Green Finance Framework

2024

fortum

Contents

This is Fortum

Fortum is a Nordic energy company and one of the cleanest energy producers in Europe. For our ~5,000 employees, we commit to being a safe and inspiring workplace.

Our purpose is to power a world where people, businesses and nature thrive together. We generate and deliver clean energy reliably and help industries to decarbonise. All our actions are guided by our ambitious environmental targets. Our core operations in the Nordics comprise efficient, CO_2-free power generation based on hydro and nuclear power, as well as the reliable supply of electricity and district heat to private and business customers. Fortum's shares are listed on Nasdaq Helsinki, and our headquarters is located in Espoo, Finland.

Our services and solutions

- Electricity generation and heat production
- Electricity retail sales, district heating & cooling and services for smart living
- Power trading services for energy-intensive industry
- Products and services for nuclear and thermal power plants
- Recycling and waste solutions for improvement of material efficiency to B2B customers

Production volumes in 2022

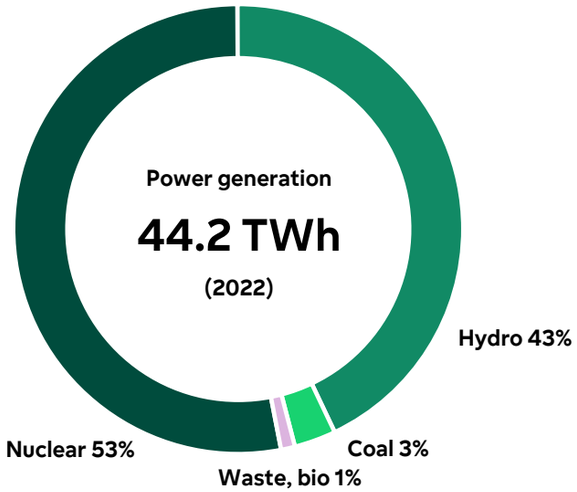
• Power generation	44.2 TWh
• Heat production	5.3 TWh
• CO_2-free electricity generation in Europe	97%

Power generation capacity*

Hydro	4,653 MW
Nuclear	3,228 MW
CHP	535 MW
Other thermal	565 MW
Total generation capacity	**8,981 MW**

Clean power generation

Fortum's asset base is consisting mainly of CO_2 free generation from flexible hydro power and baseload from nuclear power.



* Capacity figures 30 June 2023

Power to Renew

Fortum has a unique position with its ability to reliably deliver clean energy at scale. With its clean energy, Fortum helps its customers to decarbonise their processes and societies to reach carbon neutrality in balance with nature.

Fortum's strategy is designed to deliver on the company's purpose – "To power a world where people, businesses and nature thrive together". This crystallises our value proposition to our stakeholders.

Fortum's strategy is based on three strategic priorities:
- Deliver reliable clean energy
- Drive decarbonisation in industries
- Transform and develop

Our three strategic business priorities indicate where we will focus our efforts.

Our first priority is to deliver reliable clean energy, when needed and at scale, to our customers and the Nordic energy system. This means we will continue to develop our best-in-class operations for efficiency, flexibility and optimisation. We will also continue to decarbonise and modernise those operations that still create emissions, backed by our ambitious environmental commitments.

Secondly, we drive decarbonisation and growth in Nordic industries. We achieve this by partnering with strategic customers, developing and building new clean power and driving the development of the clean hydrogen economy. We make selective profitable growth investments and explore opportunities in clean hydrogen and new nuclear.

Our third strategic priority describes how we are going to develop and transform to succeed. We restructure our organisation to fit our purpose, and transform Fortum to a customer-oriented company. We improve our competitiveness and business risk profile and strengthen our open leadership.

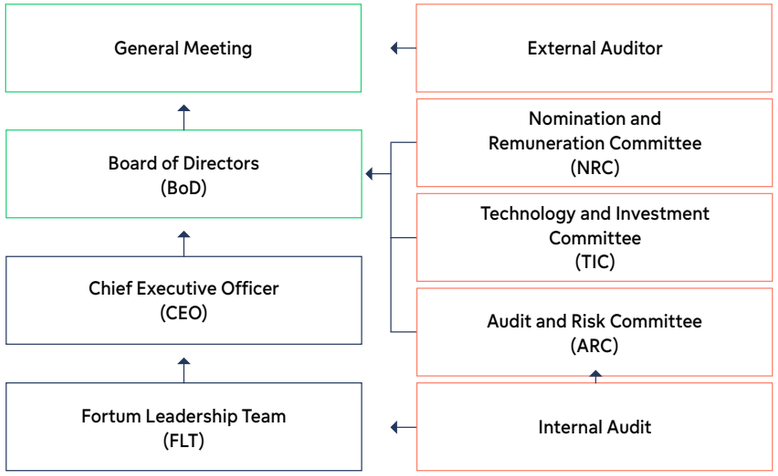
Sustainability governance and priorities at Fortum

Sustainability Governance

Sustainability is an integral part of Fortum's strategy and priorities. The highest decision-making authority on sustainability and climate-related matters is with the members of the Fortum Board of Directors, who share joint responsibility for these matters. The Board of Directors annually approves Group performance targets, including sustainability and climate-related targets. It also monitors the Group's sustainability performance and reporting. The Audit and Risk (ARC) and the Technology and Investment (TIC) Committees, members of Fortum Leadership Team (FLT) and other senior executives support the Board of Directors in the decision making in these matters, when necessary.

The Executive Vice President, Sustainability and Corporate Relations, has the overall responsibility for sustainability, which also includes Fortum's climate-related issues, and is a member of FLT and has executive-level responsibility for Fortum's Task Force on Climate-related Financial Disclosures (TCFD) reporting.

The Corporate Sustainability function is responsible for coordinating and developing sustainability at the Group level. This includes the Sustainability Policy and related Group-level instructions. It is also responsible for monitoring the policy implementation and for reporting performance to the FLT and to the Board of Directors. Business units define their sustainability targets which support the achievement of Group-level targets, develop action plans, and ensure inclusion of these in their respective business goals. Fortum has a specific process in place for the assessment of the key climate-related risks. The process utilises the expertise of selected Group functions, including Sustainability, Strategy, Risk Management, Market Intelligence, Public Affairs and Investor Relations. Fortum also follows the requirements set in the EU Taxonomy regulation assessing the key physical climate risks together with taxonomy-relevant businesses on an asset level. Fortum's key climate-related risks are reported to FLT and ARC as part of the annual review of material risks and uncertainties for Fortum. Responsibility for providing a consolidated view of Fortum's production portfolio, its long-term development, and its alignment with the Group strategy and climate-related targets falls under the Strategy function.



Fortum governing bodies. Main duties of the Board of Directors and the Board's Committees are disclosed at **www.fortum.com**

Sustainability priorities

Sustainability priorities have been defined to support a sustainable business long term. In our operations, we take into consideration environmental, social and governance related topics.

Fortum highlights the importance of decarbonisation and climate change mitigation, while at the same time the necessity to secure reliable and affordable energy for all. Fortum also gives balanced consideration in its operations to the promotion of energy efficiency and a circular economy, as well as its impacts on personnel and societies. Fortum's sustainability priority areas can be found on our website.

