

FORTUM GROUP TAX GOVERNANCE - EXECUTIVE SUMMARY

Purpose of Tax Governance

Fortum is committed to responsible tax. The fundamental principles of this Fortum Board level commitment is illustrated through published Fortum Tax Principles. This Tax Governance describes the hierarchy of our governing principles and clarifies Fortum Board, Audit and Risk Committee, Fortum Leadership Team and CFO's accountabilities concerning tax issues addressed as Fortum Group Tax, businesses' and enabling function responsibilities in relation to tax.

1. ACCOUNTABILITY ON TAX IN FORTUM TOP GOVERNANCE

We believe that clear tax governance reflecting responsible tax management principles is an important part of our approach to ESG¹ factors. These Tax Governance Principles demonstrate our approach to responsible tax management on a corporate level and our principles to tax management. Our Tax Governance Principles set the outline for the main accountabilities and responsibilities within our Tax Principles, as defined by the Board of Directors and tax management, as well as our approach to taxes as part of business. These Tax Governance Principles outline the minimum requirement set for all Fortum Group companies.

The hierarchy of our governing principles is:



Fortum Oyj's Board of Directors reviews and approves the principles for tax management. Proposals on tax principles are drafted by the VP Group Tax, reviewed and adjusted by the Senior VP Group Finance, CFO² & FLT³ prior to Board approval. These principles are valid for the whole Fortum Group, and they are published on Fortum's internet pages.

¹ Environmental, Social and Governance

² Chief Financial Officer

³ Fortum Leadership Team

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Tax aspects, such as awareness of tax regulations, tax impacts, reputational aspects, and compliance with regulations, are reviewed in each investment proposal in line with the investment guidelines. Fortum Tax highlights these aspects in the investment proposals. Fortum Oyj's Board of Directors reviews tax-related topics in relation to any material investment as part of the investment approval process. A tax review is included in the investment proposal, in line with the investment manual.

The Audit and Risk Committee annually reviews Fortum's tax strategy and tax environment, and reports on tax risks and their mitigation plans, as well as ongoing tax litigations. Material and exceptional tax assessments are reported separately to the Audit and Risk Committee. Taxes are included also in the ERM⁴ reporting package.

Fortum Leadership Team reviews tax-related topics included in investment, acquisition, and divestment proposals, in line with Fortum's investment manual. The Fortum Group Tax is responsible for reviewing all the proposals addressed to FLT and for highlighting any material remarks that have not been taken into adequate consideration in the proposals.

Chief Financial Officer is in relation to tax the key gate keeper / accountable for tax position and issues in FLT. To manage this accountability, the CFO, proposed by SVP Group Finance, appoints a head of tax, VP Group Tax, as responsible for all tax matters in Fortum Group. The VP Group Tax regularly reports on applicable tax-related matters to the CFO and SVP Group Finance to ensure compliance with the rules and optimisation of our tax position.

2. GROUP TAX OBJECTIVES

Group Tax Objective and Purpose

GT's⁵ objective is to manage Fortum Group's current and future tax and financial position efficiently to protect and maintain Fortum Oyj's distributable funds and equity and to ensure Fortum's compatibility and shareholder value through efficient, responsible and sustainable business planning from tax point of view in line with responsible tax management principles. Fortum Tax Principles form a framework for Fortum including both Group Tax activities and all businesses.

Group Tax Functions

Group Tax Team is headed by the VP Group Tax. The Group Tax is organised by functions:

Tax Advocacy and Tactical Planning contributes to early involvement of businesses by further developing the strategic planning and tactics drafted by the VP Group Tax and approved by CFO. Group Tax follows governmental, EU, OECD and other equal policy plans, assesses impacts to Fortum, and, for key topics, participates in formal discussions, such as public hearings or one-to-one meetings with policy makers.

Tax Optimization, Planning & Compliance is accountable for planning and optimizing local taxable income, managing material and critical local tax positions, ensuring the appropriate required reporting of tax positions and transactions locally and

⁴ Enterprise risk management

⁵ Group Tax

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maintaining a jointly agreed RACI⁶ of tax compliance duties. Tax compliance also runs key controls to ensure that laws and guidelines are followed in all areas of operations, oversees the transfer pricing policy on corporate level, mobility and HR tax related topics.

