

Corporate Governance Statement

Fortum Corporation (FUM1V) has been listed on Nasdaq Helsinki since 18 December 1998. Fortum's industrial sector, according to the Global Industry Classification Standard, is Electric Utilities. The State of Finland is the majority owner in Fortum with 50.76% of the shares as at 31 December 2015.

Corporate governance at Fortum is based on Finnish laws and the company's Articles of Association. Fortum complies fully with and has prepared this corporate governance statement in accordance with the Finnish Corporate Governance Code 2010. The Finnish Securities Market Association accepted on 1 October 2015 the new Finnish Corporate Governance Code 2015, which entered into force on 1 January 2016. This statement applies the requirements of the new Code regarding the structure of the statement; it also includes a description of the insider administration and information on share ownership of the board members and management. The corporate governance statement for the financial period 1 January 2016 – 31 December 2016 will be prepared in accordance with the new Code 2015. The corporate governance statement is issued separately from the operating and financial review, and it has been reviewed by the Audit and Risk Committee of Fortum's Board of Directors.

Fortum prepares consolidated financial statements and interim reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, the Finnish Securities Markets Act as well as the appropriate Financial Supervision Authority's regulations and guidelines and Nasdaq Helsinki's rules. The company's operating and financial review and the parent company financial statements are prepared in accordance with the Finnish Companies Act, Accounting Act, Securities Markets Act, and the opinions and guidelines of the Finnish Accounting Board.

The auditor's report covers the operating and financial review, consolidated financial statements and the parent company financial statements. The Finnish Corporate Governance Code 2010 and the new Corporate Governance Code 2015 are available on the website of the Securities Market Association: www.cgfinland.fi.

DESCRIPTION OF GOVERNANCE

Governing bodies of Fortum

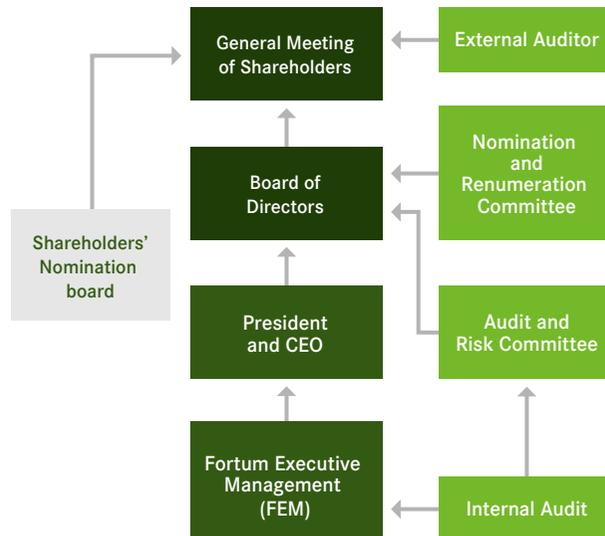
The decision-making bodies managing and overseeing the Group's administration and operations are the General Meeting of Shareholders, the Board of Directors with its two Committees, the Audit and Risk Committee and the Nomination and Remuneration Committee, and the President and CEO, supported by the Fortum Executive Management.

Fortum also has an informal Advisory Council consisting of representatives of Fortum's stakeholder groups as invited by the Board of Directors. The Advisory Council aims to advance

Fortum's businesses by facilitating a dialogue and exchange of views between Fortum and its stakeholders. During 2015, the Advisory Council consisted of 14 representatives of Fortum's stakeholder groups and three employee representatives.

As sustainability is an integral part of Fortum's strategy, the highest decision making of these issues falls on the duties of the Board of Directors, who share joint responsibility on sustainability matters. Therefore Fortum has not established a specific Sustainability Committee for decision making on economic, environmental and social issues. The Audit and Risk Committee, members of the Fortum Executive Management, and other senior executives support the Board of Directors in the decision-making in these matters, when necessary.

Governing bodies of Fortum



General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision making body of Fortum. Every shareholder has the right to attend the General Meeting, propose items for the agenda of the General Meeting and exercise his/her power of decision in matters belonging to the General Meeting by law. Each share is entitled to one vote. A shareholder who is present at the General Meeting of Shareholders also has the right to request information on matters to be considered at the meeting. Before the end of each financial year Fortum states on its website the date by which a shareholder must declare his/her proposals to the General Meeting.