We support the UN Sustainable Development Goals

The Sustainable Development Goals (SDGs) adopted by the United Nations in 2015 are global goals to solve economic, social, and environmental challenges by 2030. The 17 goals have been set based on science and research, and they address global-level social problems. Through the goals, the UN is calling for and inviting companies to take action to solve the challenges through innovations and collaboration.

We at Fortum want to do our part to promote the achievement of these goals in our own value chain. We take responsibility for and aim to prevent our adverse impacts related to the goals while also seeing business opportunities in them. The ten Sustainable Development Goals that are key for Fortum are presented in the graphic. Through innovative products and services, we offer solutions for six of the goals. See the graphic on the right, 'Our opportunities'. We are pursuing a carbon-neutral economy not only within the framework of our own operations, but also by offering solutions to our industrial and infrastructure customers.

'Our responsibilities' are presented on the left in the graphic. Goals 5 and 8 are important to us from the social and society perspectives, for our personnel, contractors, local communities and the entire supply chain. Because of our Corporate Social Responsibility (CSR) programme, goal 17 is also central to us. As for goal 15, we recognise the responsibility we have for our impacts on and the dependency related to ecosystems and biodiversity.

Key UN Sustainable Development Goals for Fortum

Climate and resources

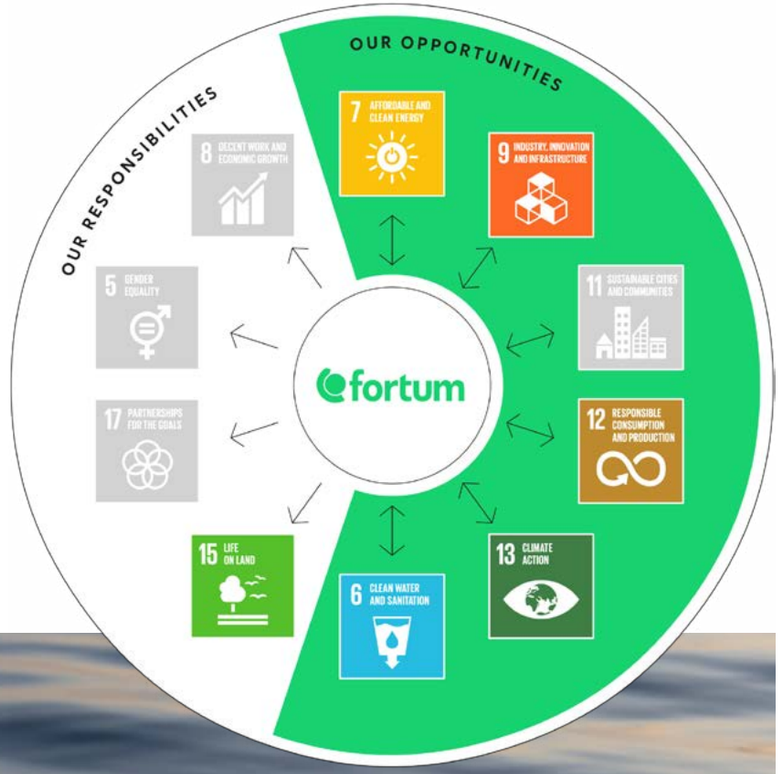
Fortum is committed to ambitious Group-level environmental targets. Calculated in terms of sales, 100% of Fortum's electricity and heat production worldwide were ISO 14001 environmentally certified at the end of 2022.

Climate targets:

- Carbon neutral (all Scopes 1,2 and 3) by 2030
- Specific emissions below 20 gCO_2/kWh for total energy and below 10 gCO_2/kWh for power generation by 2028
- Coal-exit in our own operations by the end of 2027

Biodiversity targets:

- No net loss of biodiversity from existing and new operations in Scopes 1 and 2 from 2030 onwards, excluding all aquatic impacts.
- 50% reduction in dynamic terrestrial impacts in upstream Scope 3 by 2030 compared to 2021.
- Commitment to continue local initiatives and develop science-based methodology with partners to assess the aquatic impacts of hydropower.



Sustainable Development Goal (SDG)	Fortum and SDG
Climate and resources	
13 CLIMATE ACTION	Fortum supports an ambitious, market-driven climate policy. Fortum delivers reliable and clean energy, and helps to decarbonise industries and societies.
7 AFFORDABLE AND CLEAN ENERGY	Fortum offers and develops affordable and reliable energy solutions for customers, improves the energy efficiency of production, and invests in clean energy.
6 CLEAN WATER AND SANITATION	Fortum is commited to reduce the environmental impacts of its own operations on aquatic and terrestrial ecosystems and biodiversity. Fortum prevents customers' hazardous substances from ending up in water and land areas and treats contaminated materials safely.
15 LIFE ON LAND	
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Fortum focuses on a circular economy and resource efficiency. Fortum offers solutions to promote waste material recycling and reuse and promotes efficient incineration as well as safe final disposal of waste.
9 INDUSTRY, INNOVATION AND INFRA-STRUCTURE	Fortum advances innovations related to clean energy and decarbonizing industries. Fortum also invests in start-ups and creates partnerships to gain synergy and scale.

Climate

Greenhouse gas emissions need to be reduced in all sectors, not only in energy, but also in heating, cooling, industry and transport etc. Reduction of greenhouse gas emissions is also critical when reducing impacts on biodiversity. Electrification and sector integration mitigate climate change when electricity, replacing other energy sources, is produced and supplied by low-carbon and renewable energy sources. Transitioning to a low-carbon power system also enables the decarbonisation of other sectors through the coupling of CO_2-free power generation and green hydrogen.

Climate strategy

The Paris Agreement aims at limiting the global warming to well below 2°C and pursuing efforts to limit it to 1.5°C by the end of the century. The IPCC report (March 2023) indicates that the global temperature has increased by 1.1 °C and the 1.5 degree scenario will likely materialise between 2030 and 2035. This highlights the need to accelerate efforts to reduce emissions and increase carbon sinks. In order to stay within the 1.5 degrees limitation, the world's emissions have to be halved by 2030 and reach net zero in the early 2050's.

Fortum has set ambitious climate targets and the company is today one of the cleanest power generators in Europe with specific emissions around 25 gCO_2/kWh (2022). Fortum's coal-based capacity is only 0.7 GW (September 2023) consisting of two power plants in Finland and one in Poland. The company has committed to exit from all coal by the end of 2027, and in Finland (Espoo) already by the end of 2025. In our district heating in Espoo, coal is mainly being replaced by utilising e.g. waste heat from data centres; and the Meri-Pori power plant in Western Finland was in a long-term capacity reserve during 2017-2022 but taken into commercial use in 2023 to support security of supply in the Nordic power market during the winter months. In October 2023 Fortum and Finnish National Emergency Supply Agency agreed to reserve the production of Meri-Pori power plant for severe disruptions and emergency situations to guarantee security of supply in the electricity system in Finland. The agreement period is 1 March 2024 until 31 December 2026. The production reserve will not be used to even out price peaks. In Poland the transition is based on fuel-switch to either waste-derived fuels or biofuels.

