Caruna's year 2020

caruna | Positive energy.

Contents

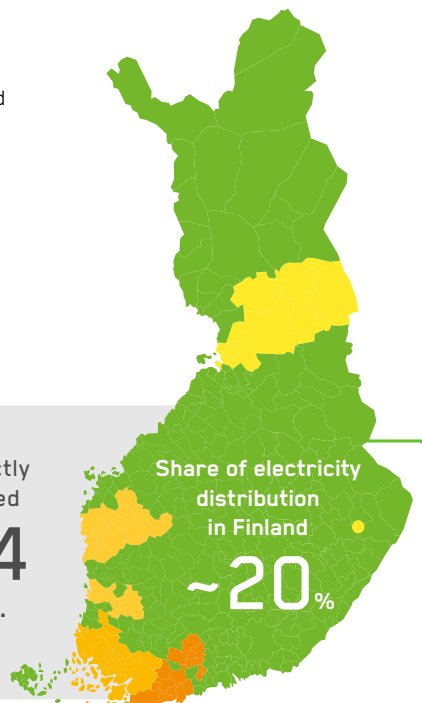
Making things easy for customers is at the heart of what we do

We get electricity where our more than 700,000 customers need it. We maintain, refurbish and build a weather-proof electricity network in our network areas in South, Southwest and West Finland, the city of Joensuu and in the regions of Koillismaa and Satakunta. We monitor the operation of our network 24/7 to ensure that customers have access to electricity with minimum disruption.

We actively develop new solutions for the expanding needs of our electrifying society: electric transport, electricity generated by consumers, the ever-increasing number of electronic services, and the construction of ultra-fast network connections. We take immediate action to rectify any faults that arise in ordinary operations, whether on land or at sea, any time of the day and any day of the week. We have prepared ourselves for the surprises that weather events can cause in order to minimise the disruption that our customers experience in the event of power outages, or to prevent power outages altogether.

The everyday lives of our customers are worth safeguarding, so we serve them in many different channels. We respond to questions and seek solutions to problems. We introduce our customers to renewable energy generation and the possibilities of electric vehicles. We partner with our customers on the journey towards a carbon-neutral Finland.

We directly employed **314** people.



Number of customers

702,000 in low-voltage network

800 in medium-voltage network

60 in high-voltage network

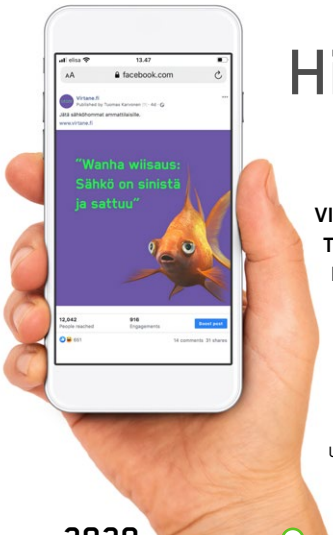
Electricity network

88,350 km

Reliability of electricity supply

99.98 %

Highlights of the year



VIRTANE WORKS TO REDUCE THE CARBON FOOTPRINT

In the early part of the year, we launched Virtane, a digital service that enables users to compare solar panels and electric car chargers from different service providers on the basis of the user's electricity consumption.

ELECTRIC CHARGING IN PERKKAA

The car park at Caruna's office offers employees 40 charging points for electric cars. In May, we welcomed local electric car owners to charge their vehicles outside office hours.

SUMMER WORK FOR MORE THAN 70 YOUNG PEOPLE

From June to August, we ran a campaign called Duunienergia ('Job Energy') with the municipalities in our network area to give summer jobs to people aged between 16 and 20 in various parts of Finland. More than 70 young people found summer work through the campaign.

2020

A PIONEER OF OCCUPATIONAL SAFETY

The Zero Accidents Forum run by the Finnish Institute of Occupational Health issued safety ratings to its member companies in April. We were rated in the top category – World Class – for the fifth year in a row.

In March, we made the switch to remote work successfully.

UP-TO-DATE INFORMATION ABOUT WORKSITES

The worksite map service, which was launched in the spring, shows all of our worksites and the phases they are at. For example, the service shows excavation routes and the estimated timetables for each work phase.

Highlights of the year

BATTERY-BASED ENERGY STORAGE ENSURES A WEATHERPROOF ELECTRICITY NETWORK

In August, a battery-based energy storage facility whirred into life in Inkoo. The battery is connected to our medium-voltage network, and it is used in the event of power cuts caused by maintenance or faults.

THE KURIKKA TELECOMS MAST WAS SOLD TO DIGITA

The mast was previously used for communications between substations. In 2020, the equipment on the mast used for the distribution network was removed, but the antennae and mobile base stations are still in use.

EFFICIENT COLLABORATION VIA THE PROJECT ACADEMY

The first Project Academy began in the autumn. The purpose of the training programme is to make the supply chains for electricity network construction contracts more efficient.

STORM AILA SHOOK UP THE ELECTRICITY NETWORK

The storm caused approximately 11 per cent of our customers to be affected by faults, but the numbers and durations of faults were nowhere near as bad as in previous storms.

In November, the **700,000th** customer contract was connected to our network.

THE MOST BEAUTIFUL CABLE CORRIDOR IN THE WORLD

We built an insect village on fields freed up by an underground cabling project, including insect hotels and a flower meadow. The project was implemented together with primary school pupils in Lohja.

Extraordinary times have highlighted the importance of the network

2020 was stormy both in terms of weather and public health. Over the course of an extraordinary year, we were able to focus on our work as an enabler of the energy transition.

Many will remember 2020 as the strangest year they ever lived through. That includes me. When the coronavirus restrictions were enacted in March, I began working from home for the first time in my life, as did many other people in Finland. We became accustomed to this new way of working almost exclusively via the internet.

The coronavirus transformed our lives in an unprecedented way, but this was not a bad thing in all respects. Digitalisation has been a talking point for years, but it took a huge leap forward in just a few months because of the pandemic – through necessity.

THE WEATHERPROOF ELECTRICITY NETWORK REDUCES THE AMOUNT OF STORM DAMAGE

We cannot stop climate change, but we can adapt to it and mitigate its impact. There were 44 days of storms in Finland in 2020. An unusually stormy year put electricity networks to the test. Happily, the substantial investments we have made in modernising and digitalising the electricity

network have borne fruit. Storm Aila, which ravaged the country in September, was the fourth most powerful storm so far this millennium, and it left 80,000 of our customers without electricity. In comparison with the previous storms of a similar intensity, we got through Storm Aila with substantially lower numbers of faults. The faults were also shorter in duration.

There is still work to be done to ensure that all of our customers can enjoy a weatherproof electricity network. The Finnish Parliament will debate the Government's draft bill on the reform of the Electricity Market Act in spring 2021. The bill calls for an extension to the deadline for applying the reliability-of-supply criteria from 2028 to 2036, mainly with regard to companies operating in sparsely populated areas. This would allow Caruna Oy additional time to meet the reliability-of-supply criteria, with the new deadline being the end of 2036. As regards Caruna Espoo Oy, the original deadline will still apply: the reliability-of-supply criteria must be fulfilled by the end of 2028.

Our network areas cover many localities where the population is on the decline. Instead of cabling these areas, electricity distribution can be assured by replacing old electricity poles with new ones, clearing trees from the vicinity of power lines, and making use of automation. It would be desirable for the legislature to allow electricity distribution companies to utilise also batteries in order to ensure the availability of electricity in sparsely populated areas. We piloted a battery-based energy storage facility in Inkoo in cooperation with Fortum. The facility is used to safeguard the distribution of electricity to local residents even if the electricity network is suffering from interruptions.

THE CONSUMER IS THE NEW KING OF THE ENERGY MARKET

Finland has set itself the ambitious target of becoming carbon-neutral by 2035. In order to reach this target, electricity consumption will need to increase dramatically, giving rise to major changes in transport solutions, business processes, and consumers' everyday choices. This is a big job that will require the state, businesses, and individual citizens to take action.

Energy market participants are also facing significant changes in their roles. This is also apparent in Caruna's operations: not only do we provide conventional electricity distribution; we also act as a diverse service platform that enables growth in clean energy. However, the real winner is the consumer who will be more like the king of the energy market than a passive recipient of energy. More and more people in Finland are producing their own energy and feeding the surplus energy back into the grid for sale. At the end of 2020, there were already 9,400 solar power producers on Caruna's network, and this number is increasing at pace.

Last year, there was much discussion about the supervision of electricity distribution companies by the Energy Authority. It is in the interests of customers for the construction, operation, and development of the electricity system to be regulated; and that the regulation is stable, transparent, and predictable. At the same time, distribution companies should be obliged to be cost-efficient and offer solutions that enable customers to take actions that benefit the climate and consume energy more efficiently. This will accelerate the transition towards a clean and intelligent energy system.

> A reliable, smart electricity network is the backbone of the clean energy system.

THE CORONAVIRUS SHIFTED INTERACTIONS ONLINE

2020 was a significant year for us also in the sense that we reached the 700,000-customer milestone. This is an incredible number of homes, companies, municipalities, towns, and cities. We want to make it as easy as possible for customers to interact with us, and many of our customers already use our digital services. These services make it simple for customers to monitor their energy consumption, receive notifications of electricity distribution interruptions, or request competitive quotes for the most suitable charging infrastructure for electric vehicles or solar panels. Our newest service enables our customers to monitor the progress of their electricity connection orders in real-time via the digital Caruna+ customer service channel.

We will also invest in improving the customer experience this year. Hopefully, the coronavirus pandemic will subside, and we will be able to meet our customers and other important stakeholders face-to-face once again.

I would like to thank our customers for being in touch and sending us feedback: this information helps us to improve. I would also like to thank the contractors who build and repair our network, as well as the other partners that helped us to perform well throughout an extraordinary year. Our personnel deserve special recognition, as they quickly adapted to new working methods and went the extra mile during challenging times.

Tomi Yli-Kyyny
CEO

An active, cost-effective and customer-oriented distribution company

Every day, we work in line with our strategy to guarantee reliable electricity distribution for our customers. At the same time, we are engaged in combating climate change and developing the smart energy system of the future.

We are a forerunner in developing, constructing, operating, and maintaining a smart electricity network, and we intend to retain this position. The three pillars of our operations are efficient, customer-oriented core business, good corporate citizenship, and growth and new services.

The extraordinary circumstances that 2020 imposed on us did not prevent us from implementing our vision of a million satisfied customers.

EFFICIENT, CUSTOMER-ORIENTED CORE BUSINESS

Customers are at the centre of everything we do. We want to make it easy for customers to use services related to electricity distribution, such as establishing and transferring a connection, monitoring energy consumption, and making changes related to invoicing.

During the year, we invested EUR 143.2 million in network development and construction. Climate change and the transition towards renewable energy sources are creating new requirements for the electricity system. Our cooperation with Fortum on developing a battery system led to tangible results in August 2020 when we began using a battery-based energy storage facility in Inkoo with a capacity of 1,028 kWh. Read more on page 36.

GOOD CORPORATE CITIZENSHIP

We maintain an active dialogue with our key stakeholders and work together to develop electricity distribution operations of the future. During the year under review, we contributed to development work within the industry and in interest groups.

In 2020, the coronavirus made everyday life in Finland more difficult, leading to the cancellation of summer jobs for young people, among other things. We wanted to help young people in our network area to find a job, and offered every municipality in our network area EUR 4,000 to use to employ young people in the summer. A total of 31 municipalities made use of this option, and 73 young people received summer jobs in various parts of Finland. Read more on page 40.

We aim to promote the electrification of transport, the increase in renewable energy generation, the creation of energy communities and the engagement of customers in the energy market.

GROWTH AND NEW SERVICES

Distribution network companies play a crucial role in promoting the cost-efficiency and responsibility of the energy system. We develop network solutions, safeguard the security of supply, enable citizens to take climate action, and proactively assess network fault rectification and maintenance needs.

Combating climate change requires investment, product and service development, and predictable and forward-looking development of regulations and legislation. Our current investment programme will continue into the 2030s. The investments will improve the network's resistance to weather conditions and increase the flexibility, intelligence, and capacity of the electricity system in order to satisfy future needs.

By the end of 2020, more than 9,400 renewable energy generation systems had been connected to our network, 42 per cent more than in the previous year.

Key projects to advance strategic priorities

Every year, we choose the key projects that will help us to manage and implement our strategy.

IN OUR KEY PROJECTS IN 2020:

- We improved the efficiency of our connection process through automation and standardisation.
- We clarified various service pathways for the needs of different customer profiles.
- We conducted a comprehensive study of local development in our network areas, as well as our customers' needs and expectations with regard to electricity distribution.
- We developed our local network visions and network development plan so that local needs were considered in greater depth.
- We launched the Virtane.fi service, as well as Top Team training for electricity contractors.

VALUE CREATION MODEL

INPUTS

INCREASING CUSTOMER BASE AND DATA
- 702,000 in low-voltage network, 800 in medium-voltage network, 60 in high-voltage network
- 1.5 million Finns
- Proportion of electricity distribution in Finland ~20%
- Customer-specific data on use of electricity

DEVELOPING AND RENEWING ELECTRICITY NETWORK
- 88,350 km electricity network, value EUR 3.0 billion
- 4,100 remote-controlled sites
- ~700,000 smart electricity meters
- 59% cabled network
- Total of the renewable energy 4,050 GWh
- 9,400 small-scale producers of renewable energy

SKILLED AND COMMITTED EXPERTS
- 314 Caruna employees, ~878 contractor employees
- Employee Engagement Index 72%
- Skilled supply chain management

STRONG COOPERATION NETWORK
- 575 contractors
- ~100 suppliers of services and network materials
- Collaboration with authorities
- A functional transmission grid

NATURAL RESOURCES ENABLING OPERATION
- Electricity network metals e.g. aluminium, copper

FINANCING MODEL ENABLING INVESTMENT
- Equity EUR ~84.7 million
- Interest-bearing debt EUR 3,336.8 million
- Balance sheet EUR 4,236.2 million
- Credit rating BBB+ (S&P)

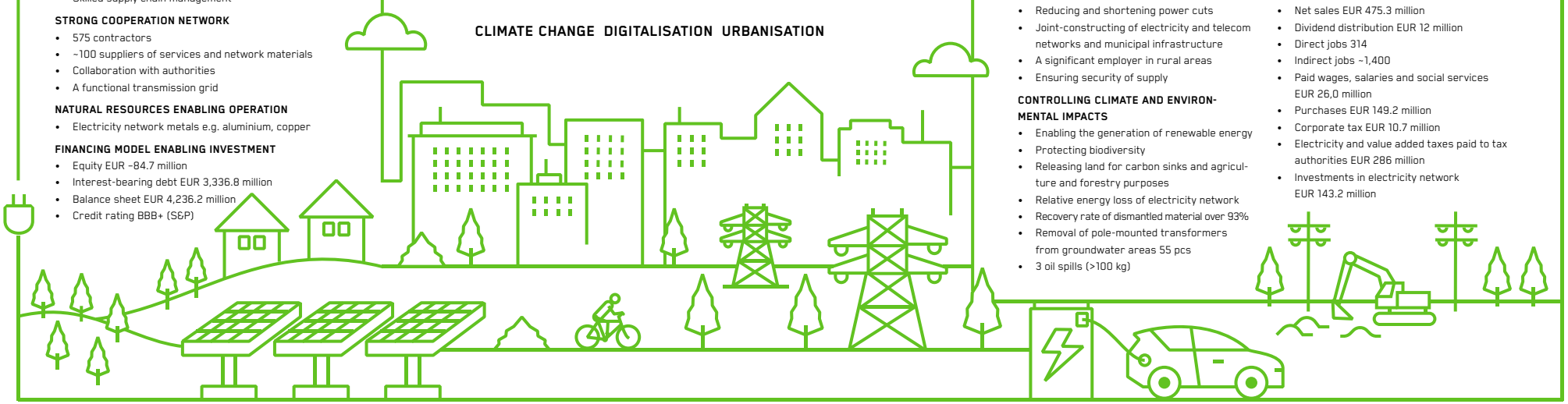
CARUNA'S BUSINESS MODEL

UNINTERRUPTED AND SECURE NETWORK SERVICE 24/7
- Effective construction and operation of electricity networks
- Developing future infrastructures