Decisions at the General Meeting of Shareholders are primarily made by a simple majority of votes. Such decisions include, for example, resolutions on the adoption of the financial statements, payment of dividends, discharging the members of the Board of Directors and the President and CEO from liability, appointment of the Board of Directors and the external auditors, and deciding on their remuneration.

In accordance with the Articles of Association and Companies Act, a notice to convene the General Meeting of Shareholders is issued by the Board of Directors. The notice is delivered no more than three months and no less than three weeks before the General Meeting of Shareholders by publishing the notice on the company's website or in two newspapers chosen by

the Board of Directors. The Annual General Meeting of Shareholders is to be held once a year, in June at the latest.

An Extraordinary General Meeting of Shareholders shall be held whenever the Board of Directors finds it necessary or when it is required by law to convene such a meeting.

In 2015

In 2015, Fortum's Annual General Meeting was held on 31 March at Finlandia Hall in Helsinki. No Extraordinary General Meeting of Shareholders was held in 2015.

MAIN DUTIES OF ANNUAL GENERAL MEETING OF SHAREHOLDERS INCLUDE:

- Adoption of the parent company financial statements and consolidated financial statements
- Resolution on the use of the profit shown on the balance sheet and the payment of dividends
- Resolutions on the discharge from liability of the members of the Board of Directors and the CEO
- Resolution on the remuneration of the members of the Board of Directors
- Resolution on the number of members of the Board of Directors
- Election of the chairman, deputy chairman and members of the Board of Directors
- Resolution on the remuneration of the external auditor
- Election of the external auditor

Shareholders' Nomination Board

The Annual General Meeting on 9 April 2013 established a permanent Shareholders' Nomination Board. The purpose and task of the Shareholders' Nomination Board is to prepare and present to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration, size and members of the Board of Directors. In addition, the Shareholders' Nomination Board seeks candidates for potential board members.

The Shareholders' Nomination Board consists of four members, three of which are appointed by the company's three largest shareholders, who shall appoint one member each. The Chairman of the Board of Directors serves as the fourth member. The members are nominated annually and their term of office ends when new members are nominated to replace them. Fortum's three largest shareholders that are entitled to appoint members to the Shareholders' Nomination Board are determined on the basis of the registered holdings as of the first working day in September in the year concerned. In the event that a shareholder does not wish to exercise their right to appoint a representative, it shall pass to the next-largest shareholder who would not otherwise be entitled to appoint a member to the Nomination Board. The Shareholders' Nomination Board forwards its proposals for the Annual General Meeting to the Board of Directors by 31 January each year.

Shareholders' Nomination Board ahead of Annual General Meeting 2016

In September 2015, the following members were invited to the Shareholders' Nomination Board: the Government Ownership Steering Department of the Prime Minister's Office, the Social Insurance Institution of Finland (KELA) and Varma Mutual Pension Insurance Company. The following persons were appointed to the Shareholders' Nomination Board: Eero Heliövaara, b. 1956, MSc (Econ.) and MSc (Eng.), Director General of the Government Ownership Steering Department, Prime Minister's Office; Liisa Hyssälä, b. 1948, MSSc, DDS, Director General, Social Insurance Institution of Finland (KELA); Reima Rytsölä, b. 1969, MSSc, Executive Vice President, Investments, Varma Mutual Pension Insurance Company. The Chairman of the Board of Directors, Sari Baldauf, acts as a member of the Shareholders' Nomination Board. The Nomination Board convened 4 times and the attendance percentage at the meetings was 100%.

The Shareholders' Nomination Board will propose to the Annual General Meeting 2016, which will be held on 5 April 2016, that the fees to be paid to the members of the Board of Directors are for a term ending at the end of the Annual General Meeting 2017 as follows: for the chairman, EUR 75,000 per year; for the deputy chairman, EUR 57,000 per year; and for each member, EUR 40,000 per year, as well as for the chairman of the Audit and Risk Committee EUR 57,000 per year if he/she is not at the same time acting as chairman or deputy chairman of the Board of Directors. In addition, for each Board of Directors and

Board Committee meeting a fee of EUR 600 is proposed. For Board of Directors members living outside Finland in Europe, the proposed fee for each meeting will be doubled, and for Board of Directors members living outside Europe, the proposed fee for each meeting will be tripled. For Board of Directors members living in Finland, the proposed fee for each Board of Directors and Board Committee meeting will be doubled for meetings held outside Finland and tripled for meetings held outside Europe. For Board of Directors and Committee meetings held as a telephone conference, the proposed fee will be paid as single to all members. No fee will be paid for decisions made without a separate meeting.