Fortum is committed to setting near- and long-term company-wide emission reduction targets in line with the climate science with the Science Based Targets initiative (SBTi).

Deliver reliable clean energy

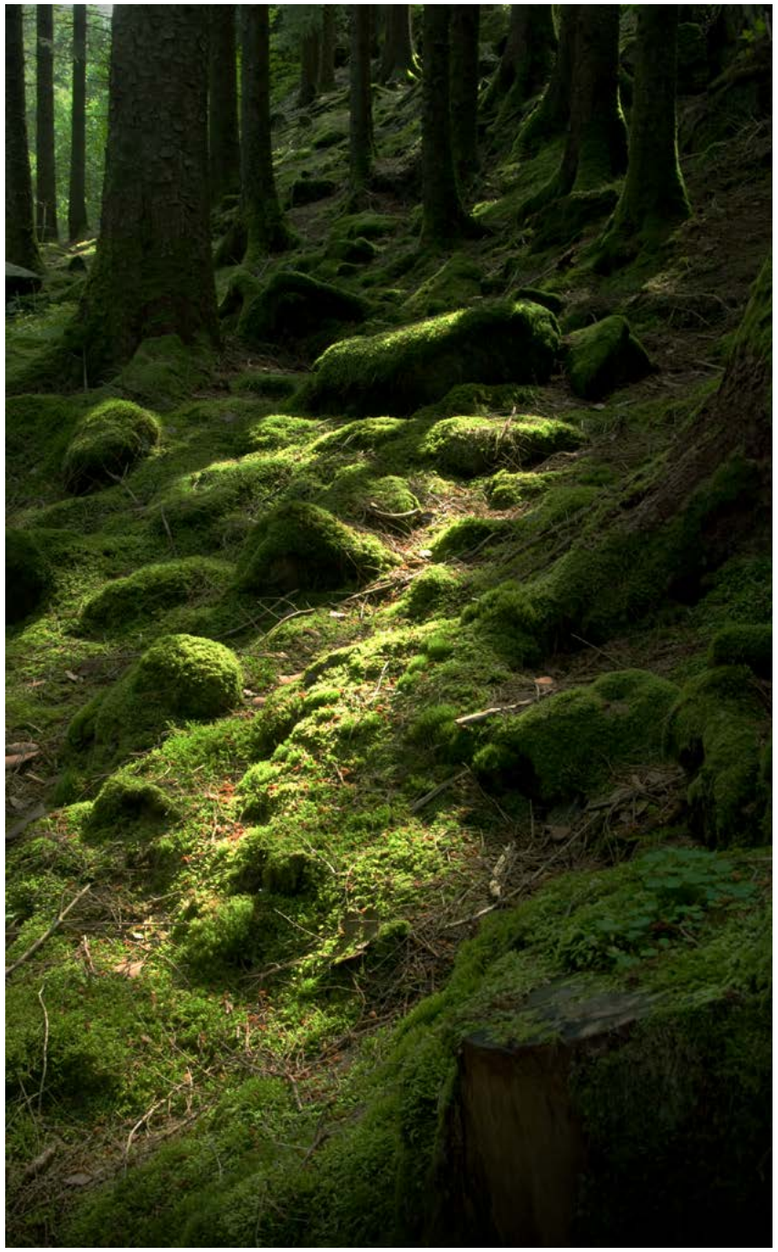
Fortum's biggest strength, and a continuing strategic priority for the company, is its ability to deliver reliable and clean energy at scale to customers and the Nordic energy system. Building on its assets and strong competence to optimise the highly competitive power generation fleet based on nuclear and hydro power, Fortum continues to maintain and develop its best-in-class operations to constantly secure top efficiency and flexibility. Fortum will also continue to decarbonise and modernise its existing operations to ensure optimal value creation and to reach its environmental targets. Partnering with customers to deliver the power volumes they require will also enable Fortum to better manage the impact of the volatile wholesale power prices in the Nordics.

Drive decarbonisation in industries

Fortum drives decarbonisation and growth in Nordic industries to speed up the energy transition. Decarbonisation of heavy industries is a key hurdle to address along the way to carbon neutral and more sustainable societies. Development of clean technologies that replace fossil fuels in production processes is accelerating. With its strong position in clean power in the Nordics, Fortum will work to find solutions for industrial customers to lower their carbon footprint. The aim is to develop and build new clean power generation in partnerships with strategic customers and develop a project pipeline to enable future growth.

Climate reporting

Fortum has a long-standing focus on mitigating climate change and Fortum has adopted the reporting recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) starting from the financial year 2019.



Biodiversity

Addressing biodiversity issues has become one of the key elements in sustainable businesses. Biodiversity is a crucial part of the effort to combat challenges arising from climate change; at the same time, climate actions can have a positive effect on biodiversity. Biodiversity can help to adapt and mitigate climate change, as healthy ecosystems are more resilient. Biodiversity and ecosystem services can be seen also as an enabling factor to businesses, as we rely on the resources and services nature provides. Fortum recognises the importance of protecting biodiversity and respecting our planetary boundaries. It is not only the right thing to do, it is a fundamental component of long-term business survival.

Biodiversity is also increasingly focused on the regulatory agenda and in the public discussion. Fortum closely follows the development of concrete actions in implementing the EU Biodiversity Strategy for 2030 as well as the post-2020 global biodiversity framework. We support the EU Biodiversity Strategy and its high ambitions to protect and restore species and habitats. Biodiversity loss and the degradation of ecosystems are a severe global concern that must be tackled. Combatting climate change is one of the most effective ways to stop the degradation of nature and we believe biodiversity regulation should be aligned with climate change mitigation, renewable energy and security of supply goals.

Impacts on biodiversity

Our operations, just as any other, have an impact on biodiversity. While we are working to reduce our impact, we must accept that our operations have caused and will cause changes in the natural environment. For example, while production of carbon-free electricity, such as hydropower, is important in the fight against climate change which globally is one of the greatest threats to biodiversity, hydropower operations affect migratory fish as well as the natural state of the river system as a whole. The production of the fuel (both bio- and fossil-based) used in our power and heat production affects biodiversity through land use. These local-scale land-use related impacts are most evident and recognisable. Also, emissions from energy production accelerate climate change, and while the impact mechanism is global, the effect on biodiversity is local.

The biodiversity footprint assessment (excluding hydropower aquatic impacts) indicates that, on a global scale, Fortum's main biodiversity impacts relate to the impacts from GHG emissions, land use and fuel procurement.

Our responsibility for biodiversity

Fortum's Biodiversity Manual defines the company's principles for biodiversity. The manual contains specific instructions for biodiversity issues in current operations, new projects and the supply chain, as well as for reporting and communication. We annually update our Biodiversity Action Plan, which contains ongoing and planned major voluntary biodiversity-related measures.

We are committed to assess and reduce our negative impacts to natural environment according to mitigation hierarchy to achieve our biodiversity targets.