SMART ENERGY SOLUTIONS AND SERVICES
- Digital services
- Advice and engagement of customers in the energy market
- Ensuring cyber security
- Caruna's services (Virtane.fi, Caruna Plus)

CUSTOMER-ORIENTED ENERGY SYSTEM OF THE FUTURE
- Decentralised energy production
- Electrification of transport
- Solar communities
- Smart homes
- Electricity storages

CLIMATE CHANGE DIGITALISATION URBANISATION



IMPACTS

ON STAKEHOLDERS

HELPING DAILY LIVES RUN SMOOTHLY
- Reliability of supply rate 99.98%
- Customer satisfaction 22.6 (NPS)
- 9,400 small-scale producers of renewable energy
- Transparent and reasonable pricing

COMPETITIVENESS OF CITIES AND MUNICIPALITIES
- An electricity network to meet changing energy needs
- Enabling the business operations

SAFE AND DEVELOPING WORKING ENVIRONMENT
- Injury frequency of supply chain 6.0 (LWIF)
- Constant development of skills and safety culture
- 1,200 attendees in the environment and safety training sessions

ON FINNISH SOCIETY

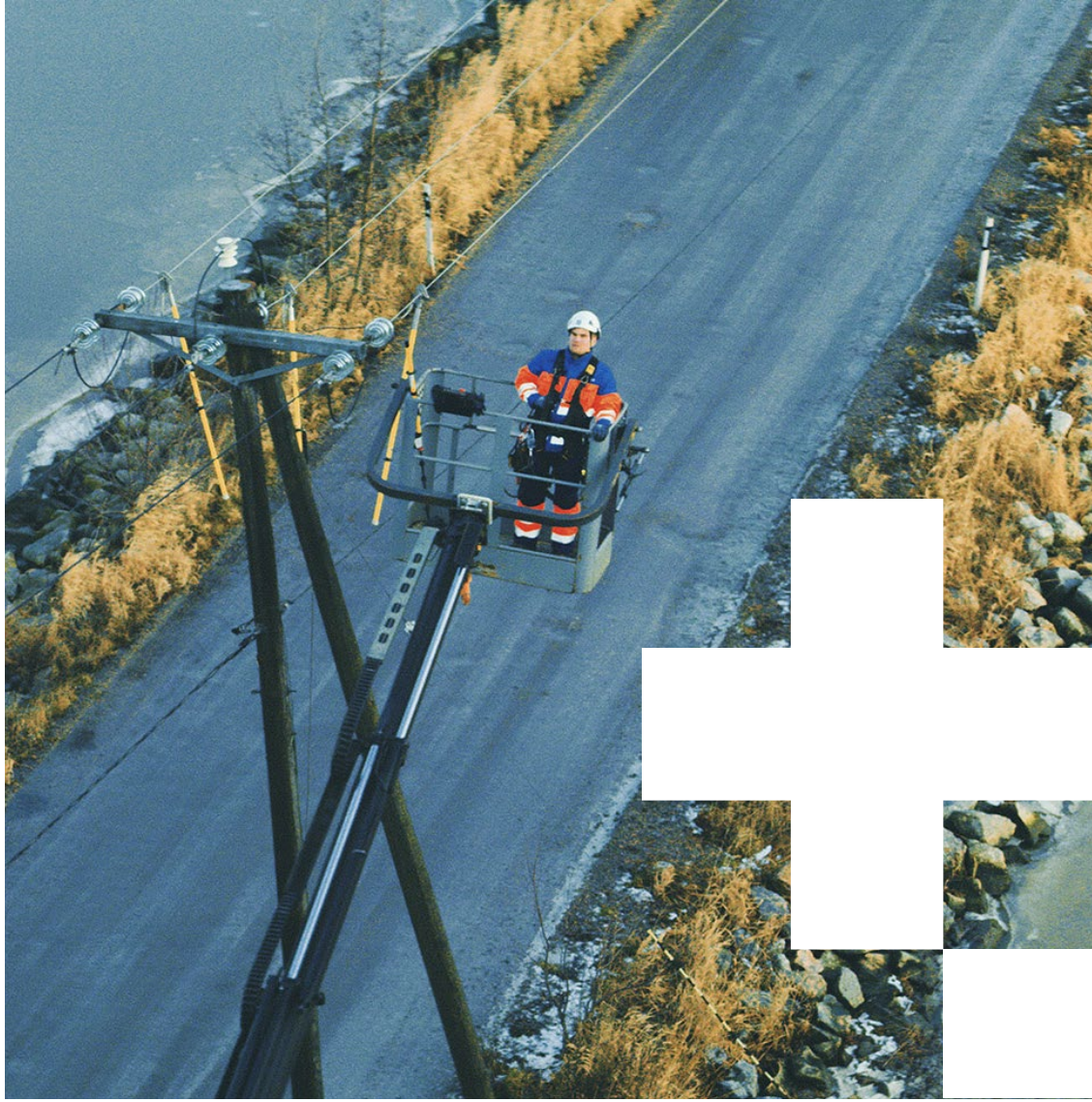
FUNCTIONING FINNISH SOCIETY
- Reducing and shortening power cuts
- Joint-constructing of electricity and telecom networks and municipal infrastructure
- A significant employer in rural areas
- Ensuring security of supply

CONTROLLING CLIMATE AND ENVIRONMENTAL IMPACTS
- Enabling the generation of renewable energy
- Protecting biodiversity
- Releasing land for carbon sinks and agriculture and forestry purposes
- Relative energy loss of electricity network
- Recovery rate of dismantled material over 93%
- Removal of pole-mounted transformers from groundwater areas 55 pcs
- 3 oil spills (>100 kg)

FINANCIAL FOOTPRINT
- Net sales EUR 475.3 million
- Dividend distribution EUR 12 million
- Direct jobs 314
- Indirect jobs ~1,400
- Paid wages, salaries and social services EUR 26,0 million
- Purchases EUR 149.2 million
- Corporate tax EUR 10.7 million
- Electricity and value added taxes paid to tax authorities EUR 286 million
- Investments in electricity network EUR 143.2 million

Corporate responsibility

- We revamped our corporate responsibility programme in autumn 2020 by selecting key indicators corresponding to the themes and defining the target levels for them



Corporate responsibility is in our strategy and everyday work

Corporate responsibility is integrated to our strategy, and therefore also our targets, business planning, monitoring, and reporting.

We revamped our corporate responsibility programme in autumn 2020 by selecting key indicators corresponding to the themes and defining the target levels for them in 2021. At the same time, we assessed which of the UN Sustainable Development Goals each of our targets supports.

For us, corporate responsibility is about practical actions. Our Weatherproof development programme consists of three themes: Sustainable electricity distribution, Combating climate change, and Work and security.

Weatherproof development - Caruna's responsibility is about practical actions

SUSTAINABLE ELECTRICITY DISTRIBUTION

1. Caruna has 88,000 kilometres of electricity distribution network.
2. We make the network more resistant to the varying weather and boost reliability by using appropriate, cost-effective solutions and making significant investments.
3. We take local needs into account in a customer-oriented way and cooperate with parties such as municipalities, fibre-optic operators, and wind power generators.
4. We use long-lasting network materials and look after environmental values.
5. We build the electricity network while respecting the nature and conservation areas.
6. We cooperate actively with the industry and authorities.

COMBATING CLIMATE CHANGE

1. We support renewable energy generation and the electrification of transport.
2. We make it easier for our customers to use renewable energy sources.
3. We are responsible in our use of natural resources and recycle our old network. Our recycling rate is over 90%.
4. We actively reduce our own carbon footprint.
5. Through land cabling, we free up forest areas for agriculture and forestry purposes.

WORK AND SECURITY

1. Our supply chain employs more than 1,000 people across Finland every year.
2. Caruna always puts people's safety first. Everyone has the right to return home safely.
3. Our goal is to prevent all accidents.
4. We train our own personnel, and also employees in our partner network.
5. We support responsible Finnish actors and take care of construction quality together with our partners.
6. For us, job satisfaction and responsibility are the most important creators of motivation.

We updated the key indicators in our corporate responsibility programme in 2020. We reduced the number of key indicators and included the most descriptive ones in the programme.

We began using the new key indicators to report on the successes of our corporate responsibility programme in 2020.

Corporate responsibility themes and targets for 2020

Theme	Item	Indicator	Outcome in 2020 (Target for 2020)	Target for 2021
Sustainable electricity distribution 	Reliability of supply	6/36 hours	1,778 (1,000) ✗	900
	Reputation and customer satisfaction	Net Promoter Score (NPS)	22.6 (26) ✗	30
	Supply chain management	Share of costs attributable to audited suppliers (tier 1 and 2 suppliers)	92% (>85%) +	> 85%
Combating climate change 	Carbon footprint	Carbon footprint (GHG Scope 1–3)	145 ktCO$_2$e/ -1,5 % (-) +	Continuous reduction
	Renewable production	Renewable production on Caruna's network (> 1 MW)	4,03 GWh / +20% (-) +	Sustained growth
	Renewable small-scale production	Renewable small-scale production capacity on Caruna's network (< 1 MW)	94 MW / +28 % (-) +	Sustained growth
Work and security 	Well-being at work	Employee Engagement Index (EEI)	72 (73) →	74
	Employment effect	Number of people (own employees, contractors and other suppliers)	1,700 (>1,000) +	> 1,000
	Contractor safety	Contractor lost workday injury frequency (LWIF)	6.0 (4.5) ✗	4.0

Sustainable electricity distribution

- We invested EUR 143.2 million in network improvements
- We connected the 700,000th customer contract to our network
- Average of 1.66 electricity distribution interruptions per customer
- We connected approximately 1,400 new distribution transformers to our electricity network

ELECTRICITY DISTRIBUTION IN FINLAND

We significantly improved the reliability of supply on the distribution network

There are 77 regional electricity distribution companies operating in Finland and providing the framework for a clean energy system. Caruna is responsible for about one-fifth of Finland's distribution network.

Our Group includes two separate network companies: **Caruna Espoo Oy** in urban areas and **Caruna Oy** in rural areas. The distribution companies are responsible for maintaining and repairing the electricity network and for building new networks to meet future needs. Approximately 80 per cent of the costs incurred by electricity distribution companies in Finland are due to network maintenance and development. The amount of energy transmitted in the networks only accounts for around 20 per cent of the costs.

> Caruna Espoo is one of Finland's most affordable electricity distribution companies.

The price differences between electricity distribution companies are usually due to the relationship between the value of network assets and the number of customers. The greater the number of customers sharing the value of network assets (metres per customer), the lower the prices for customers. Caruna Espoo is one of Finland's least expensive electricity distribution companies, as the network area of our urban company contains a large number of customers among which to share the costs per metre of network.

Caruna Oy mainly operates in dispersed settlement areas where long distances and a small number of customers increase the costs of distribution. In addition, the cabling rate of the rural network is lower than for the urban

company. In order to safeguard the reliability of supply required by law, Caruna Oy and other companies operating in dispersed settlement areas need to make more investments than urban companies, leading to higher network service fees.

THE FINNISH ENERGY AUTHORITY MONITORS THE PRICING OF ELECTRICITY DISTRIBUTION COMPANIES

Pricing is monitored in four-year regulatory periods for which permitted revenues are defined for each company. If the company invoices for more revenue than permitted during this period, it accrues over-income, which must be returned to customers over the next four-year period. However, if the company accrues under-income, it may invoice its customers for this over the next four years. The Energy Authority publishes annual calculations for monitoring the company-specific differences between the allowed and actual income.

The supervision is based on electricity market legislation, and the regulatory methods are the same for every electricity distribution company. In January 2021, the Finnish Government gave a proposal for updating the Electricity Market Act. The Finnish Parliament will debate the Government's proposal in spring 2021. The proposed bill calls for an extension to the deadline for applying the reliability-of-supply criteria from 2028 to 2036, mainly with regard to companies operating in sparsely populated areas. This would allow Caruna Oy additional time to meet the reliability-of-supply criteria, with the new deadline being the end of 2036. As regards Caruna Espoo Oy, the original deadline will still apply: the reliability-of-supply criteria must be fulfilled by the end of 2028.

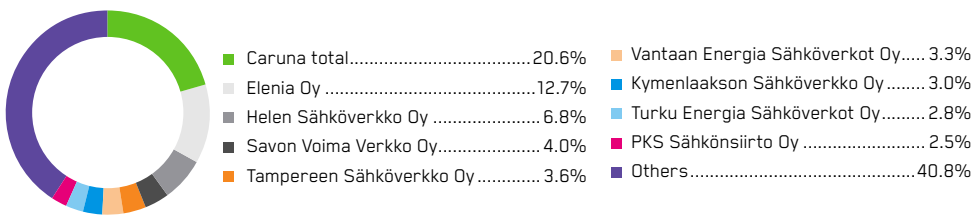
IMPROVING THE SECURITY OF SUPPLY MEANS MORE THAN JUST CABLING

Every day, we work to ensure that our customers will be within the scope of the security of supply by the deadline set in the legislation. The minimum level stipulated in the legislation is that at least 75 per cent of customers are within the scope of the security of supply by the end of 2023.

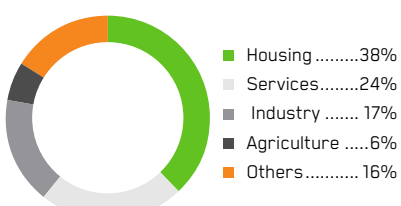
In 2020, we invested EUR 143.2 million in network improvements, and we placed approximately 3,600 km of the electricity network underground. As in the previous year, we increased the rate of network automation to improve remote control over the electricity network and accelerate fault rectification.

In August, we introduced a battery-based energy storage facility the size of a shipping container in Inkoo. The battery is connected to our medium-voltage network, and it improves the reliability of supply in the event of maintenance or faults. Read more about the battery-based energy storage facility on page 36.

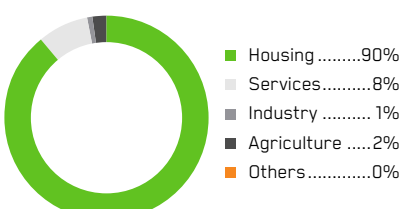
SHARE OF THE ELECTRICITY TRANSMITTED ON THE DISTRIBUTION NETWORK ATTRIBUTABLE TO CARUNA AND OTHER COMPANIES (%)



CONSUMPTION BY CUSTOMER SEGMENT (%)



NUMBER OF CUSTOMERS BY SEGMENT (%)



We work to make customers' lives run smoothly every single day

In November 2020, the 700,000th customer contract was connected to our network. Electricity is a critical part of everyday life of Finns, and we work to offer our customers an effortless service, reasonable prices, and reliable electricity distribution.

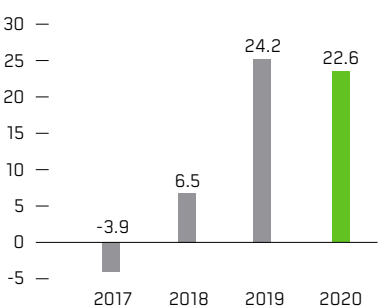
In 2020, a total of 11,000 new customers were connected to our electricity network, 2,400 of which were connections to new buildings. The majority of our customers are private customers, but we also serve small, medium-sized and large customers ranging from hairdressing salons to shopping centres, municipalities to cities, and single-person offices to large industrial plants.