In addition, the Shareholders' Nomination Board has decided to propose to the Annual General Meeting 2016 that the Board of Directors comprise eight members and that the following person be elected to the Board of Directors for the upcoming term: Ms. Sari Baldauf (as Chairman), Mr. Kim Ignatius (as Deputy Chairman), Ms. Mino Akhtarzand, Mr. Heinz-Werner Binzel, Ms. Eva Hamilton, Mr. Tapio Kuula and Mr. Jyrki Talvitie as well as new member Mr. Veli-Matti Reinikkala.

Shareholders' Nomination Board ahead of Annual General Meeting 2015

In September 2014, the following persons were appointed to the Shareholders' Nomination Board: Eero Heliövaara, Director General of the Government Ownership Steering Department, Prime Minister's Office, and Liisa Hyssälä, Director General, Social Insurance Institution of Finland (KELA). In addition, the Chairman of the Board of Directors, Sari Baldauf, was a member of the Shareholders' Nomination Board. Of the three largest shareholders, The State Pension Fund informed Fortum that they would not use their right to nominate.

The Shareholders' Nomination Board convened four times and the attendance percentage at the meetings was 100%. The Shareholders' Nomination Board presented its proposal covering the members of the Board of Directors and the remuneration be paid to them, on 22 January 2015. The Shareholders' Nomination Board proposed to increase the fees paid to the members of the Board of Directors. The Finnish State, Fortum's biggest shareholder, opposed the Shareholders' Nomination Board proposal and submitted its own proposal for the Annual General Meeting. The General Meeting confirmed the remuneration for Board services in accordance with the proposal by the Finnish State.

Board of Directors

The Board of Directors is responsible for the company's strategic development and for supervising and steering the company's business and management. Further, under the Articles of Association and in line with the Companies Act, the Board of Directors represents the company and is responsible for the proper arrangement of the control of the company's accounts and finances. The Board of Directors is also responsible for defining the company's mission and values.

The Board of Directors comprises five to eight members who are elected at the Annual General Meeting for a one-year term of office expiring at the end of the first Annual General Meeting following the election. The Annual General Meeting also elects the Chairman and the Deputy Chairman of the Board of Directors.

The Board of Directors convenes according to a previously agreed schedule to discuss specified themes and issues on its charter. The Chairman of the Board of Directors prepares the agenda for the Board of Directors meeting based on the proposal by the President and CEO. The members of the Board of Directors have the right to suggest specific matters and have them included on the agenda. More than half of the members must be present at the meeting to constitute a quorum. Decisions of the Board of Directors shall be made by a simple majority. The Board of Directors has approved a written charter for its work, the main content of which is disclosed herein, including the duties of the Board of Directors.

The President and CEO, the Chief Financial Officer, and the General Counsel, as secretary to the Board of Directors, attend the Board meetings on a regular basis. Other Fortum Executive Management members and senior executives attend as required.

As part of its duties, the Board of Directors conducts an annual self-assessment in order to further develop its work. In accordance with the Finnish Corporate Governance Code, the Board of Directors also annually evaluates which of the directors are independent of the company and which are independent of its significant shareholders.

The Board of Directors does not have powers to issue or buy back shares without authorisation from the General Meeting of Shareholders. Currently, there is no such authorisation for the Board of Directors.

In 2015

Until the Annual General Meeting held on 31 March 2015, the Board of Directors comprised the following eight members: Chairman Sari Baldauf, Deputy Chairman Kim Ignatius, Minoo Akhtarzand, Heinz-Werner Binzel, Ilona Ervasti-Vaintola, Christian Ramm-Schmidt, Petteri Taalas and Jyrki Talvitie.

The Annual General Meeting on 31 March 2015 re-elected Chairman Sari Baldauf, Deputy Chairman Kim Ignatius, Minoo Akhtarzand, Heinz-Werner Binzel, Petteri Taalas, and Jyrki Talvitie, and, in addition, Eva Hamilton and Tapio Kuula, were elected as new members to the Board of Directors until the end of the Annual General Meeting in 2016.