We aim to improve biodiversity in connection with our operations, we carry out biodiversity-related projects, and we collaborate with our stakeholders in various projects. We also assess the biodiversity impacts of all new projects and aim to mitigate them. We reduce and offset our biodiversity impacts in, e.g., hydropower production by implementing biodiversity measures. In 2022, Fortum carried out hydropower-related fish obligations. In addition, we implemented investigations on environmental improvements in preparation for the Swedish national plan on modern environmental conditions and carried out hands-on biodiversity actions around our hydropower plants.

Projects improving biodiversity

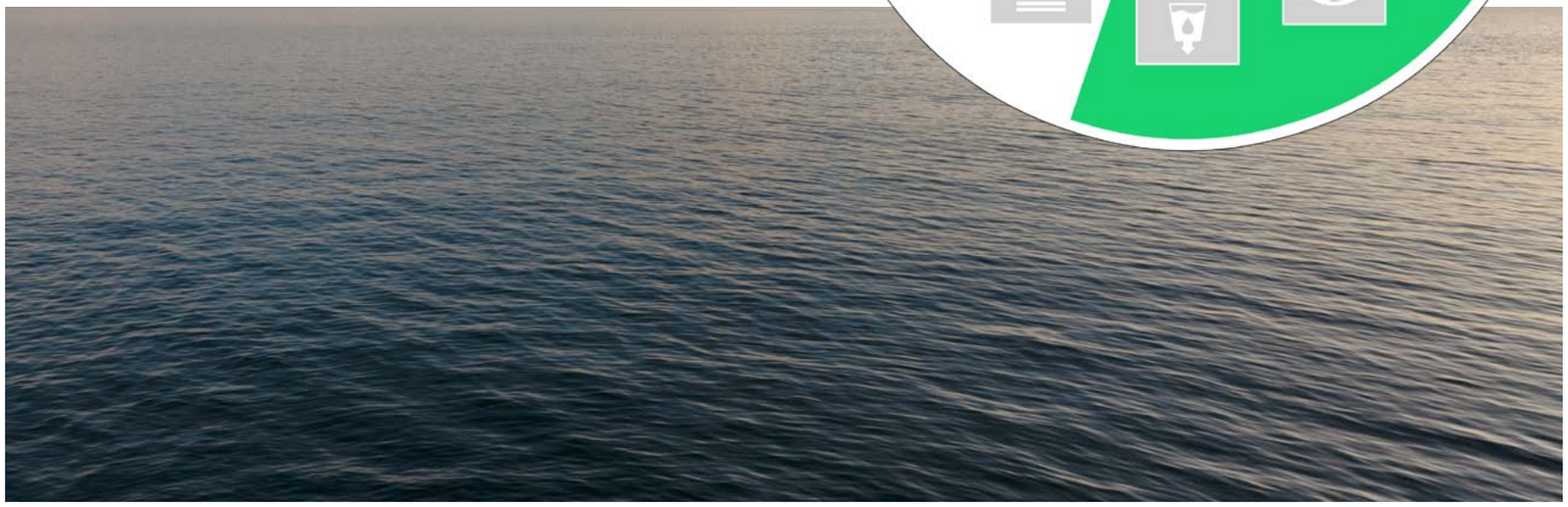
In addition to our ambitious biodiversity targets, presented on page 7, we have continued working with voluntary biodiversity projects. These measures, focusing on threatened species or habitats, improve the living conditions of species and strengthen populations. Most of our projects improving biodiversity are related to hydropower production and include restoring aquatic and terrestrial habitats, improving fish migration and strengthening migratory fish populations, as well as projects combatting invasive species. In addition to voluntary projects, biodiversity-related measures are often carried out as licence obligations.

Personnel and society

Fortum's safety work is steered by the Sustainability Policy, the Minimum Requirements for Environmental and Health and Safety (EHS) Management, and more detailed EHS manuals. A certified ISO 45001 safety management system covers 100% of Fortum's power and heat production worldwide.

Safety targets for 2024:

- Total Recordable Injury Frequency (TRIF), for own personnel and contractors, <1.0 by the end of 2030,
- Zero severe or fatal injuries,
- 60% execution rate for safety improvement plans, including a target of 95% execution rate for Safety Leadership training.



Sustainable Development Goal (SDG)	Fortum and SDG
Personnel and society	
11 SUSTAINABLE CITIES AND COMMUNITIES	Fortum impacts urban air quality by reducing flue-gas emissions at power plants. Fortum also develops flexible and low-CO_2 district heating and cooling solutions.
8 DECENT WORK AND ECONOMIC GROWTH	Fortum promotes the good working conditions and safety of its own and contractors' employees and requires service and goods suppliers to respect human and labour rights and adhere to anti-corruption principles. Fortum generates economic added value for its investors, suppliers, and the public sector.
5 GENDER EQUALITY	Fortum fosters workplace diversity, inclusion and equal opportunities to its personnel.
17 PARTNERSHIPS FOR THE GOALS	Fortum cooperates with civil society organisations in its operating countries. In addition, Fortum has joint projects with cities, municipalities, and universities.

Safety and security

For Fortum, excellence in safety is the foundation of the company's business and an absolute prerequisite for efficient and interruption-free production. Fortum strives to be a safe workplace for its employees, contractors, and service providers.

Occupational safety management

Safety is developed systematically in all our operations. The Sustainability Policy, the Minimum Requirements for Environmental and Health and Safety (EHS) Management, and more detailed EHS manuals steer the work. We regularly update the requirements, and we assess the divisions' performance in complying with the revised requirements. Safety development plans are made as part of the annual business planning and are based on the principle of continuous improvement.

Calculated in terms of sales, a certified ISO 45001 safety management system covered 100% of Fortum Group's worldwide power generation and heat production at the end of 2022. Internal audits and external audits by independent auditors are regularly conducted at our power plants to improve operations.

Nuclear safety

Fortum has both own and co-owned nuclear power plants in Finland and Sweden. The most important task of our nuclear power operations is to produce electricity safely, reliably and competitively, in the short- and long-term, while complying with the principles and safety requirements of nuclear and radiation safety, nuclear waste management and nuclear material control. Our operations are based on a high-level safety culture, quality and continuous improvement. Our own world-class expertise is a prerequisite for safety and competitiveness. In 2023, the load factor of the Loviisa nuclear Power Plant was 91.06%. The load factor describing the availability of the Loviisa nuclear power plant is world class for pressurised water reactor power plant.

Fortum applied for new operating licences for both units at its fully-owned Loviisa nuclear power plant in Finland. The application was submitted to Finland's Ministry of Economic Affairs and Employment (MEAE) in March 2022 and the Finnish Government granted a new operating license in February 2023. The lifetime extensions from 2027 and 2030 until 2050 of both of the Loviisa units ensure safe, stable and reliable energy production. Fortum also applied for a licence to use the low- and intermediate-level radioactive waste final disposal facility located on the Loviisa power plant site until 2090. This license was also granted in March 2023. The Finnish Radiation and Nuclear Safety Authority (STUK) had previously made its decision on the periodic safety assessment of the final disposal facility for Loviisa power plant's low- and intermediate-level radioactive waste. In accordance with the plans, the operation of the final disposal facility is expected to come to an end no later than during the 2080s. The final disposal of spent nuclear fuel in Eurajoki - the Posiva repository is the first in the world for spent fuel - is scheduled to start in the mid-2020s. Both Finland and Sweden have Nuclear Waste Funds managed by governmental authorities. The nuclear operators make payments to the Nuclear Funds in order to cover all nuclear waste related costs throughout the nuclear lifecycle.