In 2020, the Net Promoter Score (NPS), an indicator of customer satisfaction, decreased slightly from the outstanding result last year.

ELECTRICITY DISTRIBUTION IS THE RIGHT OF EVERYONE IN FINLAND

Every person and organisation living or working in our network area is entitled to connect to our electricity distribution network. Our top priority is to ensure that our customers have electricity.

NPS CUSTOMER SATISFACTION (SCALE FROM -100 TO +100)



Customers and partners

CUSTOMERS

Personal customers

Small to mid-size enterprises

Large enterprises, municipalities and cities

Telecommunications networks

PARTNERS

Electricity suppliers

Other suppliers of energy solutions

Landowners

Customer's contractor

We employ 70 customer service professionals. During the year under review, we continued developing our customer service by entering into collaboration with our customer service partner, CallWaves. We are investing in the quality and speed of our customer service. The average wait time for calls to our customer service line is one minute.

Although we serve most of our customers by phone or online, we would also like to interact with our customers face-to-face. The coronavirus pandemic has forced meetings to take place online, but the topics have remained the same. In 2020, our Key Account Managers held meetings with approximately 750 customers: municipalities, cities, and small, medium-sized and large companies. The meetings with municipal customers often concerned joint construction. The company meetings focused on the reliability of supply and the customers' own projects related to growth and change.

In 2020, we continued to develop our digital services so our customers can easily connect to our electricity network via our online service. The Caruna Plus service enables customers to extend the due dates of their invoices and pay

CUSTOMER FACTS IN CARUNA OY AND CARUNA ESPOO OY

	Caruna Oy	Caruna Espoo Oy
Network length (m/customer)	168	36
Cabling rate (%)	57	78
Investments in 2020 (EUR/customer)	254.44	95.41

their invoices, monitor their electricity consumption, and update their customer details. The application works on phones and on our website.

OUR TOP PRIORITY IS TO KEEP THE POWER ON SAFELY

We employ 15 professionals in our control centre team. They are responsible for managing the operational actions on the electricity network, ensuring safety and the optimal operation and monitoring of the network. The control centre works around the clock every day of the year to ensure that people in Finland can go about their daily lives without power cuts. In the event of a power cut, we always have a squad of expert technicians and other electrical professionals ready to go and fix the problem.

WIDE RANGE OF CONTACT CHANNELS AVAILABLE TO CUSTOMERS

We build and develop electricity networks ever closer to our customers' homes. That is why we are also present, wherever they live. The positive feedback received by our customer service team has shown amazing improvements, but we continue to improve our services.

> We employ 70 customer service professionals.

As a consequence of the coronavirus pandemic, our residents' service, which visits public places and residential areas near to excavation sites, was not able to work at full capacity this year. However, we improved our communications by updating the Caruna Plus self-service

Every year, Caruna's customer service personnel receive

30,000
contacts by chat

50,000
new carunaplus.fi registrations

180,000
customer phone calls

35,000
fault reports by phone

NUMBER OF CARUNA CUSTOMERS BY VOLTAGE LEVEL

	2020	2019	2018
Number of customers in low-voltage network	702,000	691,000	682,000
Number of customers in medium-voltage network	800	800	800
Number of customers in high-voltage network	60	55	55

channel for customers. We also updated our website.

In May 2020, we launched a new map service known as Work Sites Near You. The service shows all of our worksites, broken down by phase. This makes it easier for our customers to find information about development projects affecting the electricity network in their areas. The service shows the route of the excavation and the estimated timetables for each work phase.

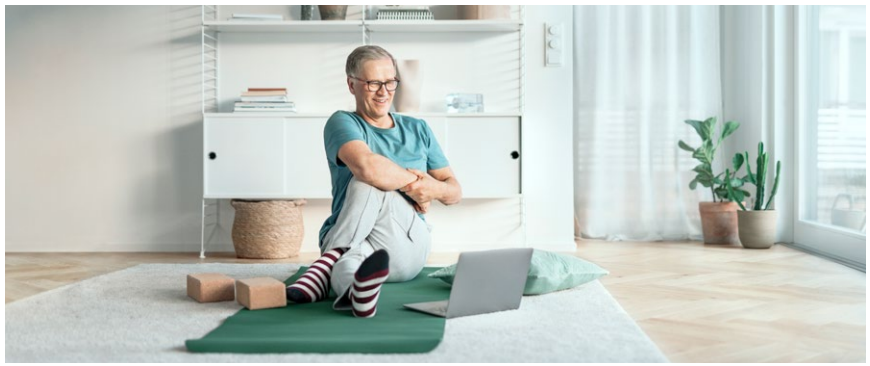
All factors affecting construction must be taken into consideration when the network is planned in order to avoid problems such as unnecessary breakages and repairs of subsurface drains. Landowners are an important partner for us, and our customers' local knowledge is a great help as we build a modern electricity network. We do our best to avoid causing problems on anyone's land. In 2020, we trained our project managers and contracting partners to pay attention to factors such as subsurface drainage during the planning phase.

JOINT CONSTRUCTION BENEFITS MUNICIPAL AND PERSONAL CUSTOMERS

In order to lay cables, we need to dig up roads all over Finland. Sometimes, the same roads are dug up again for work such as telecommunications cabling.

The society of the future will need high-quality telecommunications connections and a reliable electricity supply. Fast and reliable telecommunications connections increase the vitality of cities and municipalities. When electricity cabling and fibre optic projects are combined, the investment expenditure can be reduced, the service life of roads can be extended, and residents' patience is not tested to the limit as there is no need to dig up the same areas over and over.

In 2020, we piloted an entirely new joint construction model with our partner, Valokuitunen. Under this model, we are responsible for the design and construction of the electricity and fibre optic network, and Valokuitunen sells fibre optic subscriptions. The first pilot project was completed in Hyvinkää in September.



We offered the means to tackle the challenges presented by the coronavirus

The coronavirus pandemic shook up Finnish society, as well as the finances of some of our customers. We decided to take proactive measures to alleviate the situation and offered our personal customers the option of postponing the due dates of their distribution invoices.

Despite the coronavirus, we continued our work to build a weatherproof electricity distribution network. The pandemic also affected companies in our supply chain, impacting on their finances, so we expedited the payment of invoices to our contractors in the spring.

Our network improvement projects employ a large number of contractors all over Finland. During the pandemic, we ensured that the safety guidelines issued due to the coronavirus were observed in all of the work we do.

The electricity network has gone underground, and construction is closer to people's homes

We are building, maintaining, repairing, demolishing and monitoring our electricity network to ensure that we can distribute electricity to hundreds of thousands of customers with minimal disruption, now and in the future.

The consumption of electricity will increase further in the future. Finland's target of carbon neutrality by 2035 will have an impact on increasing electricity consumption. We play a crucial role in driving the transition in the energy market and enabling society's objective of becoming carbon-neutral. We combat climate change by promoting the use of renewable energy sources and offering our customers solutions for reducing their carbon footprints. We actively reduce the carbon footprint of our operations.

When we build out the network, we are mindful of the environmental impacts, such as the effects on natural resources, the climate, land use, and biodiversity. We build our network using high-quality materials.

The maintenance, construction, and upkeep of the electricity network are our everyday duties and our core business, which is funded by the electricity distribution charges that our customers pay. When customers pay for electricity distribution, they are primarily paying for the ability to consume electricity – the existence of the electricity network. The amount or transmission of the energy consumed do not significantly affect the costs of electricity distribution. In 2020, our prices remained the same in the Caruna Oy and Caruna Espoo Oy areas.

In 2020, several storms blew over our network areas. The storms caused power cuts, but our long-term work to improve the electricity network has resulted in fewer and shorter power cuts.

THE ELECTRICITY NETWORK IS BEING MODERNISED AS PLANNED

In 2020 as well, our most important work was to ensure that our customers received electricity around the clock, every day of the year. Our electricity network is getting older, but it must work in the future. Despite the age, condition or location of the network, all network companies must fulfil the electricity distribution obligations imposed on by law. That includes us. We have done this work at Caruna since 2014.

In 2020, we buried approximately 3,600 kilometres of the electricity network underground, where it is protected from the fluctuating weather conditions. We distributed electricity to our customers with a reliability rate of 99.98 per cent.

OUR CUSTOMERS HAVE DIFFERENT ELECTRICITY DISTRIBUTION NEEDS

Our customers include hundreds of thousands of private customers, as well as businesses and organisations ranging from wind farms, hydroelectric power-plants, shopping centres and factories to small companies, municipalities and cities.

In the year under review, we built and overhauled over 40 kilometres to our high-voltage network in Satakunta, Espoo and Pirkanmaa, which distributes electricity from power plants and the main grid to electricity distribution networks and heavy industry. In addition, we renovated several substations. Primary substations are a part of the electricity distribution operation on the high-voltage network. As electricity consumption in Espoo is increasing and electrifying Espoo needs more capacity, we are planning to build a new primary substation in Sinimäki. It should be finished in 2023.

The medium-voltage network distributes electricity to small industrial sites and transformers located near residential areas. We built approximately 400 kilometres of this network in our network area in 2020.

In the coming years, we will overhaul some of the old transformers in Espoo and Kauniainen so that they can be controlled remotely. The process of locating and repairing faults on the electricity network will become quicker. Planning and permit applications for the overhaul project began in spring 2020.

OUR LOCAL CABLE PROJECT CONTINUED – WE STARTED TO BUILD NEAR HOUSES

The low-voltage network connects homes to the electricity distribution network. Our efforts to refurbish the low-voltage overhead lines in urban areas are known as the Local Cable Project. In 2020, we built a total of 250 kilometres of local cable in Southwest Finland, where construction will continue in 2021. In addition, planning and construction will begin in Satakunta, Espoo, Kirkkonummi, and Kauniainen in 2021.

Some of the Local Cable Projects are being conducted in cooperation with telecoms oper-

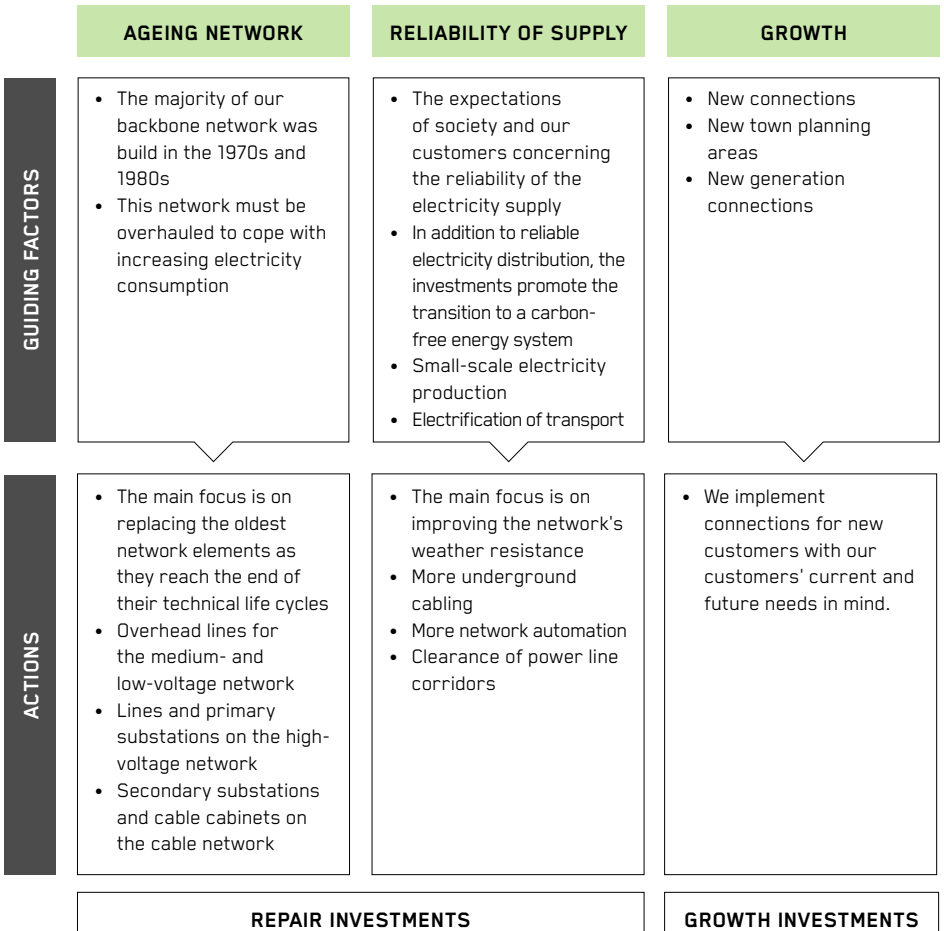
ELECTRICITY NETWORK KEY FIGURES: CARUNA OY AND CARUNA ESPOO OY

	Caruna Oy	Caruna Espoo Oy
Length of the electricity network (km)	80,250	8,100
Cabling rate on the low-voltage network (%)	53	77
Cabling rate on the medium-voltage network (%)	67	86

ELECTRICITY NETWORK KEY FIGURES

	2020	2019	2018
Total length of the electricity network (km)	88,350	87,370	87,600
Length of low voltage network	54,350	53,800	53,400
Length of medium voltage network	31,900	31,500	32,100
Length of high voltage network	2,050	2,070	2,100
Number of distribution transformers	31,100	30,600	31,300
Number of substations	187	188	190
Length of underground network constructed during the year (km)	3,600	3,800	6,300
Total cabling rate (%)	59	56	52
Cabling rate on the low-voltage network	55	53	51
Cabling rate on the medium-voltage network	69	64	56
Investments in the electricity network (EUR million)	143.2	167.3	258.5

FACTORS GUIDING INVESTMENTS



ators or when municipalities, towns and cities upgrade their street lights. Joint construction is a good option, particularly for local residents. The streets only need to be dug up once, so residents do not suffer constant disruption. This also benefits the environment.

In 2020, we continued working with telecoms operator Telia on joint construction. Under the joint construction model, Caruna is responsible for the design and construction of the electricity and fibre optic network, and Telia's company Valokuitunen sells fibre optic subscriptions. In the year under review, a joint construction project began in Pöytyä and the pilot projects that were in progress in Hyvinkää, Raisio, and Vahto in Rusko were completed. Personal and corporate customers in these areas were offered the opportunity to get a fast fibre optic connection to their homes, ensuring that capacity will not run out any time soon.

Our joint construction service expanded when we began working with Elisa in Sauvo.

THE AGEING ELECTRICITY NETWORK REQUIRES INVESTMENT

In 2020, we made replacement investments worth a total of EUR 143.2 million in our electricity network. The scale of the investments is due to the age of the electricity network, the Electricity Market Act, and customers' expectations.

Electricity distribution is required to be free of disruptions and flexible enough to serve the needs of an increasingly electrical world. Electricity consumption is increasing, and various forms of generating, distributing and storing electricity have taken on new relevance. Interest in generating solar power is on the rise in our network area. At the end of the year, there were approximately 9,400 solar power generators connected to our network (+42% growth year-on-year).

There are
9 400
solar power generators connected to our network.

THE RELIABLE DISTRIBUTION OF ELECTRICITY IS BASED ON THE SECURITY OF SUPPLY, EVEN IN DIFFICULT CIRCUMSTANCES

In 2020, storms and lightning put our electricity network to the test. Despite the storms, our reliability was close to 100 per cent, just as it had been in the previous year.

In September, Storm Aila caused a large number of faults on our electricity network, and some of the faults took several days to repair. The long-lasting storm and terrain conditions that were often challenging in areas such as islands off the west and southwest coasts affected the speed with which faults could be repaired. Our first priority is to work safely, and storms are no exception to this.

