁵

Companies can contribute to the achievement of the SDGs by providing specific services/products which help address global sustainability challenges, and by being responsible corporate actors, working to minimize negative externalities in their operations along the entire value chain.


1. Products and services

The assessment of UoP categories for (re)financing products and services is based on a variety of internal and external sources, such as the ISS ESG SDG Solutions Assessment (SDGA), a proprietary methodology designed to assess the impact of an Issuer's products or services on the UN SDGs, as well as other ESG benchmarks (the EU Taxonomy Climate Delegated Acts, the ICMA Green and/or Social Bond Principles and other regional taxonomies, standards and sustainability criteria).

The assessment of UoP categories for (re)financing specific products and services is displayed on 3-point scale (see Annex 1 for methodology):



The Green Finance Instruments' Use of Proceeds category has been assessed for its contribution to, or obstruction of, the SDGs:

USE OF PROCEEDS (PRODUCTS/SERVICES)	CONTRIBUTION OR OBSTRUCTION	SUSTAINABLE DEVELOPMENT GOALS
<p>Renewable Energy - Electricity transmission and distribution infrastructure:</p> <p><i>Transmission and distribution infrastructure or equipment in an electricity system that complies with at least one of the following criteria:</i></p> <ul style="list-style-type: none"> ▪ <i>The system is the interconnected European system, i.e. the interconnected control areas of Member States, Norway, Switzerland and the United Kingdom, and its subordinated systems</i> ▪ <i>More than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100gCO_{2e}/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period</i> ▪ <i>The average system grid emission factor, calculated as the total annual emissions from power generation connected to the system, divided by the total amount net electricity production in that system, is below the threshold value of 100gCO_{2e}/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period</i> 	Contribution	

⁵ The impact of the UoP categories on UN Social Development Goals is assessed with proprietary methodology and may therefore differ from the Issuer's description in the framework.

B. MANAGEMENT OF ENVIRONMENTAL & SOCIAL RISKS ASSOCIATED WITH THE ELIGIBILITY CRITERIA

The table below evaluates the Eligibility Criteria against issuance-specific KPIs, and covers the project categories that have not been assessed against the Do No Significant Harm Criteria and the Minimum Safeguards of the EU Taxonomy. All of the assets will be located in Finland.

ASSESSMENT AGAINST KPIs

Environmental aspects of construction (or production) and operation

✓ The company has taken measures to ensure that assets financed under this framework meet high environmental standards and requirements during planning and construction phases. Environmental Impact Assessments (EIA)⁶ in accordance with Directive 2011/92/EU or environmental studies (similar scope to an EIA but with less detailed assessments) are completed in accordance projects specifications. For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), the appropriate assessments are conducted in accordance with the Habitats and Bird directives (1992/43/EEC and 2009/147/EC) and the necessary mitigation measures are implemented.

✓ The company has taken measures ensuring that low-impact methods will be applied during cable-laying. Underground cables are being used by Fingrid and to minimize environmental impacts in the planning and construction of new power grids EIA are also completed. Fingrid also requires commitments in respect of site-specific environmental values from external grid maintenance contractors and service providers by means of contractual terms, environmental training and audits. All personnel working at Fingrid's worksites complete online training on environmental matters. Service providers receive environmental training when investment projects are started, and environmental aspects are monitored at the worksite as part of worksite monitoring.

✓ Fingrid has waste management procedures in place with a primary goal of producing as little waste as possible. If waste is nevertheless created it shall be reused or recycled as material. Fingrid verified that its procedures complied with the renewed waste legislation (Waste act 646/2011 and amendments 2022), which entailed changes in the sorting regulations at worksites as well as in the requirements concerning waste accounting and transfer documents. In accordance to Fingrid waste management and following the priority imposed by the Finnish Waste Act, materials used by the Issuer are to be decommissioned and waste recycled as efficiently as possible when building new grid sections or dismantling old structures. Fingrid's total volume of waste during in 2022 was approximately 12,000 tonnes, of which hazardous waste made up roughly 700 tonnes. Of the resulting material, 82% was recycled and 99% was re-utilized (e.g. waste oil is sent for recycling, concrete is re-used to create crushed aggregate, transmission conductors are dismantled and processed so that various metals are separated out).