Reviewers from the World Association of Nuclear Operators (WANO) and the industry are visiting Loviisa power plant every four years to observe and review performance against industry best practises including observation of an emergency preparedness drill, operator performance during simulator training and annual outage activities. These international peer reviews are an important part of continuous improvement of nuclear safety.

Supply chain

Fortum is a significant purchaser of goods and services and suppliers are an important part of a successful business. Through responsible supplier selections and close collaboration with our partners, we support the achievement of our sustainability targets.

Fuel purchasing

The most significant environmental impacts of our supply chain are related to fuels, mainly to uranium. Another significant environmental aspect is the use of natural resources and impacts on biodiversity. All of the current uranium mines used have ISO 14001 environmental certification. In addition, the uranium converters, enrichers as well as the manufacturers' uranium oxide pellets and fuel assemblies have certified environmental and occupational safety systems in place at all their plants.

Currently Fortum has a fuel agreement for uranium with Russian TVEL valid for the Loviisa nuclear power plant's units until the end of 2027 and 2030, respectively. In November 2022, Fortum signed an agreement with Westinghouse Electric Company, headquartered in the USA, for future design, licensing, and supply of a new fuel type for the Loviisa power plant. Taking the new fuel into use is a multi-year project requiring regulatory approvals.

Business ethics and compliance

We believe there is a clear connection between high standards of ethical business practices and excellent financial results. As an industry leader, we obey the law, we embrace the spirit of integrity, and we uphold ethical business conduct wherever we operate.

The Fortum Code of Conduct establishes the basic principles of conduct that everyone must follow. It defines how we treat each other, do business and engage with the world. The Supplier Code of Conduct, based on the ten principles of UN Global Compact, outlines the requirements for Fortum's suppliers and business partners. The Code of Conduct is regularly reviewed in order to ensure compliance with evolving company and regulatory requirements.

In line with the Code of Conduct, Fortum has zero tolerance for corruption and fraud and does not award donations to political parties or political activities, religious organisations, authorities, municipalities or local administrations. In addition, separate instructions and guidelines have been created to address, e.g., anti-bribery, compliance management, the safeguarding of company assets, conflicts of interest, anti-money laundering and competition law. Fortum also requires its goods and service suppliers as well as its business partners to comply with a zero-tolerance policy towards corruption and bribery.

Internal and external reporting channels are offered for reporting suspicions of misconduct. The channels are described in the Code of Conduct and accessible on Fortum's internal and external websites. Fortum uses an external service provider's channel for reporting. The same channel is used for reporting any suspected misconduct relating to the environment, labour practices or human rights violations, and it is available to all stakeholders.

Approach to EU taxonomy

The EU Taxonomy Regulation is a classification system for defining economic activities that can be considered as environmentally sustainable. The regulation provides specific key performance indicators (KPIs) that entities are required to report for their environmentally sustainable economic activities. The EU Taxonomy Regulation establishes six environmental objectives, of which, the climate change mitigation (CCM) has been assessed as the most relevant objective for the Green Project categories for Fortum, defined under Green Projects. The eligibility and alignment of economic activities are evaluated against it.

An eligible activity is considered to be aligned if it contributes substantially to one of the six environmental objectives (technical screening criteria, TSC), if it does not significantly harm the other environmental objectives (do no significant harm, DNSH), and if it is carried out in compliance with the Minimum Safeguards (MS).

DNSH Climate change adaptation

The management of climate-related risks is integrated into Fortum's respective risk management framework and follows the same governance and processes as other material risks and uncertainties. Risks are identified and assessed annually through an enterprise risk management framework. Fortum's taxonomy relevant entities are required to take into account physical climate risks. Entities must also understand their assets' resilience towards different acute and chronic physical climate-related risks within different Intergovernmental Panel on Climate Change (IPCC) climate scenarios, and create adaptation plans for the most material risks.

DNSH Sustainable use and protection of water and marine resources

Fortum manages and uses major water resources in most of its operating countries and is committed to responsible water management. Fortum's responsibility for water use is related not only to volume and availability, but also to water quality and to the aquatic habitat. Consequently, all production sites under Fortum's operational control are included in the annual reporting scope for water use metrics and water stress assessment. Fortum's water management guarantees that the operational sites comply with national regulations and have a license to operate. Fortum also carries out water-related measures locally, where relevant, in order to take into consideration the needs of other water users. Collaboration with local communities, municipalities, authorities, and research institutes is important in the implementation of these measures. Fortum's electricity generation from hydropower in Finland and Sweden are under the control of the water authorities in the frame of the Water Framework Directive (WFD), and national transposition and timeline of WFD is considered in the DNSH review.

DNSH Transition to a circular economy

Fortum takes into account the life-cycle and resource efficiency of its products and projects. Durability and recyclability of equipment and components are included in procurement processes. Fortum aims for utilisation and recovery of its own by-products and waste. Minimising the amount of waste and the efficient management of end-of life equipment and components is expected from Fortum's operating sites.
In addition to conventional industrial waste, Fortum's fully owned and co-owned nuclear power plants in Finland and Sweden generate radioactive waste. All plants take financial and safe execution responsibility over radioactive waste originated from the operations and decommissioning; and optimise and develop treatment processes to minimise the amount of waste stored. All low-, intermediate- and high-level radioactive waste are treated and stored on site, or in the special storage site located in the same country where the waste is generated.

DNSH Pollution prevention and control

Fortum's chemical management ensures compliance with local regulations, existing permits and that operations do not do any significant harm with substances used, covering the substances listed in Annex I Appendix C of the EU Taxonomy. Fulfilling the requirements set by Fortum and the legislation in the respective country, proper management of chemicals in the whole chain from purchasing to disposal, minimise risks relating to handling of chemicals, and limit and continuously reduce the use of hazardous chemicals, where possible substituting to less harmful to health and environment, is ensured.

Fortum continuously aims to mitigate its environmental impact by utilising best practices and best available technologies. Minimum Requirements for EHS Management ensure compliance with permit conditions, regular monitoring and reporting of emissions to air, water and ground; and risk mitigation to prevent any cross-media effects.

The nuclear power operations' radioactive discharges to air, water bodies and ground comply with individual license conditions. Both discharges and impacts on environment are strictly monitored by national authorities in their role for national oversight of radiation plants. Spent fuel and radioactive waste is safely and responsibly managed, including an adequate storage capacity.