Storm Topi arrived in November, affecting almost all of our network areas. Immediately after Topi, Storm Liisa impacted on several of our network areas. In both of these cases, the number of customers without electricity was much lower than when Storm Aila hit.

In 2020, the System Average Interruption Frequency Index (SAIFI), an indicator of the frequency of supply interruptions, was 1.7. This figure means that our customers were subjected to an average of 1.7 distribution outages. The System Average Interruption Duration Index (SAIDI), an indicator of the average duration of power cuts per customer, was 103 minutes in 2020.

WE CONTINUOUSLY MAINTAIN THE RELIABILITY OF SUPPLY

Caruna is involved in planning collaboration in the fields of reliability of supply and preparedness by working on committees convened by the Voimatalouspooli reliability-of-supply organisation and the regional business preparedness project (ELVAR).

We review and update our contingency and preparedness plan based on the work of committees and exercises. In addition, we learn from real-world experiences of major disruptions. We remained in active contact with the emergency services in our network areas in 2020.

KEY FIGURES ON THE SECURITY OF SUPPLY

	2020	2019	2018
System Average Interruption Frequency Index per customer (SAIFI) (number)	1.7	1.4	1.9
System Average Interruption Duration Index per customer (SAIDI) (minutes)	103	79	103
Damage caused by outages (EUR million)	21.2	17.2	24.2
Reliability of supply rate	99.98	99.99	99.98

Storm Aila demonstrated its power and our improved reliability

Storm Aila, which made landfall in Finland on Wednesday 16 September, ravaged our distribution network with winds of up to 30 metres per second. The worst-affected areas were the coast of Ostrobothnia, Southwest Finland, and the Turku archipelago. Storm Aila caused as many as 20,000 of our customers to suffer power cuts at the same time.

It is only possible to repair the damage caused by a storm once the conditions are safe. Rough seas also hindered repairs to the faults caused by Storm Aila in the archipelago.

"All in all, about 80,000 – eleven per cent – of our customers suffered due to electrical faults. However, we were much better prepared than when Storm Tapani struck nine years ago, cutting the electricity to almost half of our customers for several days," says **Kosti Rautiainen**, Head of Electrical Network.

Our electricity network is now better able to withstand stormy weather because a lot of it is now underground, protected from the elements. Network operations have also been automated, enabling electricity to be restored more quickly in the event of a fault. Electricity distribution was restored to the last permanent residences cut off by Storm Aila on Sunday 20 September.

Responsibility is a focal point of material procurement

We set precise requirements for material procurements during the competitive tendering phase, with a major weighting on environmental, quality, safety and corporate responsibility aspects.

In 2020, we connected approximately 1,400 new distribution transformers to our electricity network. In terms of raw materials, this equates to almost 140 tons of aluminium, 520 tons of steel and approximately 210 tons of mineral oil. The new distribution transformers we use conform to the ECO Directive.

We use aluminium as the conductive material in our electricity cables. In 2020, we directly procured more than 1,700 kilometres of cable containing approximately 1,600 tons of aluminium.

In 2020, we ran a specialised public procurement procedure to obtain competitive tenders for transformers. Our comparison of tenders emphasised factory and transportation safety, as well as the corporate responsibility strategies of the bidders, with the requirement that the carbon footprint of production and transportation must be reduced.

In the year under review, we continued to work in close collaboration with our contractual suppliers. We held regular meetings with our main partners to analyse how well their operations had gone during the contractual period and review the aspects of collaboration where there is room for improvement. In addition, we shared information about our operations and relevant themes, such as occupational safety, construction quality and responsibility.

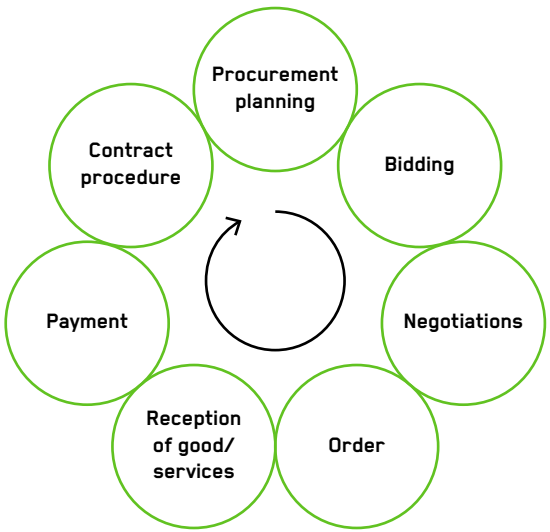
WE BUILD WITH OUR PARTNERS

We have outsourced network construction to our contractual partners, most of which are Finnish companies. Our service providers, including our project supervision partner, ensure adequate capacity and expertise to monitor the construction and maintenance work on our electricity network.

In 2020, we had 15 main contractors building and repairing parts of our electricity network and an additional 560 subcontractors. Because our projects are so large, our main contractors are all large and medium-sized companies, and we have approved the subcontractors they use.

Our project supervision partners monitor construction on our projects and conduct inspections during our network's warranty period. Monitoring reports include details of any identified irregularities, which are documented in detail. We inspect the cable installation depth to ensure that cables have been installed in compliance with our requirements and that the environment is tidy once the construction project is complete.

CARUNA'S PROCUREMENT PROCESS



OUR PROCUREMENT PROCESS IS ELECTRONIC FROM START TO FINISH

We handle every phase of procurement, from preparing contract details to competitive tendering, finalised contracts and material orders, using an electronic procurement portal. Suppliers of goods and services can see the competitive tendering processes on the Tarjouspalvelu.fi website, which also forwards data to the national HILMA public procurement channel and the EU-level TED portal.

In 2020, our procurement and purchasing organisation invited companies to submit tenders for projects including the construction of an extensive cable network in Espoo. With regard to services, we requested tenders for customer service support services, and in the area of ICT procurement, we sought tenders for a multi-channel customer service system.

AUDITING IS AN ESSENTIAL ASPECT OF COOPERATION

Our auditing plan enables us to audit and improve our most important contractual suppliers every year. In 2020, we audited seven contractual suppliers. Three of these were network material suppliers, two were ICT suppliers, and in addition, we audited our new service provider's customer service support service.

The audits revealed a small number of irregularities, and corrective measures were initiated to address the irregularities. There was no need for any repeat audits in 2020. In addition to supplier audits, we audited the capacity of our project supervision partner to operate according to the new agreement.

From 2016 to 2020, we audited over 20 of Caruna's largest contractual suppliers. Together, these suppliers account for more than 80 per cent of Caruna's procurements of goods, construction, and services by value.

PROCUREMENT KEY INDICATORS

	2020	2019	2018
Working hours reported by network contractors* (million hours)	1.49	1.68	2.56
Number of supplier audits	7	8	6
Share of audited members of new suppliers (%)	>80	>80	>80
Number of main contractor companies	15	13	13
Number of subcontractor companies	560	560	560

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

We continuously improve the transparency and management of our supply chain.

CORPORATE RESPONSIBILITY IS REQUIRED IN THE SUPPLY CHAIN

We aim to continuously improve the transparency and management of our supply chain. In 2020, we updated the HSEQ requirements for our suppliers and began using them in new contracts. We also added corporate responsibility requirements to our competitive tendering processes, and we discussed relevant corporate responsibility themes with our most important contractual suppliers.

Our supplier code of conduct obliges our contractual suppliers to operate in line with ethical business principles and to constantly develop their operations. All of our contractual suppliers are committed to complying with the guidelines and are also responsible for ensuring that their subcontractors operate accordingly. An online course that was created at the end of 2019 on the basis of our supplier code of conduct was implemented for our main contractual suppliers.

In 2020, our annual corporate responsibility event for contractual suppliers was held in the form of a webinar for a wider range of stakeholders. The main theme of the webinar was employment, and our partner was ABB Oy. On the day, we talked about our digitalisation projects, presented the reforestation potential of power line corridors, and covered worksite safety extensively.

THE DEMOLITION AND RECYCLING OF THE OLD NETWORK CONTINUED

In 2020, we dismantled 4,100 kilometres of old, decommissioned overhead lines. The parts of the dismantled network contained large amounts of various materials such as transformers, iron, cables, and impregnated timber poles.

Our partner, Kuusakoski Oy, was responsible for processing the dismantled materials, collecting the materials from worksites and processing them at its local facilities.

During the year under review, Kuusakoski processed more than 95 per cent of the scrap material created by our network projects, amounting to 7,600 tons. Approximately 97 per cent of the material from transformers and cables was recycled and reused. In addition, more than 2,500 tons of impregnated timber poles were removed from our network. The majority of this material was sent to Fortum Waste Solutions Oy and Demolite Oy for use in energy generation.

The supply chain kept working throughout the pandemic

When the coronavirus pandemic struck in spring 2020, we began monitoring the situation through weekly reports from our contractual suppliers. We wanted to safeguard employment by maintaining normal levels of activity in construction and the associated services, and we expedited the payment of contractors' invoices. In addition, when the borders of Uusimaa were closed, Caruna provided required transport certificates for essential shipments to ensure that faults could be rectified despite the closure.

No coronavirus infections were detected on Caruna's worksites in 2020. Network material deliveries and services continued uninterrupted, and most of the meetings and events held with our contractual suppliers took place remotely.

Combating climate change

- 200,000 of our customers found out about our low-carbon solutions on Virtane.fi
- 4.05 TWh of renewable electricity generation on our network
- 9,400 small-scale producers of solar power
- We piloted new technologies
- We have now held our ISO 14001 environmental management certificate for 20 years
- 40% of Finland's electric cars are in Caruna's network area

ENVIRONMENTAL IMPACTS

We take care of our shared environment

We take the environment into consideration in everything we do throughout the life cycle of our electricity network. Our operations have held environmental certification (ISO 14001:2015) since 2000.

Our activities are visible and influential in our network areas in many ways. We refurbish, maintain and build our electricity network, while dismantling the decommissioned parts. We strive to continuously improve the energy and material efficiency of our operations, reduce the harmful environmental impacts, and enhance our positive environmental effects.

We are committed to using land responsibly as we design, build and maintain a reliable electricity network. The environmental impacts of the electricity network are taken into consideration throughout the network's life cycle to ensure that they are as minor as possible or potentially even positive for the environment, landowners and other stakeholders.

WE PROCURE MATERIALS RESPONSIBLY

We set precise requirements for material procurements during the competitive tendering phase, with a major weighting on environmental, quality, safety and corporate responsibility aspects. In 2020, we connected approximately 1,400 new distribution transformers to our electricity network. This implies to almost 140 tons of aluminium, 520 tons of steel, and approximately 210 tons of mineral oil. The new distribution transformers we use conform to the ECO Directive.

We use aluminium as the conductive material in our electricity cables. In 2020, we directly procured more than 1,700 kilometres of cable containing approximately 1,600 tons of aluminium.

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DISMANTLED ELECTRICITY POLES MAY CONTAIN HAZARDOUS CHEMICALS

Every year, thousands of impregnated timber poles are removed from our electricity network. Old impregnated timber poles often contain chromated copper arsenate (CCA) or creosote, which may be hazardous to humans, animals or the environment if handled incorrectly. Legislation restricts how impregnated timber poles can be used and disposed of, and we handle dismantled poles by following an operating model that meets legal requirements.

THE MOST TYPICAL ENVIRONMENTAL ACCIDENT ARISES DUE TO THE BREAKDOWN OF A TRANSFORMER

Typical incidents of environmental damage in our business involve transformer oil leaking into the environment if a transformer is damaged or struck by lightning. We handle all oil leaks promptly and take remediation measures and samples to ensure that they do not leave a lasting mark on the environment.

In 2020, 25 oil leaks occurred on our electricity network, three of which were over 100 kg. There were no large oil leaks or environmental impacts caused by oil leaks. During the year under review, we assessed and improved our process for handling oil leaks on the basis of stakeholder feedback collected as part of work towards a master's thesis.

caruna #keto

Insect village promotes biodiversity

Cabling the electricity network frees up an area of land equivalent to 1,500 football fields every year for new uses. We wanted to support biodiversity in a freed-up cable corridor in Lohja, so we came up with the idea creating of the world's most beautiful cable corridor. When we put the electricity network underground, we decided to plant hundreds of thousands of flowers in its place.

"Insects and pollinators have decreased in number at an alarming rate. If these insects are lost, nature and humans will suffer, as 75 per cent of cultivated crops rely on insect pollination. We wanted to do something for the good of nature and create a feeling of joy for locals once the electricity network was placed underground and land was freed up for new uses," says **Katriina Kalavainen**, Head of Customer Relations.

Insect hotels were also built in the area, named 'Keto' i.e. 'The Meadow', in cooperation with primary school pupils in Lohja. We provided the children with the building materials that they used to construct almost 100 insect hotels in autumn 2020. The hotels gave rise to an insect village in the fields of Tytyri.

Key environmental impacts

Environmental impact	CLIMATE IMPACTS	USE OF MATERIALS
Target	• Reinforcing our carbon handprint, i.e. our positive climate effects • Promoting a carbon-neutral energy system • Energy-efficient, low-carbon solutions for customers • Creating partnerships and new business models • Reducing our carbon footprint • Preparing for the impacts of climate change	• Ensuring safety throughout the life cycles of materials • Quality and durability of new materials • Promoting the circular economy by improving the recovery rate of dismantled materials • A watertight waste management and accounting process
Measures	• Improving the structure and intelligence of the electricity network to meet the changing needs of energy markets, customers and climate conditions • Flexible connection of decentralised energy generation to the electricity network • Developing an energy-trading platform • Energy storage and local flexibility to balance out variations between generation and consumption • Offering energy-efficient, low-carbon solutions to customers, a carbon footprint calculator • Solutions for the electrification of transport • Energy-sharing services for housing companies • Joint projects to advance the carbon-neutrality goals of municipalities • Managing of and compensating for energy losses on the electricity network • Joint construction with other operators (municipalities and other infrastructure networks) • Increasing the rate of underground cabling and network automation to reduce the need for fieldwork (inspections, maintenance, fault repair)	• Using materials that take into consideration the impacts throughout their life cycles • Ensuring the composition and properties of new materials, as well as securing their safe use and disposal methods • Appropriate treatment, exploitation and disposal of dismantled materials • Selecting contractual partners and ensuring that operations conform to requirements • Instructing, monitoring and supervising parties that handle materials
Indicators	• Renewable energy connected to the network, gross production (MWh), small-scale production capacity (MW) • Number of small-scale producers of solar power • Ratio of joint construction to total construction (%) • Carbon footprint (GHG Scope 1–3) • Carbon handprint generated for customers	• Quantities of new material (units of each component type) • Waste accounting (tons and euros) • Recycling rate of dismantled material (%) • Contractor and supplier audits (number of audits) • Material audits and approvals (units)

Environmental impact	RESPONSIBLE LAND USE AND BIODIVERSITY	LEAKS INTO THE ENVIRONMENT
Target	• Minimising harmful impacts on the environment and landscapes during the planning phase • Reinforcing the positive effects • Reducing land use restrictions • Promoting biodiversity	• Preventing oil leaks • Preventing SF6 leaks • Absolute prevention of severe and permanent environmental damage
Measures	• Systematically investigating and paying consideration to environmental conditions, conservation areas and other special areas in all electricity network operations in every phase of the life cycle • Smooth collaboration with landowners and other stakeholders in land use and permit matters • Ensuring environmental care on project sites during and after work • Managing customer feedback and developing operations based on feedback • Land and forest areas freed up for new uses through underground cabling • Installing bird balls on overhead power lines to prevent collisions; other projects to promote biodiversity	• Eliminating sites with a high risk of oil leaks by overhauling pole-mounted transformers in groundwater areas • Preventing oil from leaking into the environment by using oil recovery vessels in transformer substations, as well as in real estate and park transformers • Systematic processing of environmental damage and ensuring that adequate remediation measures are taken • Managing the SF6 gas balance, ensuring contractor competence
Indicators	• Cabling rate (%) • Land released for agricultural and forestry uses (ha) • Electricity network located in Natura areas (km) • Number of observations made during worksite inspections • Number of customer feedback messages • Stakeholder satisfaction (NPS, number of pieces of feedback) • Number of projects to promote biodiversity	• Number of pole-mounted transformers/all transformers in groundwater areas and other areas • Number of oil spills • Number of SF6 gas leaks (kg)

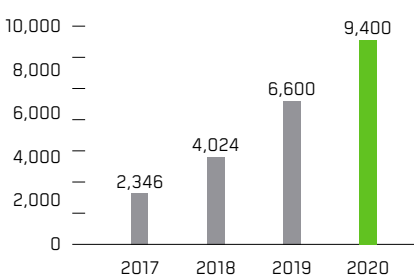
Electricity distribution plays a key role in combating climate change

In order for Finland to reach its target of becoming carbon-neutral, fossil-based energy sources will need to be replaced by clean, renewable electrical energy. Moreover, energy consumption must become more efficient.