⁶ Fingrid, 2023, The progress of the project - EIA procedure, <https://www.fingrid.fi/en/grid/construction/project-stages/#eia-procedure>

Conservation and biodiversity management

- ✓ In new transmission line projects, the ecological impacts and the possibility to mitigate them are assessed through an environmental impact assessment procedure (EIA) required by law. Environmental Impact Assessments (EIA) are completed in accordance with Directive 2011/92/EU and the required mitigation and compensation measures for protecting the environment are implemented. For projects with minor impacts (determined based on information from the Act on Environmental Impact Assessment Procedure 252/2017), Fingrid does an environmental study (similar scope to an EIA but with less detailed assessments). Using the data from the EIA assessments, Fingrid can mitigate impacts and ensure the preservation of the environmental sites during the planning and construction of the project. For sites/operations located in or near biodiversity-sensitive areas (including the Natura 2000 network of protected areas, UNESCO World Heritage sites and Key Biodiversity Areas, as well as other protected areas), the appropriate assessments are conducted in accordance with the Habitats and Bird directives (1992/43/EEC and 2009/147/EC) and the necessary mitigation measures are implemented.

Labour, health and safety

- ✓ Fingrid has measures in place ensuring that high labour and health and safety standards are in place. Health and safety for employees and volunteers are ensured according to European and national legislation and standards. The European framework Council Directive 89/391/EEC is transposed into Finnish law by the Occupational Safety and Health Act (738/2002) and the Act on Occupational Health Services (1383/2001). The Occupational Safety and Health Act (738/2002) applies to all paid employment and stipulates the minimum level of safety and health at work. The Act also describes the responsibilities of employers and employees, and the co-operation of employers and employees required to promote occupational safety and health. Furthermore, Fingrid also applies an occupational health and safety management system based on the ISO 45001 standard.
- ✓ The Issuer has policies in place to ensure that high operational safety standards are in place. Fingrid's applies an occupational health and safety management system based on the ISO 45001 standard, the scope of which includes the functions and units working with grid construction, maintenance and reserve power plants.

Community Dialogue

- ✓ All the assets will be located in Finland, an Equator Principles designated country deemed to have robust social governance, legislation systems and institutional capacity designed to protect their people. Stakeholder Engagement and Grievance Mechanism are covered under Equator Principle 5 and 6, respectively, and ensured by the relevant national legislation.

PART III: ELIGIBILITY OF THE GREEN FINANCE INSTRUMENTS AGAINST THE EU TAXONOMY CLIMATE DELEGATED ACT

Fingrid's project characteristics, due diligence processes and policies for the nominated Use of Proceeds project category have been assessed against the relevant Climate Change Mitigation Technical Screening Criteria requirements of the EU Taxonomy Climate Delegated Act⁷ (June 2021), based on information provided by Fingrid. Where Fingrid's project characteristics, due diligence processes and policies meet the EU Taxonomy Criteria requirements, a tick is shown in the table below.

The Do No Significant Harm (DNSH) requirements and the Minimum Safeguards requirements as included in the EU Taxonomy Climate Delegated Act have not been assessed. It is to be noted that the Issuer has provided internal information on several of its processes and policies that are already in place to ensure alignment with some of the DNSH requirements. Nonetheless, it is yet to develop processes and policies that ensure full alignment with the DNSH requirements and human rights due diligence process that is externally communicated. The Issuer notes that it seeks full alignment with the DNSH and Minimum Safeguards Criteria for activity 4.9 Transmission and Distribution of Electricity once they are subjected to the Taxonomy Regulation (which Fingrid expects to occur in fiscal year 2024 onwards).

Fingrid's project selection criteria overlap with the following economic activity in the EU Taxonomy:


4.9 Transmission and Distribution of Electricity

All projects financed under the Green Finance Framework are and will be located in Finland.

Furthermore, this analysis only displays how the EU Taxonomy criteria are fulfilled/not fulfilled. For ease of reading, the original text of the EU Taxonomy criteria is not shown. Readers can recover the original criteria at the following [link](#).