DNSH Protection and restoration of biodiversity and ecosystems

Fortum's biodiversity management is an integral part of the environmental management system covering all operations. Biodiversity management, defined in the Biodiversity manual, ensures compliance with biodiversity-related requirements set by local regulations; and that necessary steps are taken whenever feasible to avoid, mitigate, or address potential impacts. The Biodiversity manual requires that special consideration is needed for sites that are close to protected areas and threatened habitats, or where any known population of threatened or protected species might be affected.

Minimum Safeguards

Fortum is committed to act with due care and to comply with the human and labour rights defined in key human-rights treaties and labour conventions. Fortum's commitment to respect human rights and to act with due diligence is in line with the United Nations Guiding Principles on Business and Humans Rights (UNGPs) and follows the six steps outlined in the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and are included in the Fortum Code of Conduct, Supplier Code of Conduct and Sustainability Policy.

Zero tolerance for corruption and bribery is highlighted in Fortum's Code of Conduct and Supplier Code of Conduct. In addition, separate instructions and guidelines have been created to address various topics, including but not limited to anti-bribery, compliance management, safeguarding company assets, conflict of interest, anti-money laundering, economic sanctions and competition law.

Fortum has implemented due diligence processes for environment, taxation, anti-corruption and bribery, as well as fair competition. Requirements for human rights, labour rights as well as for environment, anti-corruption and fair competition are included in our procurement processes. Group level commitment, policies, instructions and guidelines apply to all of Fortum's activities in all operating countries.

Fortum Green Finance Framework

Rationale for green financing

Sustainability is essential to Fortum's strategy and we are committed to setting near- and long-term company-wide emissions reduction targets in line with climate science with the SBTi. Our new strategy is designed to deliver on our purpose: To power a world where people, businesses and nature thrive together. Fortum's biggest strength, and a continuing strategic priority for the company, is its ability to deliver reliable and clean energy at scale to customers and the Nordic energy system. Fortum will continue to decarbonise and modernise its existing operations to ensure optimal value creation and to reach its environmental targets. Additionally, as the development of technologies to replace fossil fuels in production processes is accelerating, Fortum will work to find solutions for industrial customers to lower their carbon footprint.

The Nordic market provides clean and affordable electricity for decarbonisation, and with our strategy, Fortum is well positioned to drive this transition. As part of the new strategy, Fortum will also demonstrate sustainability in its financing and has therefore decided to structure this Green Finance Framework.

Fortum is one of Europe's cleanest power generators, and this Framework will enable us to allocate capital to investments in renewable hydro, wind and solar power, CO_2-free nuclear power, as well as in district heating and cooling distribution, heat/cool production using waste heat, installation of electrics heat pumps, production of hydrogen, and storage of both electricity and thermal energy.

The Framework is developed to align with the International Capital Market Association's (ICMA) Green Bond Principles 2021, including the June 2022 updated Appendix I, and the Green Loan Principles 2023 administered by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications and Trading Association (LSTA).

The four core components of the Principles along with the recommendation of External Review form the basis for this Framework:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

The Framework allows Fortum to raise capital via green bonds and loans (Green Debt). The terms and conditions of the underlying documentation for each Green Debt instrument shall provide a reference to this Framework.

Use of Proceeds

Allocation of net proceeds

An amount equal to the net proceeds will finance, in whole or in part, investments undertaken by Fortum or its subsidiaries[1], in each case as determined in accordance with the Green Project categories defined under Green Projects. The Green Projects may include the value of fixed assets (Assets), capital expenditures (CapEx) and/or operational expenditures (OpEx). Research & Development (R&D) expenditures related to the Green Project categories account as OpEx.

Financing and refinancing

New financing is defined as allocated amounts to Green Projects financed within or after the issuance year and refinancing is defined as allocated amounts to Green Projects financed prior to the issuance year.

Asset values and CapEx will qualify for refinancing without specific look-back period, while OpEx qualify with a maximum three-year look-back period prior to the issuance year.

Exclusions

The net proceeds will not be allocated to projects for which the purpose is fossil fuel powered energy generation.

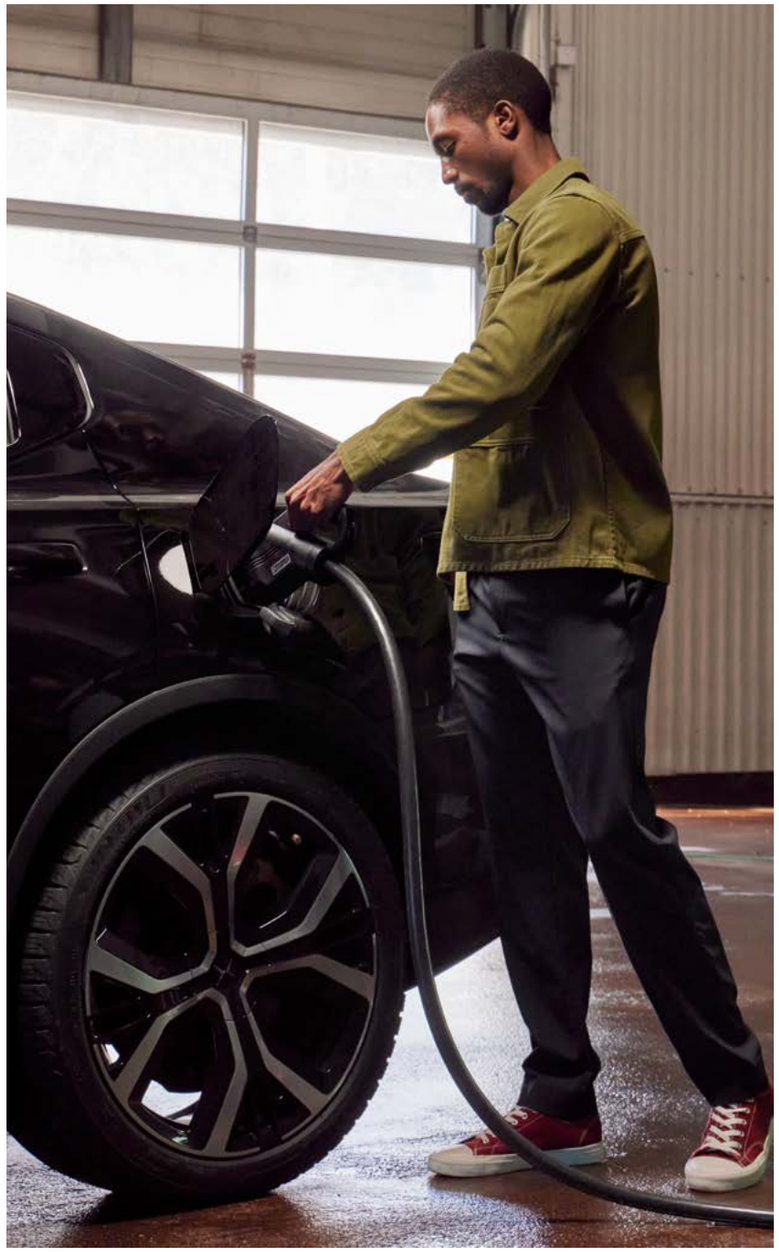
EU taxonomy aligned activities

Fortum's most relevant taxonomy-aligned activities are electricity generation from hydropower (economic activity 4.5), and electricity generation from nuclear energy in existing installations (4.28). Other relevant taxonomy-aligned activities include e.g. district heating/cooling distribution (4.15) and electricity generation from wind power (4.3) depending on the annual CapEx portfolio. Under the framework, Fortum will prioritise investments towards the taxonomy-aligned projects.