In 2015, the Chairman, the Deputy Chairman and the members of the Board of Directors were, with the exception of Tapio Kuula (Mr. Kuula acted as President and CEO of Fortum until 31 January 2015), independent of the company and all were independent of the company's significant shareholders. Three members, including the Chairman, are female and five members are male.

In 2015, the Board of Directors met 15 times, and the attendance rate of its members was 99%.

In 2015, the Board of Directors focused especially on the nomination of the new President and CEO, and the development of the company's strategy after the divestment of the electricity distribution business. Other focus areas included the market outlook and market development, as well as Fortum's competitiveness and growth options in the energy market transition. Based on the self-assessment conducted during the previous year, the Board of Directors set certain focus areas and amended certain processes in an effort to further enhance the efficiency of the board work.

MAIN DUTIES OF THE BOARD OF DIRECTORS INCLUDE:

- Ensuring that the administration and operations of the company are properly organised
- Ensuring that the accounting, financial administration and the risk management are arranged appropriately
- Confirming the Group's business plan on an annual basis
- Reviewing the interim reports and approving the consolidated financial statements, the parent company financial statements, and the operating and financial review
- Defining the dividend policy
- Strategic development and steering of the company's business and divisions
- Appointing and dismissing the President and CEO; deciding on his/her remuneration
- Confirming the Group's organisational structure at the top management level, and appointing and dismissing the members of the Fortum Executive Management
- Setting and following up the annual performance targets for the company and its management
- Deciding on major investments, divestments and business arrangements
- Confirming the Group's Code of Conduct, operating principles and Group policies, including the sustainability policy, and overseeing their implementation
- Convening the Annual General Meeting and the Extraordinary General Meeting, when necessary
- Appointing the Chairman and Deputy Chairman as well as members of the Fortum Corporation Advisory Council
- Deciding on donations to charities

Fortum's Board of Directors on 31 December 2015

	Born	Nationality	Education	Occupation	Member since	Attendance at Board Meetings	Attendance at Board Committee Meetings	Share ownership
Ms. Sari Baldauf, Chairman	1955	Finnish	MSc (Econ.)	Non-executive chairman	2009	15/15	Nomination and Remuneration Committee, 4/4	2,300 shares
Mr. Kim Ignatius, Deputy Chairman	1956	Finnish	BSc (Econ.)	CFO of Sanoma Corporation Non-executive director	2012	15/15	Audit and Risk Committee, 5/5	2,400 shares
Ms. Mino Akhtarzand	1956	Swedish	MSc (Electrical Engineering)	Governor in the County of Jönköping Non-executive director	2011	15/15	Audit and Risk Committee, 5/5 Nomination and Remuneration Committee, 1/1	0 shares
Mr. Heinz-Werner Binzel	1954	German	Economics and electrical engineering degree	Independent consultant Non-executive director	2011	15/15	Audit and Risk Committee, 5/5	0 shares
Mr. Petteri Taalas	1961	Finnish	PhD in Meteorology	Director General of the Finnish Meteorological Institute Non-executive director	2014	15/15	Nomination and Remuneration Committee, 3/3	0 shares
Mr. Jyrki Talvitie	1966	Finnish	Executive MBA, Master of Law	Russian Direct Investment Fund, Director Non-executive director	2014	14/15	Audit and Risk Committee, 5/5	0 shares

Member of Fortum's Board of Directors as from 31 March 2015

Ms. Eva Hamilton	1954	Swedish	B.A. Journalism	Non-executive director	2015	11/11	Nomination and Remuneration Committee, 3/3	40 shares
Mr. Tapio Kuula	1957	Finnish	MSc (Eng.) MSc (Econ.)	Non-executive director, not independent of the company	2015	11/11	Nomination and Remuneration Committee, 3/3	201,200 shares

Member of Fortum's Board of Directors until 31 March 2015

Ms. Ilona Ervasti-Vaintola	1951	Finnish	LL.M, Trained on the bench	Non-executive director	-	4/4	Nomination and Remuneration Committee, 1/1	-
Mr. Christian Ramm-Schmidt	1946	Finnish	BSc (Econ.)	Senior Partner of Merasco Capital Ltd. Non-executive director	-	4/4	Nomination and Remuneration Committee, 1/1	-

Board Committees

The committees of the Board of Directors are the Audit and Risk Committee and the Nomination and Remuneration Committee. The committees assist the Board of Directors by preparing and reviewing in more detail matters falling within the duties of the Board of Directors.