We are actively working to foster the energy transformation without endangering the security of supply for society or harming our customers' interests. In 2020, we supported society's transition towards carbon-neutrality by continuing to invest in our smart electricity network and automation. Increasing the level of automation on the electricity network reduces the need for maintenance, both in the field and via remote connections.

In the year under review, we launched reliable, low-carbon and energy-efficient products and services for our customers and energy communities. We continued to develop solutions by piloting new technologies and operating models with our partners.

TOTAL NUMBER OF SOLAR POWER SYSTEMS IN CARUNA'S NETWORK AREA (UNITS)



Underground cabling frees up forest area and increases Finland's carbon sinks. In 2020, our cabling work freed up 900 hectares of land, of which 840 hectares was forest.

OUR NETWORK INCREASINGLY CARRIES RENEWABLE ENERGY

Our most significant carbon handprint comes from the connection of renewable energy to the electricity network. Our smart electricity network enables renewable energy to be connected and distributed to customers without compromising the reliability of supply or losing renewable production. In 2020, approximately 4,050 GWh of renewable electricity was produced into Caruna's network, accounting for 12 per cent of all the renewable electricity produced in Finland. This is equivalent to the annual carbon footprint of approximately 57,000 average Finns.

WE ARE CONTINUOUSLY REDUCING OUR CARBON FOOTPRINT

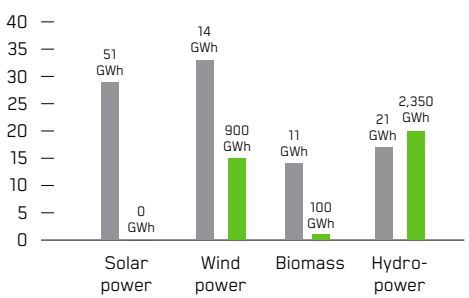
In the year under review, we calculated the carbon footprint of our own operations for the third time in line with the Green House Gas Protocol. Our calculation covers the emissions caused by our procurement and supply chain (scope 3) in addition to our own direct and indirect emissions (scope 1 and 2).

Our carbon dioxide emissions are mainly caused by the materials used to build the electricity network, the loss of electricity in electricity distribution, the carbon dioxide emissions from the electricity transmitted on electricity networks and construction work on the electricity network.

Our direct carbon dioxide emissions (scope 1) are very low and consist mainly of minor leaks of sulphur hexafluoride, which we use as an insulating gas, as well as the use of back-up power systems.

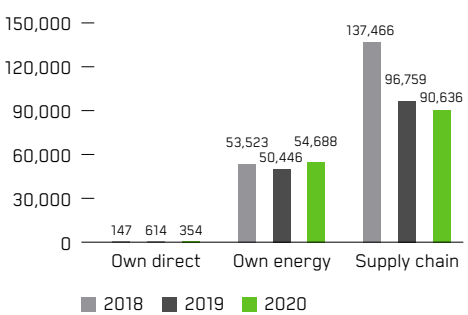
Our own indirect emissions (scope 2) accounted for over a quarter of our carbon footprint, caused mainly by losses in electricity distribution and transformation. Energy loss

CARUNA'S SHARE OF THE TOTAL GENERATION OF RENEWABLE ENERGY IN FINLAND (%)



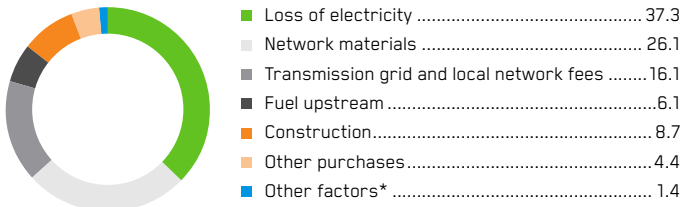
The graph shows the amount of renewable energy connected to Caruna's electricity network by energy source since 2018, as well as the relative proportions of the total generation of renewable energy in Finland. The figures for 2020 will be available by June 2021 on our website.

CARUNA'S CARBON FOOTPRINT, CO_2-EQ*



Own direct (scope 1): Mainly the use of reserve power and direct emissions caused by SF6 gas leaks.
Own energy (scope 2): Mainly losses on the electricity network and emissions due to other energy consumption for the company's own use.
Supply chain (scope 3)
*Calculated according to scope 1–3 of the GH protocol

MOST SIGNIFICANT FACTORS IN CARUNA'S CARBON FOOTPRINT IN 2020 (%)

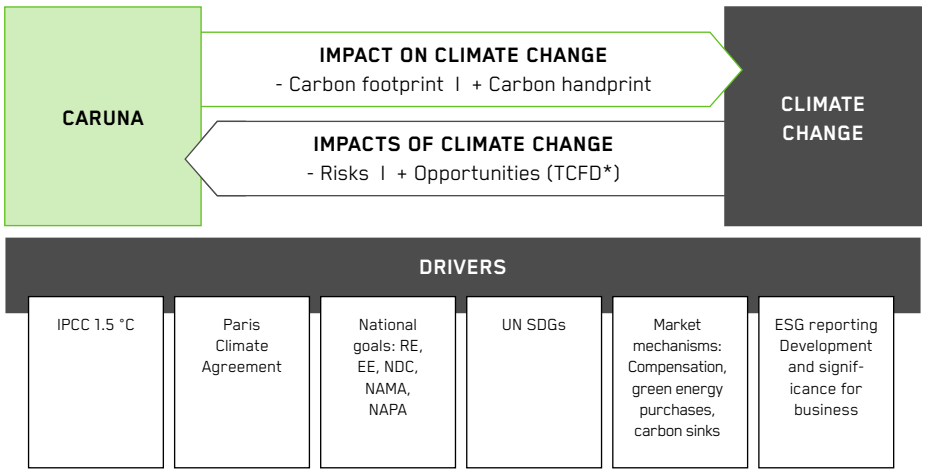


* Including waste from the renewal of the electricity network, emissions from waste transportation, commuting, maintenance trips, heating in offices, other investments, electricity in offices, business flights, vehicles.

LOSSES ON THE ELECTRICITY NETWORK IN PROPORTION TO THE TOTAL AMOUNT OF ENERGY

	2020	2019	2018
Caruna Oy regional network (110 kV)	0.6% (38 GWh)	0.6% (34.8 GWh)	0.6% (38.9 GWh)
Caruna Oy distribution network	3.7% (252.9 GWh)	3.7% (263.8 GWh)	3.7% (275.5 GWh)
Caruna Espoo Oy distribution network	2.7% (86.2 GWh)	2.6% (83.4 GWh)	2.6% (84,5 GWh)

CARUNA'S CARBON FOOTPRINT AND HANDPRINT



*Task Force on Climate-related Financial Disclosures

CLIMATE IMPACTS: KEY FIGURES

	2020	2019	2018
Electricity network losses (GWh)	377.1	382.0	398.9
Own energy consumption* (GWh)	1.41	1.53	1.86
Own thermal energy consumption* (GWh)	1.21	1.33	1.61
SF6 gas and leaks			
Amount of SF6 gas in Caruna's electricity network components (kg)	34,796	32,000	26,600
SF6 leaks (kg)	4.50	3.58	1.55
SF6 leaks (CO_2e**)	102.69	81.6	35.3
Share of SF6 leaks of the total amount of gas (%)	0.01	0.01	less than 0.01

* The energy consumption of the restaurant operating in Caruna's main office has not been taken into account in the electricity and heat energy consumption figures.

** CO_2e = tonne of carbon dioxide equivalent = GWP value x weight; GWP = Global Warming Potential; the GWP value of SF6 gas is 22,800.

always occurs when electricity is transmitted and distributed, and the electricity network owner is liable for this. We use CO_2-free electricity to compensate for losses on the electricity network. In 2020, our losses amounted to approximately 38 GWh.

The electricity and heat consumed in our office building also contributed to our indirect emissions, although this was just a fraction (less than 1%) of our total carbon footprint. In 2020, we consumed 1.41 GWh of electrical energy and 1.21 GWh of thermal energy. Almost 75% of the energy consumed at the Upseerinkatu office is used for cooling, heating and ventilation for servers, the control room and the remainder of the building. Other significant energy consumption sources are heating of domestic water and lighting. The energy consumed by the restaurant in the building is not included in Caruna's energy consumption measurement or carbon footprint calculation.

The vast majority – more than two-thirds – of our carbon footprint arises in our procurement and supply chain (scope 3). The materials used for network construction accounted for 26.1 per cent of our carbon footprint.

Other significant sources of emissions in the supply chain included the grid fees and local network fees paid to electricity transmission and distribution companies (16.1%) and construction work on the electricity network (8.7%). The carbon footprint due to construction can be reduced by promoting the joint construction of various energy and telecommunication networks.

In total, Caruna's carbon footprint in 2020 was 146 kilotons CO_2-eq, which corresponds to the annual carbon footprint of approximately 14,000 average Finns.

In 2020, we enhanced our own processes by building large entities at a time, promoting joint construction with other operators such as municipalities and telecom companies, and increasing the amount of underground cabling and network automation, which will reduce the need for fieldwork in the future. Our new transformers are low-loss EKO transformers.

WE CONTINUED OUR INVOLVEMENT IN THE ENERGY EFFICIENCY AGREEMENT

Energy efficiency is a key aspect of Caruna's environmental responsibility and customer cooperation. We have been involved in the national Energy Efficiency Agreement, and the preceding energy saving agreement, since the beginning of the agreement system in 1997. The previous agreement expired at the end of 2016, and Caruna joined the agreement for the next period from 2017 to 2025. We have analysed the impacts of our investments on electricity network losses. In our estimate, the development measures we have taken reduced relative network losses by approximately 0.9 GWh in 2020.

WE GENERATED SOLAR POWER, TOO

We have two solar power generation stations, which are primarily intended to provide first-hand experience of distributed energy generation.

We have installed 110 solar panels with a nominal output of approximately 29 kWp on the roof of our Upseerinkatu office building. In 2020, the solar panels generated approximately 26.1 MWh of energy. We used this energy in our office. We also used geothermal cooling to generate 68.5 MWh of thermal energy to cool our building.

We have 119 solar panels on the roof of our primary substation in Keilaniemi, Espoo. In 2020, the solar panels generated approximately 25.4 MWh of energy. We used approximately 10.5 MWh of the energy at the substation, and transferred the remainder to the distribution network to compensate for network losses.

CLIMATE ROADMAP GUIDES OUR ACTIONS

During the year under review, we drew up a climate roadmap, which will be taken into use in our operations in 2021. We divided our climate actions into three categories: measures that strengthen our carbon handprint, measures that reduce our carbon footprint, and development of the management and communication of climate-related matters. We will improve our carbon handprint by promoting the use of renewable energy sources, offering our customers low-carbon solutions, and developing cooperation, partnerships, and operating models.

Cooperation network supports climate work

The work we do enables environmentally-friendly electricity distribution. We are developing and maintaining an intelligent, weatherproof electricity network that will lay the foundation for the energy system of the future, in which digital services will increase, transport will be electrified and consumers will become energy producers. However, we cannot combat climate change alone – we must work with others.

In May 2020, we joined the Climate Leadership Coalition, which will provide us with even more effective tools for our climate work. The Climate Leadership Coalition is Europe's largest non-profit climate network with 81 organisational members representing a broad cross-section of enterprises, interest groups, cities, and universities. Membership in the Climate Leadership Coalition will provide us with an interesting opportunity to collaborate for the development of Finland's energy sector as a whole.

We help our customers in their climate protection efforts

Our customers can make a substantial contribution to combating climate change through their own energy generation and consumption choices.

The energy transition is a global phenomenon, which manifests itself, for instance, in the form of an increase in renewable energy generation. We aim to accelerate the energy transition by promoting intelligent electricity network solutions, customers' own electricity generation by means such as small-scale solar power, smart energy consumption, such as home automation solutions, and the electrification of transportation.

Our Virtane service makes it easy for customers to compare different climate-positive technologies, such as solar power systems, heat pumps and solutions related to electric cars, examine the carbon footprints of the technologies, and handle competitive tendering and purchasing. In the year under review, we launched several new energy-efficient, low-carbon services, such as a load control service.

LOAD CONTROL REDUCES ELECTRICITY BILLS

Load control allows our customers to manage their electricity consumption. Our free electrical load control service enables customers to schedule electrically operated storage heaters, such as water boilers or storage heaters, to start up at night or during the day.

Electrical load control is automatically available to all our customers who have night or seasonal distribution as their electricity distribution product, and who have controlled electrical devices connected to their electric meters. Load control can reduce electricity network consumption peaks when the devices do not switch on at the same time and consequently, the load they cause does not strain the electricity network.

LOTS OF SOLAR PANELS INSTALLED

In 2020, the number of small-scale solar power generators on our network increased by 42 per cent. There are approximately 9,400 small-scale solar power generators on our network, and their combined generating capacity is approximately 82 MW.

Battery system as a part of the smart electricity network

Climate change and the transition towards renewable energy sources are creating new requirements for the balance of the electricity system. Together with our partner, Fortum, we have developed battery solutions to safeguard the security of supply in the future.

The cooperation has led to the creation of a battery system of significant size by Nordic standards. The system improves the reliability of electricity distribution and the quality of supply. Our development project reached tangible results in August 2020, when a battery-based energy storage facility whirred into life in Inkoo. The sea container-sized battery is connected to our medium-voltage network, and it is used in the event of power cuts caused by maintenance or faults. Fortum uses the battery on the balancing power market to keep the national electricity system in balance.

"Batteries can also be a solution for areas where the need for electricity suddenly increases and the network needs to be strengthened, for example as the number of electric buses increases," says Innovation Project Manager **Markus Talka**.

The battery is used to ensure electricity distribution during maintenance work, and it also helps in the event of an unforeseen power cut. Even if the electricity supply to the battery is cut off, it can continue to power nearby homes, summer cottages and shops for several hours. The area of influence of the battery, which is located next to Main Road 51, extends from about Stubböle to the island of Vormö. The battery has the capacity to store 1,028 kWh of energy. This amount of energy could move an electric car back and forth from Helsinki to Berlin or heat a two-bedroom terraced house for about six months.

Previously housing companies were only able to use the solar power they generated to cover their own shared needs, such as powering the lighting in stairwells, technical equipment or shared areas. In December 2020, the Finnish government approved a change to the decree on the clearance and measurement of electricity supplies. The decree was amended with provisions on local energy communities and groups of active customers, as well as their duties. In the year under review, we carried our preparatory work to enable our customers in housing companies to form a Solar Community and begin producing energy to cover the needs of housing units as soon as the amendment takes effect.