⁷ European Commission, 2021, Commission Delegated Regulation (EU) 2021/2139 of 4 June 2021, <https://eur-lex.europa.eu/legalcontent/EN/TXT/?uri=CELEX:32021R2139>

a) Assessment of the project category against the EU Taxonomy’s Technical Screening Criteria for a Substantial Contribution to Climate Change Mitigation

FRINGRID'S GREEN FINANCE FRAMEWORK PROJECT CATEGORY	EU TAXONOMY ACTIVITY	PROJECT CHARACTERISTICS AND SELECTION PROCESSES ⁸	ASSESSMENT AGAINST THE EU TAXONOMY'S TECHNICAL SCREENING CRITERIA
Renewable Energy - Electricity transmission and distribution infrastructure	4.9 Transmission and Distribution of Electricity	<p>Fingrid's transmission and distribution infrastructure or equipment is an electricity system that complies with criteria (a), the system is the interconnected European system, and (b), more than 67% of newly enabled generation capacity in the system is below the generation threshold value of 100 gCO₂e/kWh measured on a life cycle basis in accordance with electricity generation criteria, over a rolling five-year period.</p> <p>Fingrid states that infrastructure dedicated to creating a direct connection or expanding an existing direct connection between a substation or network and a power production plant that is more greenhouse gas intensive than 100 gCO₂e/kWh measured on a life cycle basis as well as installation of metering infrastructure that does not meet the requirements of smart metering systems of Article 20 of Directive (EU) 2019/944 are excluded.</p>	

b) Do No Significant Harm Criteria

Regarding the policies and procedures to ensure that the project categories align with the relevant Do No Significant Harm Criteria, Fingrid notes that it will secure the relevant information on whether the assets align with the criteria, including using compliance with national legislation and regulations as indicators, once they are subjected to the Taxonomy Regulation (which Fingrid expects to occur in fiscal year 2024 onwards). It is to be noted that the Issuer has provided internal information on several of its processes and policies that are already in place to ensure alignment with some of the DNSH requirements. Nonetheless, considering that the Issuer is still developing processes and policies to fully align with all DNSH requirements and is yet to develop a human rights due diligence process that is externally communicated, there is no information as to whether the project categories fulfill the Do No Significant Harm Criteria of the EU Taxonomy.

⁸ This column is based on input provided by the issuer.

PART IV: LINKING THE TRANSACTIONS TO FINGRID'S ESG PROFILE

A. CONSISTENCY OF GREEN FINANCE INSTRUMENTS WITH FINGRID'S SUSTAINABILITY STRATEGY

Key sustainability objectives and priorities defined by the Issuer

Fingrid functions as a transmission system operator in Finland with a target to combat climate change and transition to a clean electricity system to meet the needs of clean energy production to the main grid to reduce carbon dioxide emissions and to enable Finland's target to be a climate-neutral society by 2035 by eliminating emissions from industries, heating, and transportation and replacing the energy used with electricity. The Issuer's main focus is on clean energy production to the main grid that will help reduce carbon dioxide emissions.

According to the Corporate Responsibility and Sustainable Development section of Fingrid's Annual Report 2022⁹, Fingrid's objective is to achieve the following targets by 2035:

- **Carbon Neutral by 2035:** The Issuer's goal is to achieve the Issuer's climate targets by 2025 by connecting renewable energy, lowering emissions from power losses and increasing energy efficiency. With the help of the new grid investments, an emission-free production will be integrated into the system, reducing CO₂ emissions from transmission losses without the use of carbon offsets and increasing energy efficiency. Additionally, by 2035, the Issuer's focus is to achieve energy efficiency in all of its operations and ensure that Finland's transmission losses do not contribute to CO₂ emissions.
- **Sulfur Hexafluoride (SF6) emissions:** The Issuer wants to manage SF6 gas by 2025 in accordance with the EU's F-gas Regulation, which establishes guidelines for leak monitoring and competency standards for gas handling. Additionally, by utilizing modern technologies to reduce Sulfur Hexafluoride (SF6) gas emissions, future emissions should be lower than those of other transmission system operators. The Issuer wants all new gas-insulated switching substations to be Sulfur Hexafluoride (SF6)-free and compliant with modern technology by 2035. The Issuer targets to produce Sulfur Hexafluoride (SF6) gas emissions as little as feasible. Additionally, to have the lowest main grid-caused Sulfur Hexafluoride (SF6) gas emissions among transmission system operators.
- **Circular Economy and Material efficiency:** By 2025, Fingrid plans to recycle more resources and produce less trash, with a 90% recycling rate and 98% utilization rate for demolition waste from its operations. The Issuer also intends to reduce waste generated by offices and building sites. The Issuer wants to find fresh approaches to material use along with recycling by the year 2035.
- **Protection of nature values, biodiversity, impacts on land and scenic values:** By 2025, Fingrid plans to improve biodiversity in the rights-of-way for transmission and set up technical solutions to increase the transmission capacity of the current grid. It also focuses on reducing adverse effects on the environment and improving biodiversity. Moreover, a successful EIA procedure for traditional rural biotopes and ecological variety. By 2035, Fingrid's transmission line right-of-ways are utilised

⁹ Fingrid, 2022, Fingrid Annual Report 2022, https://www.fingrid.fi/globalassets/dokumentit/en/annual-report/2022/fingrid_ojy_annual_report_2022.pdf

extensively for projects supporting biodiversity. Technical solutions exist to boost transmission capacity on the main grid with a minimum of new transmission line construction required.

The Issuer reports its annual progress in its CSR report, verified by an independent third party, and is committed to guiding its target setting. Fingrid signed the Finnish Energy Efficiency Agreement for industries and the UN Global Compact initiative in 2016.

Fingrid's Board of Directors is responsible for sustainable development principles and promoting them. The Board approves the Fingrid's Code of Conduct and the implementation of the sustainability goals. The President & CEO is responsible for arranging corporate responsibility management and its integration into business operations. Fingrid's Board along with the heads of functions reviews corporate responsibility issues and takes into account financial profitability, social issues, and environmental impacts in decision-making. Responsibility aspects have an impact on the remuneration of the President & CEO and other executives. The Compliance and Responsibility Team is responsible for corporate responsibility development and reporting at the company level. In terms of the corporate responsibility ESG targets, each environmental (E), social (S) and governance (G) target has a director appointed by the President & CEO from the executive management group. Fingrid has defined both short and long-term ESG targets until 2025 and 2035, respectively. The director is responsible for development, reporting and monitoring the achievement of these targets along with the General Counsel in charge of corporate responsibility.

Fingrid has complied with the Global Reporting initiative since 2011 and the standards of the Sustainability Accounting Standards Board (SASB) for Electric utilities and Power Generators sector since 2021. The Issuer reports its business risks associated with climate change in accordance with the Taskforce on Climate-Related Financial Disclosure (TCFD). According to a 2017 TCFD factsheet¹⁰, the Issuer issued a Green Bond worth €100 million to finance projects with an environmental impact.

The Issuer has a €4 billion 10-year capital main grid investment plan that aims to create the conditions for Finland's competitiveness in industrial investments and support the achievement of carbon neutrality targets by 2035. As part of the main grid development plan, Fingrid will strengthen electricity transmission capacity inside Finland and cross-border connections, as well as enable the connection of new customers to the main grid. The plan is in line with the company's ESG objective which will help grid operators electrify society by tying cleaner renewable energy output to the grid. As part of its risk management process, Fingrid identifies the physical risks associated with its operations and designs mitigation measures in the grid construction and operation.

Rationale for issuance

The issuance of Green Finance Instrument under this Framework will be to finance and refinance projects to enable Finland to transition to a low carbon and climate-resilient economy. The sustainability measures of the Issuer are in line with its goals to promote a sustainable project that carries environmental benefit. In 2017, Fingrid issued an inaugural Green Bond Framework with the aim to align with best market practices in the field as a part of their financial strategy under their Euro Medium term program

Fingrid considers this Green Bond Framework as an opportunity to further enable Finland to achieve its climate targets and reinforce the company's commitment to sustainability. This framework is an

¹⁰ Fingrid Task force on Climate-Related Financial Disclosures (TCFD) 2022 Fact sheet, <https://www.fingrid.fi/globalassets/dokumentit/fi/yhtio/vastuullisuus/climate-fact-sheet-2021-en.pdf>

update to the original inaugural framework prompted by the addition of project categories and green finance instruments.