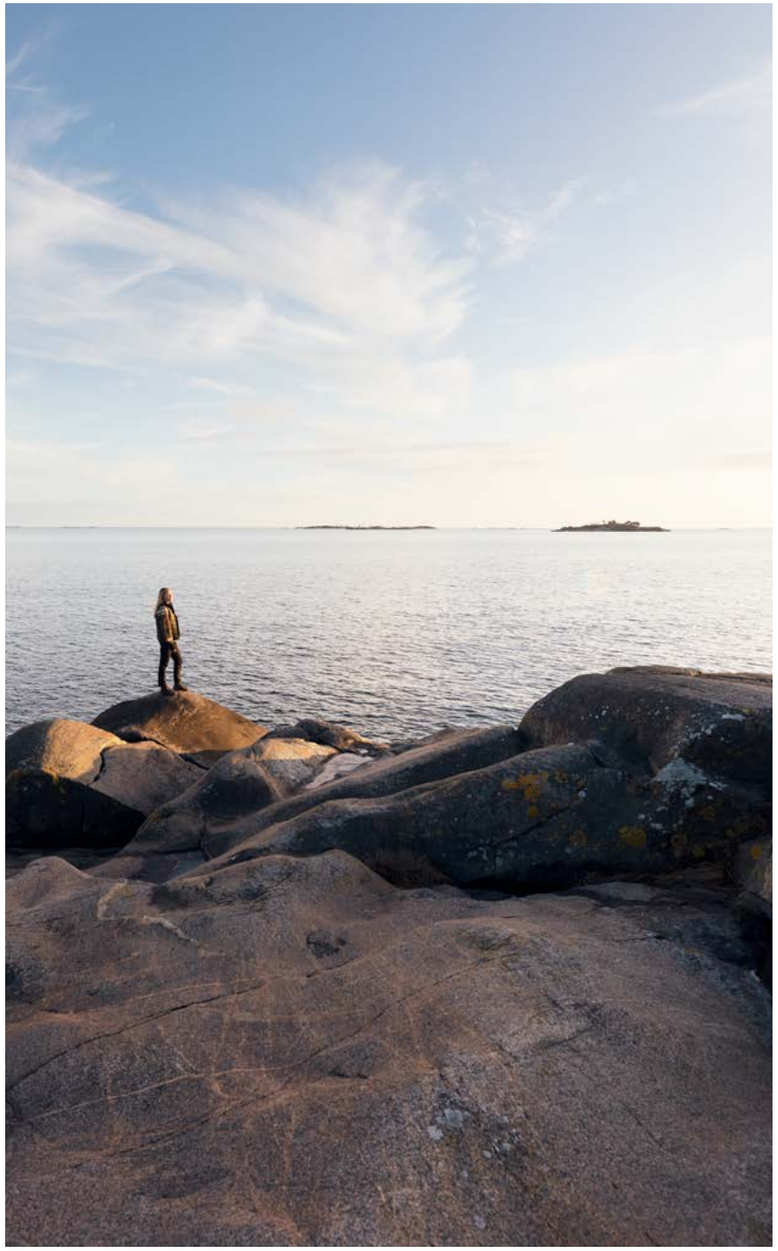
EU Taxonomy aligned projects under the Framework

Regarding nuclear power projects, Fortum will only allocate Green Debt proceeds to projects that fully align with the EU Taxonomy Complementary Climate Delegated Act. For the renewable and energy efficiency project categories, Fortum strives to align the Green Projects of this Framework with the EU Taxonomy Climate Delegated Act where applicable and to the extent possible.

Fortum will report on two separate Green Project portfolios; 1) a portfolio comprising of renewable energy and energy efficiency projects (i.e. excluding nuclear power), and 2) a portfolio comprising of nuclear power projects. Fortum will also disclose the proportion of Taxonomy-alignment of the two Green Project portfolios financed in our green bond reporting.



1 In the case of joint ownership (associates and joint ventures), Fortum will only finance its share of the asset value and account for the related impact.



Green Project categories

The net proceeds of the Green Debt Instruments issued under this framework will be allocated to
1) the renewable energy and energy efficiency project portfolio and/or
2) the nuclear power project portfolio.

Fortum will always inform at issuance if it intends to finance any nuclear power generation projects with the proceeds of a given Green Debt instrument.

The Renewable energy and Energy efficiency Green Project portfolio

Eligible Green Projects	Eligibility Criteria
ICMA GBP & LMA/APLMA/LSTA GLP categories Renewable energy **EU Taxonomy objective** Climate Change Mitigation **SDGs** 	**Hydropower** *(Eligible EU Taxonomy category: 4.5 "Electricity generation from hydropower")* Construction, operation or modernisation (including R&D) of electricity generation facilities that produce electricity from hydropower. The activity complies with one of the following criteria: Existing facilities that have become operational before the end of 2019: • the electricity generation facility is a run-of-river plant and does not have an artificial reservoir; or • the power density of the electricity generation facility is above 5 W/m_2; or • the life-cycle GHG emissions from the generation of electricity from hydropower are lower than 100gCO_2e/kWh. New facilities that have become operational after the end of 2019: • the electricity generation facility is a run-of-river plant and does not have an artificial reservoir; or • the power density of the electricity generation facility is above 10 W/m_2; or • the life-cycle GHG emissions from the generation of electricity from hydropower are lower than 50gCO_2e/kWh. **Wind power** *(eligible EU Taxonomy category: 4.3 "Electricity generation from wind power")* Construction, operation or modernisation (including R&D) of electricity generation facilities that produce electricity from wind power. **Hydrogen** *(eligible EU Taxonomy category: 3.10 "Manufacture of Hydrogen")* Manufacture, project development or R&D, of hydrogen and hydrogen-based synthetic fuels. The activity complies with the following criteria (project development and R&D with the intention to comply): • life-cycle GHG emissions savings requirement of 73,4 % for hydrogen (resulting in life-cycle GHG emissions lower than 3tCO_2e/tH2) and 70 % for hydrogen-based synthetic fuels relative to a fossil fuel comparator of 94 g CO_2e/MJ **Solar power** *(eligible EU Taxonomy category: 4.1 "Electricity generation using solar photovoltaic technology")* Construction, operation or modernisation (including R&D) of electricity generation facilities that produce electricity using solar photovoltaic (PV) technology.

Eligible Green Projects

ICMA GBP & LMA/APLMA/LSTA GLP categories
Energy efficiency

EU Taxonomy objective
Climate Change Mitigation

SDGs

Eligibility Criteria

District heating and cooling distribution
(Eligible EU Taxonomy category: 4.15 "District heating/cooling distribution")

Construction, refurbishment and operation of energy efficient district heating distribution, including pipelines and associated infrastructure that complies with the EU Energy Efficiency Directive[2]. System modifications to lower temperature regimes or advanced pilot systems (such as control and energy management systems and Internet of Things) are eligible without a specific threshold.