Solar panels deliver significant savings in power consumption. One block of flats in our network area has 10 kW solar panels. The housing company and its 40 households purchased a total of 4,000 kWh of electricity in June 2020. According to our calculations, by establishing a Solar Community and producing electricity themselves, residents could reduce the amount of purchased electricity by 1,000 kWh. When housing companies use self-generated solar power, they save not only the price of electricity but also the distribution fee, electricity tax and value added tax.

We have built the Solar Community service from the very beginning with the intention of making it free for customers to use. Solar Community is available on the virtane.fi service, which provides an easy-to-use self-service system for housing companies to set up energy communities and monitor their activities.

Virtane helps to reduce the carbon footprints of homes

We aim to accelerate the energy transition and therefore promote solar power production and use of electric vehicles. These topics are also of our customers' interests, as shown by the large number of enquiries our customer service team received in 2020. We decided to build a one-stop shop service to provide information related to the energy transition.

In March, we launched the digital Virtane service, which helps our private customers switch to producing and consuming renewable energy and use electronic solutions more quickly and easily.

"The service enables our customers to utilise information about their electricity consumption, helping them to identify the most suitable solution. The service also offers an independent platform that consolidates products from different suppliers for transparent comparison. The Virtane service is free for our customers and partners to use," says Development Manager **Elina Säiläkivi.**

CHARGING ELECTRIC CARS AS PART OF EVERYDAY CONVENIENCE

In 2020, electric cars were registered in record numbers in Finland. At the same time, the public charging network is expanding at a breakneck pace. There are a lot of alternatives for charging electric cars, and a charging point can be installed with minor effort. We aim to encourage our employees to drive in an environmentally friendly way and, from the beginning of 2020, we introduced various charging points in our office's car park where employees with electric cars can test them.

Before the charging points were installed, we asked our employees in the Espoo office how many electric and hybrid-electric cars they owned and how many plan to purchase electric cars. We also enquired about the lengths of their commutes by electric cars in order to forecast the daily energy need and speed of charging.

Based on the survey, 40 parking spaces in the outdoor car park at the Espoo office were equipped with three different charging solutions. The car park has high-power chargers for those making longer journeys, as well as slower, lower-powered chargers for shorter distances:

- Etrel charging devices 11 kW, Type 2
- Satmatic charging devices 3.6 kW, Type 2
- Satmatic engine heating outlets 1.8 kW, Schuko.

The parking spaces at our office are empty in the evenings and at nights, so we wanted to make the charging potential of our car park available to the entire neighbourhood. We formed an innovation partnership with IGL Technologies to develop a corporate eParking app, which combines the needs of electric car owners and charging point managers in a single service.

The app links the various charging points in our car park and enables drivers to pay a parking charge, manage a charging point, and pay for charging using a single service.

Work and security

- We made the switch to remote work successfully
- The Top Team and Project Academy projects improved our partners' competences
- We gained improved results in the Great Place to Work personnel survey (the Trust Index rose from 71 to 74)
- We renewed our top-level classification for occupational safety at the Zero Accidents Forum

A safe and vibrant working community – despite the extraordinary circumstances

We all faced a new challenge in 2020. The coronavirus pandemic called for even greater efforts to ensure occupational safety, and new measures were required to promote occupational wellbeing when our experts switched to remote working.

In March 2020, the coronavirus pandemic became so bad in Finland that Caruna's employees also switched to remote work. Rapid solutions were required to help our personnel switch to working from home, and learn to use new working methods and tools. The coronavirus has not significantly impacted our business, and we did not need to lay off any personnel or enter into codetermination negotiations.

About half of Caruna's employees had already worked remotely before the onset of the pandemic. Although the units and teams all do different work, the switch to remote working went very smoothly. For example, our control centre successfully implemented its own detailed plan to decentralise its operations and keep shifts separated. Employees were allowed to take work tools, such as monitors, keyboards, mice and chairs, to help them work effectively in their home offices.

Our employees remained in good health throughout 2020, and the rate of absence due to illness was lower than in the preceding year.

WE PROVIDE EMPLOYMENT ANNUALLY TO MORE THAN 1,000 PEOPLE ACROSS FINLAND

No major changes occurred in the number of personnel in 2020. Our rate of employee turnover was 3.4 per cent: we hired 17 new permanent employees and 14 fixed-term employees. In 2020, we had 21 employees in fixed-term employment relationships, accounting for 6.7 per cent. We had 18 part-time employees, accounting for 5.7 per cent.

As in previous years, we hired a large number of summer employees. A total of 23 summer employees worked in project duties, standing in for regular employees taking their summer holidays, or compiling material for theses. At the end of 2020, we had seven temporary agency workers helping us to handle workloads in areas such as customer service and IT projects.

In 2020, several contractors and their subcontractors worked with us to build and repair our electricity network. Our projects indirectly employed approximately 1,000 professionals in various parts of Finland.

JOB SATISFACTION INCREASED DESPITE THE EXTRAORDINARY CIRCUMSTANCES

The extraordinary year demanded a special focus on internal communication. During the year, our Management Team joined team meetings to discuss matters such as the company's future, how team members were coping, and the state of the business.

We actively monitor the job satisfaction of our personnel using external and internal surveys. Our Pulse survey was conducted three times last year. When personnel began working from home, we started monitoring their wellbeing weekly by taking brief "temperature measurements", which involved a few questions about how they were coping. The majority of our personnel have been satisfied with working from home.

In 2020, we took part in the Great Place to Work competition for the third time. The annual survey, which seeks to gauge job satisfaction among employees, consists of the Trust Index employee survey and the Culture Audit management questionnaire.

The survey showed that our strengths in 2020 continued to be a good team spirit, a sense of community, benefits, and pride among employees in their work and their teams. Our employees appreciate equal treatment, positions of responsibility, a good working environment, and flexible working practices. Room for improvement was identified in the way work tasks are coordinated, the development of collaboration and the way we communicate the company's direction. At the same time, we should still improve our feedback culture and provide more opportunities to participate in decision-making.

In the 2020 survey, the Trust Index and the Commitment Index varied increased year-on-year, and we renewed our Great Place to Work certification.

Job energy invigorated summer work at municipalities

The coronavirus adversely affected the opportunities available for young people looking for summer work. Some summer jobs and internships that had already been agreed were withdrawn. We wanted to boost employment among young people in our distribution area by launching the Duunienergiaa ('Job Energy') campaign. As part of the campaign, we paid EUR 4,000 to municipalities to enable them to employ young people in summer 2020. The municipalities hired summer workers for jobs of their choosing in periods of various lengths. The work done by summer employees varied depending on their age and experience and the needs of the municipality, ranging from lawnmowing to running cafes.

The young people who were given a summer job created social media content related to their job experience. The campaign could be followed at duunienergiaa.fi and on Caruna's Instagram.

PERSONNEL KEY FIGURES

	2020	2019	2018
Total number at the end of the year	314	313	289
Number of average	323	313	289
Age structure of the employees (%)			
Under 30s	17	18	19
30–50s	63	61	58
Over 50s	20	21	23
Employee turnover* (%)	3.4	3.2	6.6
Total number of fixed-term employment contracts**	21	23	19
Women	10	13	8
Men	11	10	11
Total number of part-time employment contracts	18	12	8
Women	8	3	7
Men	10	9	1
Share of fixed-term employment contracts (%)	6.7	7.3	6.6
Share of part-time employment contracts	5.7	3.8	2.8
Women in workforce (%)	41	41	40
Proportion of women in governing bodies (%)	33	30	25
Governing bodies age structure (%)			
Under 30s	0	0	0
30–50s	33	60	62
Over 50s	66	40	38
Share of employees under collective agreements (%)	90	90	91
Share of personnel entitled to performance appraisals (%)	100	100	100
Employee average age	40	39	40
Employee job satisfaction (0–100)	74	72	72
Number of training hours per person***	11	18	22
Salaries and wages (EUR thousand)	22,028	20,593	19,231

* Turnover represents departures of employees on their own initiative ** New indicator as of 2018 *** Hours per person-year

EMPLOYEE TURNOVER

	Number	Share of all personnel (%)
Number of new employees*	37	12
Gender structure of new employees		
Share of women	15	4.9
Share of men	22	7.1
Age structure of new employees		
Under 30s	13	4.2
30–50s	21	6.8
Over 50s	3	1
All discontinued employment contracts (excl. summer employees)	52	17
Discontinued permanent employment contracts**	19	6.5

* Employees who were hired during the year and were employed at the end of the year, including fixed-term employees

** Permanent employment contracts discontinued during the reporting period divided by the total number of personnel at the end of the year (Turnover of permanent employees (%))

In 2020, our rate of employee turnover was 3.4 per cent: we hired 17 new permanent employees and 14 fixed-term employees.

PROFESSIONAL DEVELOPMENT

The electricity network of the future demands specialist expertise

We want to offer our current and future employees a good place to work and develop as professionals, experts and managers.

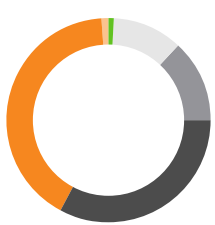
In 2020, we continued developing the competences and capabilities of our personnel. During the year, Caruna employees made use of internal training or training offered by external providers for an average of 10.8 hours per employee.

Our values – to work boldly, energetically, together – support the implementation of the strategy and our corporate culture. In 2019, supervisors were trained to incorporate the values into everyday management situations. In 2020, we focused on ensuring that the values were implemented in the corporate culture "horizontally and from the bottom up". The Expert as a Cultural Influencer programme, which began in November 2020, encourages our extensive group of experts to develop their roles as builders of the corporate culture.

In 2020, we mapped the expertise of our personnel in greater depth than in previous years. The results will be included in performance discussions where each employee works with their supervisor to assess their expertise and development needs and define future targets.

We continued with internal career change opportunities, coaching programmes, and the opportunity for a day of familiarisation with a colleague's work. As in the previous year, our other training themes were electrical engineering, preparations for major disturbances, occupational well-being, project management, ICT, invoicing, and communication and advocacy skills.

EMPLOYEES' EDUCATIONAL BACKGROUND (%)



- Primary and lower secondary education 1%
- General upper secondary education or vocational education and training 11%
- Upper secondary education qualification 13%
- Bachelor's degree 33%
- Master's degree 41%
- Licentiate, Ph.D. 1%

Our personnel includes a wide-ranging group of experts.

TRAINING HOURS OF EMPLOYEES

	2020	2019	2018
Average number of hours of training per person, all personnel	10.8	18	22
Average number of hours of training per person, office personnel	12.9	8.3	19
Average number of hours of training per person, executives and managers	17.2	24.7	24
Average number of hours of training per person, women	9.8	13.4	14
Average number of hours of training per person, men	10.5	21.3	26

WE ALSO ACTIVELY TRAIN OUR PARTNER NETWORK

In 2020, we continued to train our partners, too. During the year, we arranged Caruna Card training courses for subcontractors who are not electrical professionals. The training offers a basic understanding of the safety factors related to our operating environment and helps our contractors to meet their own induction obligations. In 2020, Caruna Card training was attended by 68 people.

Everyone working on Caruna's worksites must complete our online course in safety and the working environment. In addition, an online course in electrical safety at the worksite is recommended for those working on our sites.

In 2020, approximately 400 people completed both the safety and environment course, and about 320 completed the electrical safety course. The course results are valid for three years.

We also provide our partners with different types of training in safety and environmental matters, such as on-duty service, fault detection, land-use planning, major disturbance situations and forest operations near power lines. A total of 1,200 people attended these courses in 2020.

NEW TRAINING PROGRAMMES TO ADDRESS SKILLS SHORTAGES

Network construction companies are suffering from a lack of skilled workers. We worked with Barona, Sedu Education and our network contractors to build a training course to enable contractors building electricity networks to recruit professionals with targeted training.

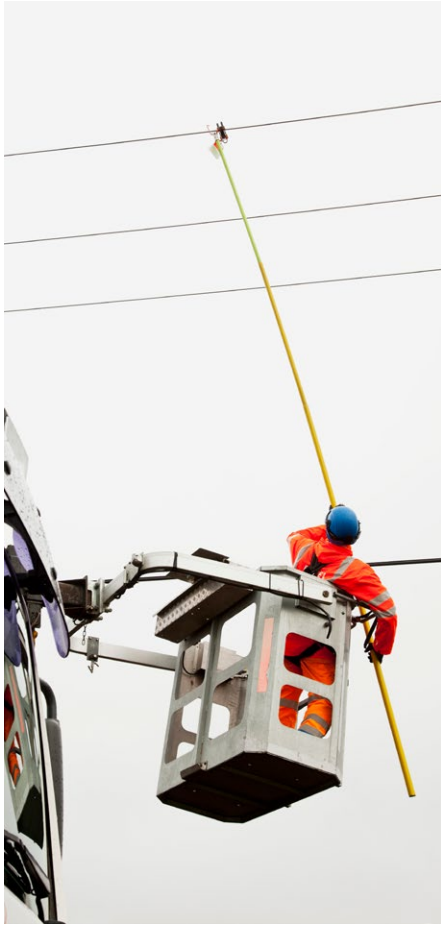
The start of the Top Team training programme was postponed due to the coronavirus outbreak from February to May 2020. More than 100 people applied to join the programme, and ten were selected. Training was provided both remotely and in person. The training modules included professional skills in the electricity sector and safety of energised connections, safe working in field conditions, and safe dismantling of electricity networks.

We are a responsible summer employer

Every year, we offer young people a chance to work at our company for the summer. In 2020, we had more than 20 summer employees, many of whom continued to work for us after the summer. We aim to offer valuable work experience to summer employees. We achieved this objective, as our summer employees ranked us among the ten best small and medium-sized enterprises in a survey conducted under the Responsible Summer Job campaign.

When an electricity network is built to meet the needs of the future, everyone working on a project must collaborate seamlessly. We worked with Adapro, a project management consulting and coaching company, to build the Project Academy training programme that focuses on strengthening project management expertise.

The training programme was held from September to November 2020, and it was attended by 17 project managers from contractors working on our construction projects, as well as our contact people. The teaching consisted of five modules, which reviewed the life cycle of a project piece by piece.



OCCUPATIONAL SAFETY

We developed occupational safety, moving from individual actions towards a comprehensive culture

The safety of our personnel and contractors is of paramount importance to us. In 2020, our safety work focused on building a new safety culture and improving the safety of electrical work.

Every Caruna employee and all of our contractors have the right to get home safely after a day's work. In 2020, none of our personnel were involved in accidents leading to absences. However, two accidents occurred during work-related travel but, fortunately, neither of the accidents had severe repercussions.

The injury frequency within our partner network increased slightly. On our worksites, we aimed to decrease the frequency of accidents to a rate of less than 4.5 accidents per million working hours, but we sadly did not achieve this aim. We will continue our work to prevent all accidents, as every accident is one too many.

SAFETY AS AN ESTABLISHED WORKING PRACTICE

During the year under review, we focused on developing our safety culture, and we highlighted the elements of safety management. Instead of reacting to situations and handling them individually, we aim to alter our entire mindset. We worked with our partner DuPont Sustainable Solutions to build a training model in which a group of Caruna employees were trained to become safety coaches.

Our trained safety coaches provided training to Caruna employees who lead meetings and perform worksite tours. The training emphasised better sharing of information, greater inclusion of contractors, and more detailed analysis of corrective measures.

We conduct regular worksite observation rounds. During the year under review, we focused on meeting the worksite personnel during the rounds. Rather than filling in inspection forms, the rounds were implemented in the form of discussions and observation visits with the aim of thinking about how operations could be changed in order to improve safety.