Opinion: *The key sustainability objectives and the rationale for issuing Green Finance Instruments are clearly described by the Issuer. The project categories financed are in line with the sustainability objectives of the Issuer.*

B. FINGRID'S BUSINESS EXPOSURE TO ESG RISKS

This section aims to provide an overall level of information on the ESG risks to which the Issuer is exposed through its business activities, providing additional context to the issuance assessed in the present report.

ESG risks associated with the Issuer's industry

The Issuer is classified in the Gas and Electricity Network Operators Industry, as per ISS ESG's sector classification. Key challenges faced by companies in terms of sustainability management in this industry are displayed in the table below. Please note, that this is not a company specific assessment but areas that are of particular relevance for companies within that industry.

ESG KEY ISSUES IN THE INDUSTRY
Worker safety and accident prevention
Protection of human rights and community outreach
Accessibility and reliability of energy supply
Promotion of a sustainable energy system
Environmentally safe operation of plants and infrastructure

ESG strengths and points of attention related to the Issuer's disclosures

Leveraging ISS ESG's Research, the following strengths, and points of attention¹¹ have been identified:

STRENGTHS	POINTS OF ATTENTION
Fingrid has disclosed information regarding the implementation of the Health and Safety Management System, employee accident rates, and fatalities. Additionally, accident rates of service providers employed on a contractual basis were reported by Fingrid.	Fingrid has not reported contractor fatalities in recent years.
Fingrid is a signatory of the United Nations Global Compact (UNGC) and it has disclosures regarding human rights due diligence procedures.	
Fingrid has disclosures regarding the reliability of the transmission grid systems covering risk	

¹¹ Please note that Fingrid is not part of the ISS ESG Corporate Rating Universe. Thus, the information is based on a disclosure review conducted by the analyst in charge of the Gas and Electricity Network Operators sector industry, based on publicly available information exclusively. No direct communication between the Issuer and the analyst has taken place during the process. The below is not based on an ISS ESG Corporate Rating but considers ISS ESG Research's methodology.

assessment, inspection, maintenance, and investment programs.	
Fingrid has disclosures regarding its position on climate change, greenhouse gas inventory, and some climate change mitigation and adaptation strategies. Additionally, it has disclosed a strategy to integrate renewable energy in the electricity transmission networks.	

Please note that the consistency between the issuance subject to this report and the Issuer’s sustainability strategy is further detailed in Part IV.A of the report.

Sustainability impact of products and services portfolio

Leveraging ISS ESG’s Sustainability Solutions Assessment methodology, the contribution of the Issuer’s current products and services portfolio to the Sustainable Development Goals defined by the United Nations (UN SDGs) has been assessed. This analysis is limited to the evaluation of final product characteristics and does not include practices along the Issuer’s production process.

ISS ESG determined that, based on the information provided by the company, its overall business model has no net impact (contribution and/or obstruction) to the UN SDGs.

Breaches of international norms and ESG controversies

At Issuer level

At the date of publication and leveraging ISS ESG Research, no controversy in which the Issuer would be involved has been identified.

At industry level

Based on a review of controversies over a 2-year period, the top three issues that have been reported against companies within the Gas and Electricity Network Operators industry are as follows: Failure to mitigate climate change impacts, Failure to respect the right to life, Failure to respect the right to safe and healthy working conditions.

Please note, that this is not a company specific assessment but areas that can be of particular relevance for companies within that industry.

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ANNEX 1: Methodology

EU Taxonomy

The assessment evaluates whether the details of the nominated projects and assets or project selection eligibility criteria included in the Green Finance Framework meet the criteria listed in relevant Activities in the EU Taxonomy Climate Delegated Act (June 2021).