Installation and operation of electric heat pumps
(Eligible EU Taxonomy category: 4.16 "Installation and operation of electric heat pumps")

Installation and operation of electric heat pumps that meet the refrigerant threshold (GWP) of 675.

Production of heat/cool using waste heat
(Eligible EU Taxonomy category: 4.25 "Production of heat/cool using waste heat")

Construction, operation, maintenance or modernisation (including R&D) of facilities that produce heat/cool using waste heat.

Storage of electricity
(Eligible EU Taxonomy category: 4.10 "Storage of electricity")

Construction, operation or modernisation (including R&D) of facilities that store electricity and return it at a later time in the form of electricity. The activity includes pumped hydropower storage.

Storage of thermal energy
(Eligible EU Taxonomy category: 4.11 "Storage of electricity thermal energy")

Construction, operation or modernisation (including R&D) of facilities that store thermal energy and return it at a later time in the form of thermal energy or other energy vectors. The activity includes Underground Thermal Energy Storage (UTES) or Aquifer Thermal Energy Storage (ATES).

The Nuclear power Green Project portfolio

Eligible Green Projects

Green project category
Nuclear power generation

EU Taxonomy objective
Climate Change Mitigation

SDGs

Eligibility Criteria

Nuclear power[3]
(Eligible EU Taxonomy categories: 4.26. "Pre-commercial stages of advanced technologies to produce energy from nuclear processes with minimal waste from the fuel cycle", 4.27 "Construction and safe operation of new nuclear power plants, for the generation of electricity or heat, including for hydrogen production, using best-available technologies" and 4.28 " Electricity generation from nuclear energy in existing installations")

Pre-commercial:
- Research, development, demonstration and deployment of innovative electricity generation facilities, licenced by Member States' competent authorities in accordance with applicable national law, that produce energy from nuclear processes with minimal waste from the fuel cycle.

Investments in new build projects and existing works including:
- Projects authorised no later than 2045 by the competent authorities for the construction and safe operation of nuclear using best-available technologies.
- Projects authorised no later than 2040 by the competent authorities to extend the operating life of existing reactors.

2 Compliance means that the system uses at least 50% renewable energy or 50% waste heat or 50% of a combination of such energy and heat.

3 As defined in the Complementary Delegated Act for nuclear and gas activities that was approved on 5 July 2022 by the European Parliament and entered into effect on 1 January 2023

Process for Project Evaluation and Selection

The evaluation and selection process for eligible Green Projects is a key component in ensuring that an amount equal to the Green Debt proceeds is allocated to Green Projects eligible under this Green Finance Framework.

The Green Project evaluation and selection process follows Fortum's sustainability management principles and target-setting which are strategy driven and based on our Values, Code of Conduct, Supplier Code of Conduct, Sustainability Policy, other sustainability-related group policies, as well as the specifying instructions for group policies.

When analysing substantial contribution and DNSHs criteria for Green Projects controlled by Fortum, we rely specifically on our Minimum Requirements for EHS Management, Sustainability policy, Biodiversity Manual and Group Risk Policy. Partially owned Green Projects are requested to comply with the above requirements.

As part of the investment process, managed by Finance, new and existing investments will be prepared and presented as potential Green Projects for Fortum's Green Finance Committee.
The Green Finance Committee will then review the potential Green Projects and make the final decision whether the project will be added to the relevant Green Project Portfolio. A decision to allocate net proceeds will require a consensus decision, giving each committee member a veto power.

The Green Finance Committee is comprised of members from Finance, Sustainability and Treasury departments and will convene two times a year or when otherwise considered necessary. The Committee is chaired by Treasury.

Furthermore, the Green Finance Committee monitors that Fortum's two Green Project Portfolios remain aligned with the eligibility criteria outlined in this Framework. In the case where an asset from either of the two Green Project Portfolios no longer meets the eligibility criteria (e.g. following divestment, liquidation, other concerns regarding alignment with eligibility criteria), the Green Finance Committee will adjust the relevant Green Project Portfolio accordingly.

Management of Proceeds

Tracking of the proceeds

Fortum will use a Green Register to track the allocation of net proceeds from Green Debt to eligible Green Projects. As we have two Green Project portfolios, the Green Register will keep track of both. The purpose of the Green Register is to ensure that net proceeds from Green Debt will only support the financing of eligible Green Projects.

Temporary holdings

In the event that the total outstanding net proceeds of the Green Debt exceed the value of the eligible Green Projects in the Green Register, as per relevant Green Project portfolio, such unallocated amount will temporarily be placed in the liquidity reserve and managed accordingly by Fortum. Temporary holdings will follow the exclusions criteria listed under the Use of Proceeds section.

Reporting

To enable the monitoring of performance and provide insight into prioritised areas, Fortum will annually publish an allocation and impact report (Green Finance Report) until full allocation of the net proceeds, and, in case of any material changes, until the maturity date of the green bond issued.

If Fortum has other Green Debt instruments than bonds outstanding, the company may choose to report, in relation to these other financial instruments, directly and non-publicly to the lenders or counterparties.

The Green Finance Report may include methodology, baselines and assumptions used in the impact calculations. The impact reporting can to some extent be aggregated, and based on Fortum's share of each project, where feasible and subject to data availability.
Fortum will report separately on two Green Project portfolios;

- the Renewable Energy and Energy efficiency Green Project portfolio
- the Nuclear power Green Project portfolio

If a specific bond finances a mix of both Green Project portfolios, the specific bond will be reported on proportionately.

Allocation reporting

Reporting will include the following:

- The nominal amount of Green Bonds outstanding
- The aggregate size of Green Projects that have been funded by Green Bonds and the split between each project category
- Relative share of new financing versus refinancing
- The amount of temporary holdings of net proceeds awaiting allocation (if any)
- Share of alignment with the EU Taxonomy (Renewable energy and Energy efficiency)
- Share of alignment with the EU Taxonomy (Nuclear Power)

Impact reporting

Examples of impact indicators that may be reported:

Renewable energy and Nuclear power:

- Renewable energy generation (MWh per year)
- Installed renewable energy capacity (MW)
- GHG emissions reduced/avoided (tonnes per year)

Energy efficiency

- Annual energy use reduced/avoided (MWh or GWh or %)
- Annual GHG emissions reduced/avoided (tonnes of CO_{2e} emissions)

External Review

Pre-issuance

Second party opinion

Sustainalytics has provided a second-party opinion to this Framework verifying its credibility, impact and alignment with the ICMA and LMA/APLMA/LSTA Principles.

Post-issuance

Verification of allocations

Fortum will appoint an independent external party, annually until full allocation, to verify that an amount equal to the net proceeds has been allocated to eligible Green Projects.

Publicly available documents

The Framework and the second party opinion will be publicly available on Fortum's website, together with the Verification and Green Finance Reports, once published.

FORTUM GREEN FINANCE FRAMEWORK 2024

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