Our training model was warmly received, and the results of the work revealed themselves in our interactions with contractors. An evaluation procedure was developed to process safety issues. It is now six months since the training sessions began, and the scores we assign during contractor interactions have doubled.

WORK CONTINUED TO IMPROVE ELECTRICAL SAFETY

Our network partners monitor their safety standards and report to us regularly. Our worksites are mainly inspected by our contractors and project supervisor partners, which report on safety and ensure that any shortcomings are addressed. In 2020, our project supervisors and contractors reported almost 3,770 site inspections.

We continued to improve electrical safety in 2020. One of the areas for development was third-party safety. We emphasised the importance of locating electricity networks before excavation begins. A further important theme is related to our safety principles, which must be followed in all work.

OCCUPATIONAL SAFETY KEY FIGURES

	2020	2019	2018
Number of Safety Walks by our personnel*	366	1 062	904
Total number of Safety Walks, worksite inspections and visits conducted by Caruna's contractors and other partners	4,191	3,448	3,295
Injury frequency (TRIF)** of own personnel	0	0	0
Injury frequency (LWIF)*** of contractors	6	5.3	4.7
Number of severe accidents suffered by contractors****	2	0	1
Number of work-related deaths	0	0	0
Days of absence due to illness as a proportion of the theoretical total number of working days (%)	1.7	2.3	2.6

* Safety observation rounds conducted by Caruna personnel on worksites and in office environments

** The Total Recordable Injury Frequency 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 working hours).

*** The Lost Workday Injury Frequency reflects the ratio of occupational accidents to contractors or subcontractors, as well as trainees and temporary staff, while working for Caruna or on Caruna's worksites, leading to a loss of working capacity lasting a minimum of one working day, in relation to working hours (incidents/million working hours).

**** An accident leading to a loss of working capacity for at least 30 days or a permanent disability.

ELECTRICAL SAFETY KEY FIGURES

	2020	2019	2018
Number of electrical accidents suffered by third-parties (reported to Finnish Safety and Chemicals Agency, Tukes)	1	0	3
Number of near misses occurring to third-parties (reported to Tukes)	23	12	15
Number of reported overvoltage incidents (neutral-to-earth faults) due to faults in the electricity network	858	482	235

We were once again awarded the best classification by the Zero Accidents Forum

We have participated in the voluntary Zero Accidents forum since 2014. The network of workplaces that are developing occupational safety and wellbeing includes 440 companies in 59 different industries in Finland.

In spring 2020, we renewed our level 1 occupational safety member classification, which shows that our occupational safety standards are among the best in the world. In order to achieve the best category, the practices the company must have in place include a comprehensive procedure for reporting near misses and safety observations as well as a systematic investigation process for accidents.

"Our personnel enjoy an excellent standard of safety. With the exception of a few minor accidents while travelling, we have worked safely without accidents, both in the office and in the field. We work collectively for the well-being and safety of our staff," says HSE Manager **Piia Häkkinen**.

We are a significant economic operator and employer in Finland

We maintain an open dialogue with our stakeholders, and support entities operating in our network area.
We paid a total of EUR 10.7 million in Finnish corporation tax in 2020.

Our reliable electricity network ensures that our customers have electricity every day of the year. In 2020, we spent EUR 143.2 million on improving and building out our electricity network.

> The impact of our investments is visible in our network areas.

WE ARE AN EMPLOYER AND TAXPAYER IN FINLAND

We are a Finnish company, and we pay all of our taxes to Finland. Our operations have significant direct and indirect economic impacts, both locally and nationally. The impact of our investments is particularly visible in our network areas.

In 2020, our net sales amounted to EUR 475.3 million, an increase of 1.9 per cent on the previous year. Our total number of customers increased by approximately 1.6 per cent, and we had over 700,000 customer connections on our network at the end of the year.

At the end of 2020, we had 314 employees. We paid EUR 26 million in salaries, pension security contributions and social security contributions. In 2020, we provided work directly to about 575 contractors on projects across Finland. We indirectly employed more than a thousand people. Our work is estimated to be 100 per cent Finnish.

We paid EUR 149.0 million to our suppliers of services, materials and goods in 2020. The number includes procured 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.

In compensation for the use of capital, we paid approximately EUR 57.8 million in interest to the first-in-line creditors, and EUR 66.9 million in interest on the shareholder loan that the owners have invested in the company.

CORPORATION TAX AMOUNTED TO EUR 10.7 MILLION

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, our tax footprint includes the income tax withheld from employees' salaries and social security contributions. The summary includes the taxes and tax-like payments that we are legally obliged to pay or collect from customers. The summary does not include taxes for which we do not have a legal reporting obligation.

CARUNA'S CODE OF CONDUCT LAYS THE FOUNDATION FOR OUR WORK

Every Caruna employee has completed an online training course covering our Code of Conduct. Our Code of Conduct defines how we take care of Caruna's assets, how we work together and treat each other, and how we conduct the electricity distribution business.

Corporation tax
EUR 10.7 million.

Taxes collected
EUR 292 million.
This sum includes the electricity tax collected from our customers and accounted to the government as well as value-added tax.

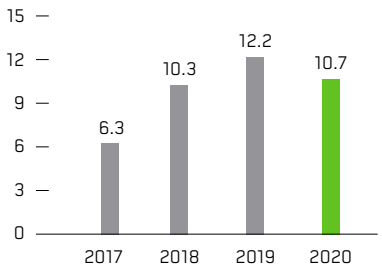
Investments
EUR 143.2 million.

WE ENGAGE IN OPEN DIALOGUE WITH OUR STAKEHOLDERS

We have identified our most important stakeholders and analysed their expectations. We engage in active dialogue with our stakeholders, and we collect feedback from them every year by means of surveys on topics such as reputation, customer satisfaction, and the Great Place to Work survey, which gauges the commitment of our personnel.

Our key stakeholders and the forms of stakeholder engagement are shown on our website at caruna.fi/en/carunas-stakeholders.

CORPORATION TAX TREND (EUR MILLION)



CARUNA'S TAX FOOTPRINT (EUR THOUSAND)

	2020	2019	2018
Tax due			
Income taxes	10,676	12,220	10,349
Unemployment insurance contributions	597	464	772
Social security contributions	281	128	143
Real estate taxes	205	210	223
Asset transfer tax	0	2	18
Total tax due	11,761	13,025	11,506
Taxes to be collected and remitted			
Value-added tax (net)	94,491	84,547	59,105
Electricity tax	191,272	202,476	199,236
Withholding tax	6,242	5,474	4,883
Total taxes to be collected and remitted	292,005	292,479	263,224

We bring positive energy to everyday life

We continued to act as the main partner to the 2020 Floorball World Championships organisation. The coronavirus pandemic caused the world championships to be postponed for one year, but we will continue to partner with the Finnish Floorball Federation to promote an active lifestyle and bring positive energy to everyday life. Following a successful partnership on the championships, we made a two-year agreement with the Finnish Floorball Federation to extend our partnership.

The partnership has made us highly visible on the jerseys of various national floorball teams. 2021 will be a busy year for floorball, featuring world championships in four categories: men, women and 19-year-old girls and boys.

The world floorball championships has chosen 'enabling exercise for all' as its core value. The Finnish Floorball Federation and its world championship partners organised another campaign to collect donations of sports equipment and clothes for children and young people. Caruna employees also made substantial donations of equipment and clothes. Hope ry delivered the donations.

The quality of our management system proved itself again

Our management system was audited in May 2020 and awarded the internationally recognised ISO 55001:2014 quality certificate once again. The certificate is valid for three years at a time, and it reflects the quality of the development and maintenance of our electricity network, network monitoring, and all operations related to the network. The audit was carried out by Lloyd's Register, a UK company specialising in corporate security and risk management.

"Caruna has made great strides in its activities, and the renewal of the certificate shows that our company has a systematic way of operating and managing the business. This means an even higher quality of service for our large customer base," says **Jyrki Tammivuori**, Deputy CEO and CFO of Caruna.

DIRECT ECONOMIC ADDED VALUE CREATED AND DISTRIBUTED BY CARUNA (EUR THOUSAND)

	2020	2019	2018
Revenues from customers			
Net sales	475,281	466,360	454,069
Other operating income	4,171	4,971	7,383
Fair value changes	0	1,732	-899
Total revenues from customers	479,452	473,064	460,552
Payments to suppliers			
Purchased materials and services	85,478	87,232	92,496
Other costs	63,805	55,737	58,521
Real estate taxes	-205	-210	-223
Donations and sponsorships	-86	-225	-211
Total payments to suppliers	148,992	142,534	150,583
Employee remuneration			
Salaries, bonuses, and social security contributions	25,950	25,058	22,949
Total employee remuneration	25,950	25,058	22,949
Compensation paid to financiers and shareholders			
Total financial costs to owners	66,856	75,052	79,810
Total financial costs to others (net)	57,831	55,972	53,939
Total compensation paid to financiers and shareholders	124,687	131,025	133,749
Non-profit investments and taxes			
Tax payable for the financial period	10,676	12,220	10,349
Real estate tax	205	210	223
Donations and sponsorships	86	225	211
Total non-profit investments and taxes	10,967	12,656	10,783
Added value created	168,856	161,791	142,488

Corporate responsibility reporting and GRI

Our corporate responsibility reporting principles

We are reporting on our corporate responsibility in line with the Global Reporting Initiative's GRI Sustainability Reporting Standards for the sixth time. The financial results form a part of our annual report.

This annual report covers the period from 1 January to 31 December 2020. The next report will be published in spring 2022.

DEFINING THE REPORT CONTENTS

Our corporate responsibility report for 2020 complies with the Global Reporting Initiative's GRI Sustainability Reporting Standards. Our report has been prepared in accordance with the guidelines of the GRI Standards and its Core option. The report covers the standard disclosures of the GRI Standards, its Electric Utilities Sector Disclosures as well as the sustainability topics considered material in our operations.

Our corporate responsibility is based on creating added value for our stakeholders. We analyse the demands and expectations of our stakeholders regarding our operations, and we assess the importance of these to our operations with the help of a materiality analysis. A comprehensive materiality analysis is conducted every three years and updated whenever necessary in conjunction with the annual strategy process. The materiality analysis was last updated in 2019.

For the purpose of our analysis, we asked our internal and external stakeholders to share their views on our operations, corporate responsibility and key development areas. The survey covered corporate and private customers contractors and other partners, municipal decision-makers, government authorities, officials from the regional administrations and emergency services, higher education institutions, industry organisations, and our employees.

We use the materiality analysis as the basis for defining the focal areas of corporate responsibility and updating the key corporate responsibility themes. Our Management Team validated the focal areas and themes in early 2020. The new focal areas were taken into use in the 2020 corporate responsibility programme and report.

OUR CLIMATE WORK IS BASED ON WIDELY ADOPTED FRAMEWORKS

We calculate the carbon footprint of our operations in accordance with the Green House Gas (GHG) Protocol. Our calculation covers the emissions caused by our procurement and supply chain (scope 3) in addition to our own direct and indirect emissions (scope 1 and 2).

We use a framework provided by the Taskforce on Climate-related Financial Disclosures (TCFD) to evaluate the climate-change impacts of our operations. The TCFD is an international framework for reporting on climate risks and opportunities, providing for a comprehensive examination of the economic impacts of the risks and opportunities. During the year under review, we updated our assessment for the preceding year and the status of our actions, and we strengthened the management of climate matters and their linkage with the strategy and target setting.

> We regularly analyse the demands and expectations that our stakeholders have with regard to our operations.

MATERIALITY ANALYSIS AND REPORTING PROCESS

IDENTIFYING STAKEHOLDER EXPECTATIONS	MEASURING AND PRIORITISING BUSINESS IMPACTS	DEFINING TARGETS AND ACTION PLANS	DATA COLLECTION AND REPORTING
• Stakeholder analysis for key stakeholders (demands and needs) • The success of stakeholder cooperation is evaluated by means of an annual reputation survey	• A workshop to prioritise expectations in terms of the economic, social and environmental impacts of the business • Defining key themes, management practices and key indicators	• Validation of the result of the materiality analysis by the Management Team • Defining indicators and target levels • Deciding on an external reporting framework (GRI)	• Collecting data from the organisation • Annual report and Review by the Board of Directors • Interim reports • Other corporate responsibility reporting and communications • ESG reporting to owners, financiers and investors • Internal reporting

Thorough materiality analysis and target-setting every three years, as well as annual updates

GRI Content Index

Disclosure	GRI content	Location	Comments
GRI 102: General Disclosure			
Organisational profile			
102-1	Name of the organisation	Annual Report: p. 57, GRI content index	Caruna Networks Oy
102-2	Activities, brands, products and services	Annual Report: p. 9	
102-3	Location of headquarters	Backcover	
102-4	Location of operations	Annual Report: s. 3	
102-5	Ownership and legal form	GRI content index	Caruna is owned by Finnish employment pension companies Elo (7.5%) and Keva (12.5%), as well as international infrastructure investors OMERS Infrastructure (40%) and First Sentier Investors (40%).
102-6	Markets served	Annual Report: p. 3	
102-7	Scale of the organisation	Annual Report: p. 3, 15, 41 Financial Statements: p. 3-6	
102-8	Information on employees and other workers	Annual Report: p. 12, 39–41	Partially reported.
102-9	Supply chain	Annual Report: p. 24–26	
102-10	Significant changes to the organisation and its supply chain	Financial Statements p. 4-7	
102-11	Precautionary Principle or approach	Annual Report: p. 64–65	
102-12	External initiatives	Annual Report: p. 12, 24, 44–45, 63	
102-13	Memberships of associations	GRI content index	https://www.caruna.fi/en/carunas-stakeholders

Disclosure	GRI content	Location	Comments
Strategy			
102-14	Statement from senior decision-maker	Annual Report: p. 6–7	
102-15	Key impacts, risks, and opportunities	Annual Report: p. 14–15, 64–65	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behaviour	Annual Report: p. 8–9, 11	
Governance			
102-18	Governance structure	Annual Report: p. 58, 63	
102-20	Executive-level responsibility for economic, environmental and social topics	Annual Report: p. 59, 61–62	
102-22	Composition of the highest governance body and its committees	Annual Report: p. 59	
102-26	Role of highest governance body in setting purpose, values, and strategy	Annual Report: p. 58–59	
Stakeholder engagement			
102-40	List of stakeholder groups	GRI content index	https://www.caruna.fi/en/carunas-stakeholders
102-41	Collective bargaining agreements	Annual Report: p. 41	
102-42	Identifying and selecting stakeholders	GRI content index	Caruna's stakeholders include a wide variety of parties that utilise network services and participate in their provision and affect their operation, as well as the surrounding society in a broader capacity.
102-43	Approach to stakeholder engagement	Annual Report: p. 47	
102-44	Key topics and concerns raised	GRI content index	https://www.caruna.fi/en/carunas-stakeholders

Disclosure	GRI content	Location	Comments
Reporting practice			
102-45	Entities included in the consolidated financial statements	Financial Statements: p. 2, Annual Report: p. 57	
102-46	Defining report content and topic boundaries	Annual Report: p. 50	
102-27	List of material topics	Annual Report: p. 11–12, 50	
102-48	Restatements of information	GRI content index	No changes.
102-49	Changes in reporting	GRI content index	No significant changes.
102-50	Reporting period	Annual Report: p. 50	
102-51	Date of the most recent report	GRI content index	March 11, 2019
102-52	Reporting cycle	Annual Report: p. 50	
102-53	Contact point for questions regarding the report	GRI content index	https://www.caruna.fi/en/contact
102-54	Claims of reporting in accordance with the GRI Standards	Annual Report: p. 50	
102-55	GRI content index	Annual Report: p. 51–56	
102-56	External assurance	The information in this report has not been externally assured.	
GRI 103: Management Approach			
103-1	Explanation of the material topic and its boundary	Annual Report: p. 11–12	
103-2	The management approach and its components	Annual Report: p. 9, 11–12, 16, 17, 20–21, 24, 39–41, 63	
103-3	Evaluation of the management approach	Annual Report: p. 12, 24–26, 39–41, 47, 57	
Economic responsibility			
GRI 201: Economic performance			
201-1	Direct economic value generated and distributed	Annual Report: p. 9, 46–48	
GRI 203: Indirect Economic Impacts			
203-2	Significant indirect economic impacts	Annual Report: p. 46–48	
EU: Availability of Electricity and Reability of Supply			
		Annual Report: p. 20–23	

Disclosure	GRI content	Location	Comments
EU: System efficiency			
EU12	Transmission and distribution losses	Annual Report: p. 33–34	
EU: Research and development			
		Financial Statements p. 4	
GRI 205: Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	Annual Report: p. 46–48	Partially reported.
205-3	Confirmed incidents of corruption and actions taken	GRI content index	No cases.
GRI 206: Anti-competitive Behaviour			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	GRI content index	No violations.
Environmental responsibility			
GRI 301: Materials			
301-1	Materials used by weight or volume	Annual Report: p. 24–26	
GRI 302: Energy			
302-1	Energy consumption within the organisation	Annual Report: p. 14, 34	Partially reported.
302-4	Reduction of energy consumption	Annual Report: p. 33–35	Partially reported.
GRI 304: Biodiversity			
304-2	Significant impacts of activities, products, and services on biodiversity	Annual Report: p. 9, 29, 31	
GRI 305: Emissions			
305-1	Direct (Scope 1) GHG emissions	Annual Report: p. 33–34	Partially reported.
305-5	Reduction of GHG emissions	Annual Report: p. 32–36	Partially reported.