The evaluation shows if Fingrid's project categories are indicatively in line with the entirety (or some of) the requirements listed in the EU Taxonomy Technical Annex.

The evaluation was carried out using information and documents provided on a confidential basis by Fingrid (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the project category location, were drawn on to complement the information provided by the Issuer.

Green KPIs

The Green Bond KPIs serve as a structure for evaluating the sustainability quality – i.e. the social and environmental added value – of the use of proceeds of Fingrid's Green Finance Instruments.

It comprises firstly the definition of the use of proceeds category offering added social and/or environmental value, and secondly the specific sustainability criteria by means of which this added value and therefore the sustainability performance of the assets can be clearly identified and described.

The sustainability criteria are complemented by specific indicators, which enable quantitative measurement of the sustainability performance of the assets and which can also be used for reporting. If a majority of assets fulfill the requirement of an indicator, this indicator is then assessed positively. Those indicators may be tailor-made to capture the context-specific environmental and social risks.

Environmental and social risks assessment methodology

The Environmental and social risks assessment evaluates whether the assets included in the asset pool match the eligible project category and criteria listed in the Green Bond KPIs.

All percentages refer to the amount of assets within one category (e.g. wind power). Additionally, the assessment "no or limited information is available" either indicates that no information was made available or that the information provided did not fulfil the requirements of the Green Bond KPIs.

The evaluation was carried out using information and documents provided on a confidential basis by Fingrid (e.g. Due Diligence Reports). Further, national legislation and standards, depending on the asset location, were drawn on to complement the information provided by the Fingrid.

Assessment of the contribution and association to the SDG

The 17 Sustainable Development Goals (SDGs) were endorsed in September 2015 by the United Nations and provide a benchmark for key opportunities and challenges toward a more sustainable future. Using a proprietary method, the extent to which Fingrid's Green Finance Instruments contributes to related SDGs has been identified.

ANNEX 2: Quality management processes

SCOPE

Fingrid commissioned ICS to compile a Green Finance Instruments SPO. The Second Party Opinion process includes verifying whether the Green Finance Framework aligns with the ICMA Green Bond Principles and the LMA Green Loans Principles and to assess the sustainability credentials of its Green Finance Instruments, as well as the Issuer's sustainability strategy.

CRITERIA

Relevant Standards for this Second Party Opinion

- ICMA Green Bond Principles (GBP)
- LMA Green Loan Principles (GLP)
- EU Taxonomy Climate Delegated Act

ISSUER'S RESPONSIBILITY

Fingrid's responsibility was to provide information and documentation on:

- Green Finance Framework
- Eligibility criteria
- Documentation of ESG risks management at the corporate level

ISS ESG'S VERIFICATION PROCESS

ISS ESG is one of the world's leading independent environmental, social and governance (ESG) research, analysis and rating houses. The company has been actively involved in the sustainable capital markets for over 25 years. Since 2014, ISS ESG has built up a reputation as a highly-reputed thought leader in the green and social bond market and has become one of the first CBI approved verifiers.

This independent Second Party Opinion of the Green Finance Instruments to be issued by Fingrid has been conducted based on a proprietary methodology and in line with the ICMA Green Bond Principles and the LMA Green Loan Principles.

The engagement with Fingrid took place from March to July 2023.

ISS' BUSINESS PRACTICES

ISS has conducted this verification in strict compliance with the ISS Code of Ethics, which lays out detailed requirements in integrity, transparency, professional competence and due care, professional behavior and objectivity for the ISS business and team members. It is designed to ensure that the verification is conducted independently and without any conflicts of interest with other parts of the ISS Group.

About this SPO

ISS ESG is one of the world's leading rating agencies in the field of sustainable investment. The agency analyses companies and countries regarding their environmental and social performance.

We assess alignment with external principles (e.g. the ICMA Green / Social Bond Principles), analyse the sustainability quality of the assets and review the sustainability performance of the Issuer themselves. Following these three steps, we draw up an independent SPO so that investors are as well informed as possible about the quality of the bond / loan from a sustainability perspective.

Learn more: <https://www.isscorporatesolutions.com/solutions/esg-solutions/green-bond-services/>

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