Business Tax & Controversy ensures that business tax topics (such as VAT, property taxes, excise taxes, etc.) are managed properly in business operations and that all Fortum Tax Principles are followed also for these taxes. Tax Controversy manages Fortum Group tax audit readiness and tax litigation processes. Controversy function covers also group level management of the internal tax control framework as well as the Tax Assurance tax risk framework.

Financial Tax Compliance & ETR Planning is responsible for complying with financial reporting obligations for the Tax function and for delivering the IFRS-compliant quarterly and annual consolidated financial statement disclosure notes to Group Accounting. Financial Tax Compliance & ETR Planning is responsible for maintaining appropriate reporting systems and our tax estimates.

Tax Transparency is responsible for external stakeholder tax communication on Fortum's website, such as tax footprint, public c-b-c-r⁷, annual report (in relation to tax sections), policy statements, and other stakeholder information, as well as for internal tax communication, such as the quarterly review of Fortum's tax position, and internal awareness of Fortum total tax contribution and tax principles.

GT Financing is responsible for group internal long term financing which purpose is to ensure efficient long term funding of investments, acquisitions or any other working capital financing at arm's length basis.

Equity and Structure Planning and Risk contributes to early involvement of businesses by assessing business cases, developing and planning equity structures, material investments, divestments, restructuring operations or legal structures in order to utilize efficiency from financing and tax point of view.

Governance and Development reflects Fortum Governance to ensure legal company governance and regulative requirements are fulfilled. Equity risk mitigation and legal structure the special focus areas for Governance and Development.

Businesses are responsible for the planning of daily routine transactions as well as actual tax reporting, compliance work of any tax (both taxes borne and taxes collected) in line with Fortum Group Tax instructions, guidelines, and recommendations. Businesses maintain a RACI over their tax responsibilities. This tax responsibility may be handled by Fortum FPS⁸ or outsourced to a third-party service provider. Businesses must comply with any local transfer pricing rules and documentation obligations to ensure that taxes are paid where value is created based on arm's length principle included in Fortum Transfer Pricing Policy. Businesses are obliged to make corrective actions if Group Tax finds failures, non-compliances, or sensitivities in activities under Business responsibilities or business processes.

⁶ Responsibility assignment matrix

⁷ Public country by country report

⁸ Financial and Operational Procurement Services

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Financial & Operational Procurement Services is responsible for actual compliance and reporting processes, bookings, and tax payments of those taxes that a business has contracted FPS to provide in the service-level agreement.

Businesses and FPS are obliged to maintain internal controls to illustrate that the laws and Group Tax guidance is respected and followed.

Fortum's Tax Strategy and Mission

Fortum's Audit and Risk Committee annually confirms the Fortum Tax & Legal Strategy and mission respecting Fortum Tax Principles. This is reached by financial position understanding and conclusions followed by yearly planning, consolidated approach with business and other enabling functions, taking into account the key stakeholders, transparent tax reporting, and efficient financing and taxation of Fortum Group on a short- term and long-term basis and with respect to the purpose of tax laws.

In line with this, the Group Tax drafts and proposes the tax and capital structure strategy to strongly support Fortum's business strategy, supports the business by delivering simple, predictable, and efficient solutions, and strives to ensure business can operate and pay taxes on time in each country of operation.

To ensure compliance with our tax reporting duties, we need to define and maintain responsible tax governance. For this purpose, the key roles must be defined to ensure compliance with regulations. To manage risk in relation to lengthy processes, a transparent dialogue with tax authorities is crucial.

To illustrate Fortum's responsible tax management, we report our taxes in a transparent and understandable way to all stakeholders. We strive for an understanding prior to details, but always comply with existing requirements.

Stock exchange-listed subsidiaries as an exception

Fortum may own subsidiaries that are listed on a stock exchange. These subsidiaries typically have their own individual tax organization. However, even these entities are expected to follow Fortum's tax principles, as defined by Fortum's Board of Directors.

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