The Board of Directors appoints members of the Audit and Risk Committee and the Nomination and Remuneration Committee from amongst its members. Each committee shall have at least three members. The members shall have the expertise and experience required by the duties of the respective committee.

Members are appointed for a one-year term of office expiring at the end of the first Annual General Meeting following the election. All the members of the Board of Directors have the right to attend the committee meetings. The Chairman of the committee reports on the committee's work to the Board of Directors regularly after each meeting, and the committee meeting materials and minutes are available to all members of the Board of Directors. The Board of Directors has approved written charters for the committees; the charters are reviewed regularly and updated as needed.

Audit and Risk Committee

The Audit and Risk Committee assists the Board of Directors in matters relating to financial reporting, risks and control, in accordance with the tasks specified for audit committees in the Finnish Corporate Governance Code. The Audit and Risk Committee oversees the financial reporting process and monitors the efficiency of the internal controls and risk management systems within the Group. In addition, the committee regularly reviews the business ethics compliance

reporting. The committee has a written charter in which its duties have been defined.

Pursuant to the Finnish Corporate Governance Code, the members of the Audit and Risk Committee shall have the qualifications necessary to perform the responsibilities of the committee, and at least one of the members shall have expertise specifically in accounting, bookkeeping or auditing. The members shall be independent of the company, and at least one member shall be independent of the company's significant shareholders.

The external auditors, Chief Financial Officer, Head of Internal Audit, Corporate Controller, and General Counsel, as secretary to the committee, attend the committee meetings on a regular basis. Other senior executives attend the meetings as invited by the committee.

The Audit and Risk Committee approves the internal audit charter and the internal audit plan, and carries out a self-assessment of its work. The committee also reviews the external auditor's audit plan and meets with them regularly to discuss the audit plan, audit reports and findings. In addition, the committee evaluates the independence of the external auditors and monitors their performance.

In 2015

After the Annual General Meeting on 31 March 2015, the Board of Directors elected from amongst its members Kim Ignatius as the Chairman and Mino Akhtarzand, Heinz-Werner Binzel and Jyrki Talvitie as members of the Audit and Risk Committee. Until the Annual General Meeting on 31 March 2015, the committee comprised Kim Ignatius as the Chairman, and Heinz-Werner Binzel and Jyrki Talvitie as members.

In 2015, the members were all independent of the company and of its significant shareholders. The Audit and Risk Committee met 5 times in 2015 and the attendance rate was 100%.

MAIN DUTIES OF THE AUDIT AND RISK COMMITTEE INCLUDE:

- Monitoring the financial position of the company
- Supervising the financial reporting process
- Monitoring the reporting process of financial statements
- Monitoring the statutory audit of the financial statements and consolidated financial statements
- Preparing for the Board of Directors the proposal for resolution on the election of the auditor
- Evaluating the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited
- Monitoring the efficiency of the company's internal control, internal audit, compliance and risk management systems
- Reviewing the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the company's Corporate Governance Statement
- Reviewing annually the Group risk policy and risk exposures
- Reviewing plans and reports and approving operation instructions of the internal audit function
- Monitoring and assessing legal compliance and business ethics compliance

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board of Directors in issues related to nomination and remuneration of the company's management. The committee has a written charter in which its duties have been defined. Pursuant to the Finnish Corporate Governance Code, the majority of the members of a remuneration committee shall be independent of the company. The President and CEO or other executives of the company may not be appointed as members of the committee.

The regular participants at the committee meetings are the President and CEO, Senior Vice President, Corporate Human Resources, and General Counsel, as Secretary to the Committee.

The Nomination and Remuneration Committee conducts annually a self-evaluation of its work.

In 2015

After the Annual General Meeting on 31 March 2015, the Board of Directors elected from amongst its members Sari Baldauf as the Chairman and Eva Hamilton, Tapio Kuula and Petteri Taalas as members of the Nomination and Remuneration Committee. Until the Annual General Meeting on 31 March 2015, the committee comprised Sari Baldauf as the Chairman and Minoo Akhtarzand, Ilona Ervasti-Vaintola, Christian Ramm-Schmidt and Petteri Taalas as members.