Disclosure	GRI content	Location	Comments
GRI 306: Effluents and Waste			
306-2	Waste by type and disposal method	Annual Report: p. 26	
306-3	Significant spills	Annual Report: p. 29, 31, 34	Partially reported.
GRI 307: Environmental Compliance			
307-1	Non-compliance with environmental laws and regulations	GRI content index	No violations.
GRI 308: Supplier Environmental Assessment			
308-1	New suppliers that were screened using environmental criteria	Annual Report: p. 26	
Social responsibility			
GRI 401: Employment			
401-1	New employee hires and employee turnover	Annual Report: p. 41	Partially reported.
EU17	Days worked by contractor and subcontractor employees involved in construction, operation and maintenance activities	Annual report: p. 25	
GRI 403: Occupational Health and Safety			
403-2 (2016)	Hazard identification, risk assessment, and incident investigation	Annual Report: p. 45	Partially reported.
EU18	Percentage of contractor and subcontractor employees that have undergone relevant health and safety training	Annual Report: p. 44	Partially reported.
GRI 404: Training and Education			
404-1	Average hours of training per year per employee	Annual Report: p. 43	
404-2	Programs for upgrading employee skills and transition assistance programs	Annual Report: p. 42–43	
404-3	Percentage of employees receiving regular performance and career development reviews	Annual Report: p. 41	Partially reported.
GRI 405: Diversity and Equal Opportunity			
405-1	Diversity of governance bodies and employees	Annual Report: p. 41	

Disclosure	GRI content	Location	Comments
GRI 414: Supplier Social Assessment			
414-1	New suppliers that were screened using social criteria	Annual Report: p. 26	
GRI 418: Customer Privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI content index	No violations.
GRI 419: Sosioeconomic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	GRI content index	No violations.
EU: Disaster/emergency planning and response			
		Annual Report: p. 23	
EU: Customer healthy and safety			
EU25	Number of injuries and fatalities to the public involving company assets	Annual Report: p. 45	
EU: Access			
EU28	Power outage frequency	Annual Report: p. 23	
EU29	Average power outage duration	Annual Report: p. 23	

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 BV, 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 Central Chamber of Commerce's good governance guidelines for 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 the instructions and statements by Finnish Accounting Board.

The accounting statement covers both the consolidated financial statements and parent company financial statements.

Caruna Networks Oy's governing bodies

Caruna Networks Oy's governing bodies are the Annual General Meeting and Board of Directors. The Board of Directors's 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 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 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 meetings' 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 Directors is tasked with representing the Group and ensuring the oversight of accounting and financial management.

The Board has between one and ten ordinary members and it may have maximum 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 rules of procedure 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

The Board has an Audit Committee, a Nomination and Remuneration Committee, and a 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. Committees have 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.

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 minutes. The Board of Directors has approved the committees' written rules of procedure. The rules of procedure 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 the company and interaction with auditors and internal 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 with, for example, financial reporting.

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

Board of Directors and committees in 2020

MEMBERS OF THE BOARD OF DIRECTORS

Until the Annual General Meeting held on 27 March 2020, the members of the Board of Directors were Matti Ruotsala (Chair), Jouni Grönroos, John Guccione, Gregor Kurth, Matthew Liddle, Niall Mills and Laura Tarkka. Nicolas Grant, Ines Grund and Ellen Richardson were deputy members.

The Board members elected at the Annual General Meeting held on 27 March 2020 are Matti Ruotsala (Chair), Jouni Grönroos, John Guccione, Matthew Liddle, Niall Mills, Ellen Richardson and Laura Tarkka. Nicolas Grant and Ines Grund were elected as deputy members.

As of 1 August 2020, the composition of the Board was as follows: Matti Ruotsala (Chair), Jouni Grönroos, Matthew Liddle, Michael McNicholas, Niall Mills, Ellen Richardson and Laura Tarkka (members), as well as Nicolas Grant and Ines Grund (deputy members).

At an extraordinary general meeting held on 5 November 2020, Agniezka Gawron was elected as a deputy member of the Board as a replacement for Ines Grund.

The Board of Directors convened 12 times in 2020.

AUDIT COMMITTEE

In 2020, the Audit Committee members were Chairman Jouni Grönroos, Gregor Kurth and Matthew Liddle until 27 March 2020, and from then on, Chairman Jouni Grönroos, Matthew Liddle and Ellen Richardson.

The Audit Committee convened 5 times in 2020.

NOMINATION AND REMUNERATION COMMITTEE

In 2020, the Nomination and Remuneration Committee members were Chairman Matti Ruotsala, John Guccione and Niall Mills until 21 August 2020, and from then on, Chairman Matti Ruotsala, Nicolas Grant and Michael McNicholas.

The Nomination and Remuneration Committee convened 5 times in 2020.

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

In 2020, the Health, Safety and Environment Committee members were Chairman Nicolas Grant, Gregor Kurth, Matthew Liddle and Laura Tarkka until 11 March 2020, and from then on Chairman Nick Grant, Matthew Liddle, Ellen Richardson and Laura Tarkka.

The Health, Safety and Environment Committee convened 3 times in 2020.

MEMBERS OF THE BOARD OF DIRECTORS

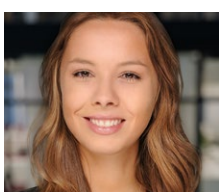
Matti Ruotsala
Chair

Jouni Grönroos
Fazer Group

Matthew Liddle
OMERS Infrastructure

Michael McNicholas
OMERS Infrastructure

Niall Mills
First Sentier Investors



Ellen Richardson
First Sentier Investors

Laura Tarkka
Gigantti Oy

DEPUTY MEMBERS

Agnieszka Gawron (OMERS Infrastructure) and Nicolas Grant (First Sentier Investors).

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 since 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 monthly 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.

HALF OF THE MANAGEMENT TEAM IS WOMEN

The Management Team consisted of CEO Tomi Yli-Kyyny, CFO and Deputy CEO Jyrki Tammivuori, Head of Electrical Networks Kosti Rautiainen, Head of Strategy and Regulation Noora Neilimo-Kontio (starting 13 March 2020), 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.

Management Team

TOMI YLI-KYYNY
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 sector.

Previous positions and other roles:
2011–2017 CEO, Vapo Oy
2005–2010 CEO, Pohjola Vakuutus
2005–2006 CEO, Pohjola Group Oyj
2020– Chair of the Board, SRV Oyj
2019– Member of the Board, Keskinäinen Vakuutusyhtiö Fennia
2015–2019 Member of the Board, Garantia Oy
2014–2019 Member of the Board, Barona Oy

JYRKI TAMMIVUORI
M. Sc. (Economics), b. 1971
CFO, 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's 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

KOSTI RAUTIAINEN
M. Sc. (Technology), b. 1977
Head of Electrical Network

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, eg. in Vattenfall and Wärtsilä

NOORA NEILIMO-KONTIO
M. Sc. (Economics), b. 1975
Head of Strategy and Regulation

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, Regulation and Business Performance Management, Caruna
2014–2017 Head of Business Control and Business Performance Management, Caruna
2007–2014 Head of Business Control and Business Performance Management, Accenture
2003–2007 Senior Consultant, Ernst & Young

KATRIINA KALAVAINEN
B. Sc (Economy), MBA, b.1970
Head of Customer Relations

Background: More than 20 years of experience in customer service management. Extensive experience both in the energy and telecom sectors.

Previous positions:
2008–2013 Head of customer data management, Fortum Distribution
2008 Team manager, customer services, Fortum Distribution
2006–2008 Customer service manager, private customers and small companies, Elisa Oyj
2004–2005 Customer service manager, private customers, Elisa Oyj

Management Team

TOMMI SAIKKONEN
M. Sc. (Economics), b. 1966
Head of People and Culture

Background: 10 years of experience in the electricity distribution business, 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

ANNE PIRILÄ
M. Soc. Sc., b. 1963
Head of Communications and Public Affairs

Background: Over 20 years of experience in corporate communications.

Previous positions:
2011–2018 Communications Director, Finnish Forest Industries Federation
2007–2011 SVP, Corporate Communications and IR, Rautaruukki Corporation
2002–2007 VP Communications and IR, Ahlstrom Corporation
2000–2002 Communications Manager, CapMan Oyj
1997–2000 Communications Consultant, Communications agency Pohjoisranta

ELINA LEHTOMÄKI
M. Sc. (Electrical Engineering) b. 1974
Head of Development and Innovation

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

Previous positions:
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

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 sector.

Previous positions:
2007–2014 Legal Counsel, Fortum Group
2001–2006 Legal Counsel, Secretary of the Board of Directors, E.ON Finland Oyj
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 ACCORDING 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 and key projects for each year. Our business units – Customer Relations, Development and Innovation and Electricity Networks – 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 and ICT issues have been merged under the Corporate Services unit. Strategy and regulation, communications and People and Culture are led by their own heads of units. All unit heads are members of the Caruna Management Team and report directly to the CEO. The Management Team convenes twice a 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 comprises of all Management Team members, two employee representatives and key managers from the business units appointed by the CEO. The Extended Management Team convenes once per month.

POLICIES, STANDARDS AND GUIDELINES PROVIDE MANAGEMENT SUPPORT

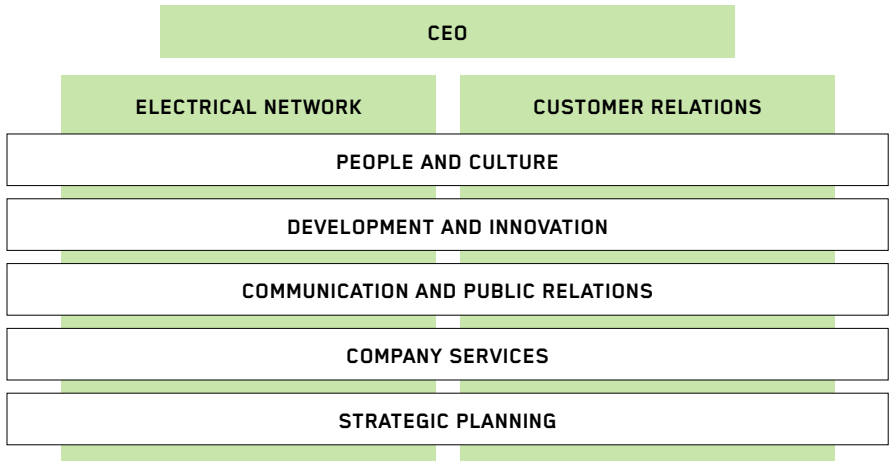
In addition to laws and regulations, management is guided by our corporate values, our policies (People and Culture, risk management, asset management, finance, communications and health, safety and environment) and our own guidelines.

Caruna's Code of Conduct lays the foundation for our way of work. It defines how we work together, how we treat each other, how we engage in the business of electricity distribution and how we take care of Caruna's assets.

The Code of Conduct applies to Caruna's 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 and for our partners observes a consistent code of conduct.

WE APPLY THE FOLLOWING STANDARDISED SCHEMES:

- 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, Extended Management Team and units regularly monitor our business and attainment of goals and report on them 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 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 reward system. Our reward system 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, operative and financial risks facing the Group. 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, among others, regulatory risk, that is, harmful and negative impacts on the regulatory environment, changes in the operating environment, and the availability of financing and competent resources.

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 has traditionally been highly stable, but public and political criticism of the regulation model has increased significantly over the last year, leading to an elevated regulatory risk. The reformed Electricity Market Act, which was prepared in 2020, enables the Energy Authority to make changes to the regulation model which may affect the four-year regulatory period that began in 2020, and it can be assumed that the Energy Authority will exercise this right.

Challenges in the operating environment

The strategy will be evaluated annually and amended if necessary. In line with the strategy, the focus of implementation will be on the customer-driven and efficient core business, good corporate citizenship, growth and new services. We have made preparations to adapt to the evolving operating environment by investing in enhancing the expertise of our personnel.

Availability of financing

Caruna is improving its electricity network to guarantee reliable distribution. Network investments require financing, and thus the availability of financing for strategy implementation constitutes a risk factor. To ensure financing, we strive to communicate transparently and reliably with financial providers, to continuously monitor our refinancing needs and to maintain our credit rating.

Availability of competent resources

The management of HR risks and the identification of key competence areas is dependent on good management and supervision, based on the Group strategy and goals. It requires appropriate processes and tools, good cooperation between the various parties and evaluation that allows us to continuously improve operations.

OPERATIONAL RISKS

The most significant risks to operations are related to abnormal weather conditions, supplier risk and safety. For example, abnormal weather conditions may affect the reliability of the supply and distribution network. The key means of preventing interruptions are to replace overhead lines with underground cables, manage the forests near overhead lines and develop remote network control.

Unusual weather conditions

The most significant operative risks relate to exceptional weather conditions, such as storms, heavy snowfall and exceptionally severe frosts, which can affect the security of supply in the distribution network. The key method of preventing interruptions is to replace overhead lines with underground cables, manage forests near overhead lines and develop remote network control. We ensure the continuity of our operations by actively identifying and managing risks.

We are also developing network structures so that, in case of a disturbance, the damaged part can be isolated from the rest of the network and the number of customers affected minimised. Careful prior planning enables adequate preparation, which is essential in case of a disturbance. The effects of risks related to exceptional weather conditions will decrease as the security of supply of the electricity network improves. On the other hand, climate change increases the likelihood of storms and other extreme weather events.

Supplier risk

Our service providers may, due to liquidation or other reasons, become unable to deliver commissioned network projects and services. Our procurement model will ensure Caruna a cost-effective and sound position for competition in each of its network areas.

A systematic management model for contractors and services allows us to become aware of any contractor-specific problems promptly, making it possible to step in and take necessary corrective actions without delay.

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 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 assessed 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 occupational 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 or requires specific expertise.

FINANCIAL RISKS

Financial risks such as the price risk associated with lost electricity, interest rate, credit, currency, solvency and refinancing risks are presented in Note 18 of the Financial Statements (Management of financial risks).

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