In 2015, the members were all independent of the company, with the exception of Tapio Kuula (Mr. Kuula acted as President and CEO of Fortum until 31 January 2015), and of its significant shareholders. The committee met 4 times during 2015 and the attendance rate was 100%.

President and CEO

The President and CEO holds the position of Managing Director under the Companies Act and is the Chairman of the Fortum Executive Management. The President and CEO is in charge of the day-to-day management of the Group, in accordance with the Companies Act and the instructions and orders issued by the Board of Directors. Under the Companies Act, the President and CEO is responsible for ensuring that the accounts of the company

MAIN DUTIES OF THE NOMINATION AND REMUNERATION COMMITTEE INCLUDE:

- Preparing nomination and remuneration issues and proposals to the Board of Directors concerning the President and CEO, the executives reporting directly to the President and CEO as well as the Fortum Executive Management
- Reviewing and preparing succession plans for the President and CEO
- Evaluating the performance and the remuneration of the President and CEO, the executives reporting directly to the President and CEO as well as the Fortum Executive Management
- Preparing for the Board of Directors recommendations on the Group's and its management's pay structures and bonuses and incentive systems
- Monitoring the functioning of the bonus systems to ensure that the management's bonus systems will advance the achievement of the company's strategic objectives and that they are based on performance
- Monitoring, planning and promoting competence development in the Group based on strategic target setting

comply with the applicable laws and that its financial affairs have been arranged in a reliable manner.

In 2015

Mr. Tapio Kuula served as President and CEO from May 2009 to 31 January 2015, when he retired. As of 18 December 2014, Mr. Kuula had been on sick-leave. Mr. Timo Karttinen, CFO of Fortum Corporation, assumed responsibility for the duties of the President and CEO until Mr. Pekka Lundmark, appointed as the new President and CEO on 2 April 2015, started as the President and CEO of Fortum Corporation on 7 September 2015.

Fortum Executive Management

The President and CEO is supported by the Fortum Executive Management. The Fortum Executive Management assists the President and CEO in implementing the strategic and sustainability targets within the framework approved by the Board of Directors, preparing the Group's business plans, and deciding on investments, mergers, acquisitions and divestments within its authorisation.

Financial and sustainability results are monitored in the monthly reporting and reviewed monthly by the Fortum Executive Management. Quarterly Performance Review meetings with the management are embedded in the Fortum Performance Management process.

Each member of the Fortum Executive Management is responsible for the day-to-day operations and the implementation of operational decisions in their respective organisations. The Fortum Executive Management meets on a monthly basis.

In 2015

On 31 December 2015, the Fortum Executive Management consisted of twelve members (9 men and 3 women), including the President and CEO. Fortum's divisions and responsibility areas are:

- The Hydro Power and Technology Division and the Nuclear and Thermal Power Division are both part of Power and Technology reporting segment. The two divisions are responsible for Fortum's hydro, nuclear and thermal power generation, expert services, portfolio management and trading as well as technology and R&D functions.
- The Heat, Electricity Sales and Solutions Division consists of Fortum's combined heat and power (CHP) production, district heating and business-to-business heating solutions, solar business, electricity sales and related customer offering as well as Corporate Sustainability.
- The Russia Division consists of power and heat generation as well as heat distribution in Russia.

Fortum Executive Management on 31 December 2015

	Position and responsibility area	Born	Education	Member since	Share ownership (31 Dec 2015)
Pekka Lundmark ¹	President and CEO, Chairman of the Fortum Executive Management	1963	MSc (Eng.)	7 September 2015	56,250
Helena Aatinen	Senior Vice President, Corporate Communications	1959	MSc (Econ.)	2012	3,880
Alexander Chuvaev	Executive Vice President, Russia Division, Head of Russia Division	1960	MSc (Eng.)	2009	14,713
Mikael Frisk	Senior Vice President, Corporate Human Resources	1961	MSc (Econ.)	2001	43,017
Esa Hyvärinen	Senior Vice President, Corporate Relations	1967	MSc (Econ.) and MSc (Agr. & For.)	2014	17,540
Timo Karttinen	Chief Financial Officer	1965	MSc (Eng.)	2004	80,691
Kari Kautinen	Senior Vice President, Strategy, Mergers and Acquisitions	1964	LL.M	2014	25,232
Per Langer	Executive Vice President, Hydropower and Technology Division Head of Hydro Power and Technology Division, reports to COO Matti Ruotsala	1969	MSc (Econ.)	2009	34,535
Markus Rauramo	Executive Vice President, Heat, Electricity Sales and Solutions Division Head of Heat, Electricity Sales and Solutions Division, reports to COO Matti Ruotsala	1968	MSc (Econ. and Pol. Hist.)	2012	20,464
Matti Ruotsala	Chief Operating Officer, Deputy to the President and CEO	1956	MSc (Eng.)	2007	39,066
Sirpa-Helena Sormunen	General Counsel	1959	LL.M	2014	3,000
Tiina Tuomela	Executive Vice President, Nuclear and Thermal Power Division Head of Nuclear and Thermal Power Division, reports to COO Matti Ruotsala	1966	MSc (Eng.), MBA	2014	9,090

1) New member since 7 September 2015

THE MAIN FEATURES OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS

Internal controls in relation to financial reporting

The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and aim to ensure compliance with applicable laws and regulations.

Risk control processes for financial reporting

Fortum's Board of Directors approves the Group Risk Policy that sets the Group's objective, principles and division of responsibilities for risk management activities. Fortum's internal control framework includes the main elements from the framework introduced by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The controls for processes including financial reporting controls have been defined risk-based.

Financial reporting framework in Fortum



Fortum's Control Governance



Control environment

The standards, processes and structures in internal control are set through Group policies, Group instructions and the Fortum internal control framework. Fortum's internal control framework supports and ensures regulatory compliance and reliability of the financial reporting. In the internal control framework, the key controls and minimum requirements for the controls in key processes are defined. Corporate Accounting and Control is responsible for the overall control structure of the financial performance management process. The control process is based on Group instructions and guidelines relating to financial reporting. Fortum Controllers' manual contains financial reporting instructions. This manual is regularly reviewed and updated.

Fortum's organisation is decentralised, and a substantial degree of authority and responsibility is delegated to the divisions

in the form of control responsibilities. Fortum's control governance follows the so-called "Three lines of defense" as illustrated in the graphic.

Risk assessment

Risks that might, if realised, have financial impact or lead to non-compliance are annually identified and analysed as part of the risk management process. Risks are reported in connection with the planning process, and the follow-up of actions and improvements are integrated in operational management. The control risk assessment has been the basis for creating the process-level internal control framework, and the same applies to the control points to prevent errors in the financial reporting.

Control activities

Control activities are applied in the business processes and, from a financial reporting perspective, they ensure that errors or deviations are prevented or discovered and corrected.

The Corporate Accounting and Control unit determines the control requirements and the design of the control points and the internal controls covering the financial reporting process. Divisions define their detailed control descriptions. Responsibilities are assigned for the controls and also for ensuring the coverage of the controls according to the defined scope.

Fortum's processes include controls regarding the initiation, approval, accounting and reporting of financial transactions. Fortum's financial shared service centres perform controls for the recognition, measurement and disclosure of financial information.

All divisions have their own finance function ensuring that relevant analyses of the business performance are done, such as analyses on volumes, revenues, costs, working capital, asset values, risks and investments.

Information and communication

The Controllers' manual includes the Fortum Accounting manual, Investment manual and reporting instructions, and other instructions relating to financial reporting. Regular core controllers' meetings, headed by the Corporate Controller, steer the group wide development projects within the Finance function. The regular Accounting Network Forum meetings are used to inform the finance community about upcoming changes in IFRS, new accounting policies and other changes in reporting.

Monitoring and follow-up

Financial results are followed up in the monthly reporting and reviewed monthly by the Fortum Executive Management. The quarterly Performance Review meetings with the Group management are embedded in the Fortum Performance Management process.

As part of the Fortum internal control framework, all divisions make yearly self-assessments of the controls they are responsible for. Division and corporate-level controller teams are responsible

for assessing the financial reporting process controls. The Corporate Risk Management function regularly consolidates these control self-assessments and reports to the management and to the Audit and Risk Committee. Internal control design and operating effectiveness are also assessed by Corporate Internal Audit. Audit results, including corrective actions and status, are regularly reported to the management and to the Audit and Risk Committee.

Auditing

Internal Audit

Fortum’s Corporate Internal Audit is responsible for assessing and assuring the adequacy and effectiveness of internal controls in the company. Furthermore, it evaluates the effectiveness and adequacy of the business processes and risk management as well as compliance with laws, regulations and internal instructions and guidelines. The Standards for the Professional Practice of Internal Audit form the basis for the work of Internal Audit.

External Audit

The company has one external auditor, which shall be an audit firm certified by the Central Chamber of Commerce. The external auditor is elected by the Annual General Meeting for a term of

office that expires at the end of the first Annual General Meeting following the election.

Fortum’s Annual General Meeting on 31 March 2015 elected Authorised Public Accountant Deloitte & Touche Oy as the company’s external auditor, with Authorised Public Accountant Jukka Vattulainen having the principal responsibility. Jukka Vattulainen has had the principal responsibility since 2010.

The Annual General Meeting decided on 31 March 2015 that the auditor’s fee be paid pursuant to invoice approved by the company. The fee paid to the auditor for services rendered and invoiced in 2015 totalled c. EUR 1,330,000. In addition, the audit firm was paid a total of c. EUR 318,000 in fees for non-audit services rendered and invoiced.

Compliance Management and Code of Conduct

Fortum’s Code of Conduct is based on the shared corporate values of accountability, creativity, respect and honesty, which form the ethical basis for all work at Fortum. Fortum’s updated Code of Conduct was implemented in the fall of 2015 (originally launched in 2007) and published in ten languages. The Code of Conduct has been approved by the Board of Directors.

Prevention of corruption is one of the Code of Conduct’s focus areas. Compliance risks, such as corruption, are managed

as part of Fortum’s operational risk management framework and control procedures in all Fortum’s operating countries. Fortum has procedures for prevention, oversight, reporting and enforcement based on the requirements prescribed in international legislation. Corporate Risk Management together with other functions, such as Corporate Tax and Sustainability, have developed a country and partner risk evaluation process to support the understanding and management of compliance needs at the local and business partner level.

Fortum employees are responsible for reporting any suspected misconduct to their own supervisors, to other management members or, if necessary, directly to Internal Audit. Additionally, Fortum employees and partners can report suspicions of misconduct confidentially to the Fortum Head of Internal Audit via the “raise-a-concern channel” on Fortum’s web pages. The report can be submitted in several languages and anonymously if necessary. In Russia, Fortum even has a separate compliance organisation with compliance officers in place.

The Code of Conduct and compliance topics and instructions are communicated through internal and external communication channels. Alignment is enforced by top management with their full commitment. Read more at www.fortum.com/sustainability

Fortum performance management process



INSIDER ADMINISTRATION

Fortum observes the Guidelines for Insiders issued by Nasdaq Helsinki. Fortum's own internal insider rules are regularly updated and made available to all permanent insiders as well as to all employees of Fortum. The company arranges training on insider rules. Fortum maintains a public insider register of persons obliged to declare insider holdings, as required under the Securities Market Act, and a non-public, company-specific insider register of such parties who have regular access to inside information.

Public insider register

Permanent insiders registered in the public insider register are members of the Board of Directors, the President and CEO, the external auditor as well as members of the Fortum Executive Management.

The shareholdings of Fortum's insiders registered in the public insider register are available on the company's web site. The register is maintained by Euroclear Finland Ltd.

Company-specific insider register

Permanent insiders registered in Fortum's company-specific register are persons who, by virtue of their position or duties, have regular access to inside information on the company. The company-specific register also contains information on such persons who obtain inside information by, for example, working for the company under a separate consulting contract.

Trading of Fortum shares or securities

All permanent insiders are instructed to time the trading of shares and related securities issued by the company so that the trading does not undermine confidence in the securities markets. Permanent insiders may not trade in shares and related securities issued by Fortum within 30 days prior to the publication of interim reports and financial statements. When the publication of the interim report or the financial statements takes place more than 30 days after the end of the financial period, the closed window for trading begins at the end of the financial period.

Internal supervision of insider affairs

Fortum regularly monitors the trading of permanent insiders based on the information held in the register of the Euroclear Finland Ltd. The company may, on a case-by-case basis, supervise the trading of shares and related securities of its permanent insiders. The coordination and control of insider affairs are included in the responsibilities of Fortum's General Counsel. The executive of each function or unit monitors the insider affairs in his/her own organisation.