

Tax Footprint 2023

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CEO introduction

The year 2023 was a year of transformation and stabilisation for Fortum. We launched our new strategy in March, supported by new organisational and governance structures that are aligned with both our new strategy and purpose: to power a world where people, businesses and nature thrive together. Succeeding in our new strategy requires us to transform and develop, so that we can deliver reliable clean energy and enable decarbonisation in industries.

While we took some time in 2023 to re-arrange ourselves internally, there are also many external factors at play that impact our activities and the market. Decarbonisation requires significant investments in innovative and complex technologies. Such investments, regardless of technologies, would require an encouraging regulatory framework, including also tax regulation. In such a context, the task of sustainable tax planning is to integrate taxes into business planning, thereby ensuring value for the societies where we do business in and to our shareholders.

Currently, in the field of tax, there are many new and upcoming regulations, such as Pillar 2 global minimum tax, windfall taxes and the CSRD framework. The purpose of these regulations is good and worthy of anyone's support. However, the mere number of new regulations introduced in a relatively short time period creates uncertainty. Furthermore, they can also be seen as complex and create an extreme compliance burden for businesses. This complexity does not promote investments, but rather slows them down.

To reach the targeted objectives of these regulations, we recommend careful consideration and impact assessments before they are implemented to ensure that a new regulation is always proportional to its objectives. Fortum commits to being sustainable in all areas of business, including taxes. A sustainable legislative process is an important enabler for this.

Our efforts in responsible and sustainable tax management are detailed later in this report. We continue to strive towards responsible tax governance and transparency, and also renewed our tax principles in 2023 to support these goals. It is also my pleasure to share that Fortum received, thanks to



our long term efforts of executing our tax principles in practice and our tax transparency, the Fair Tax accreditation in 2023 as the first company in Finland. We've been reporting publicly our tax contribution and tax management principles since 2012. This encourages us to continue our work to maintain the accreditation.

We will continue our work on responsible tax management to power a world where people, businesses and nature thrive together.

Markus Rauramo
President and CEO

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Fortum pays taxes according to existing local tax legislation in its operating countries. Fortum's total tax contribution in 2023 was EUR 376 million in taxes borne and EUR 379 million in taxes collected. The main operating countries are Finland, Sweden, Norway and Poland.

Fortum is committed to responsible tax management in line with the letter of and the purpose of rules and regulations to ensure sustainability of our taxes. This is crucial for our stakeholders, such as shareholders, the communities where we have our businesses, and our employees. Taxation is always a consequence of business; therefore, our approach to tax strategy and planning is early engagement and support based on our strategy which was renewed in 2023 and business needs.

Taxes are one of many factors that we need to take into consideration. Our business solutions are not driven by tax considerations, but are supported by the Fortum Group Tax Team through optimisation of our approach in line with our Tax Principles and the pursuit of predictability and certainty. We consider this business approach to be sustainable. We take into account multiple key stakeholders to ensure our mandate to operate and invest safely. This also ensures efficiency of our operations. We consider all aspects of ESG in our tax work. This is how we can ensure a good return to our shareholders and contribute value to the societies where we operate. We have further demonstrated this commitment by receiving the Fair Tax Mark.

Fortum operates in the energy sector primarily in the Nordics. Our business is characterised by long-term, capital-intensive investments. Our continued climate commitment to drive the clean energy transition means that our business is continually changing and adapting, despite the challenging business environment. The tax system continues to change rapidly. In 2023, we saw the introduction of windfall taxes on excess profits from energy sales and in 2024, we will see the implementation of Pillar 2. To reach our targets and to drive investments in clean energy in the changing world, we believe that future tax legislation needs to be clear, predictable and simple.

In 2023, Fortum began the recovery process from recent events. We revised our strategy and management structure from the top down and refocused on our core business in the Nordics. In April 2023, Russian authorities seized control of our Russian subsidiaries and the loss of control resulted to a full write down of the Russian assets and loans. The impairment charge is included in the results of discontinued operations. These events and losses have material tax consequences, making our tax contribution and positions more complicated. As a result in 2023, we present our financial and tax information separately: continuing operations representing the remaining consolidated Fortum Group and discontinued operations representing Russia.

Our approach to tax management also provides us with a base upon which we can develop our way of managing taxes and participate in discussions and public hearings. We provide relevant information to investors, civil society organisations and other stakeholders to promote fairer, more sustainable tax systems – for example, by joining CSR Europe's project on Tax Responsibility and Transparency Index, detailed later in this report. Further we've participated in panel discussions, seminars and given other presentations on the importance of responsible and sustainable tax management. This work is central not only to our corporate responsibility and commitment to responsible tax principles, but also to Fortum's wider business purpose: 'to power a world where people, business and nature thrive together'.

In this report, we describe the value creation of our operations, portray our current tax and operating environment, and report our total tax contribution in our main operating countries, including those in which we have holding and finance companies. This report also includes the summarised points of our Board-approved tax principles, expanded information explaining tax disclosures in our financial statements, and information about our tax disputes. Instead of reporting Country by Country (CBCR) separately we now include it to our tax footprint report including narratives.

The purpose of Fortum's Tax Footprint

Our target is to help the reader understand Fortum's tax principles, our view on the tax environment, our tax management and our tax contribution. Some parts of our report correspond more to stakeholder-specific interests than other sections.

This report is primarily intended to benefit shareholders, investors, and governments including policymakers. In addition, we believe:

- Tax authorities benefit by reading about our tax principles and governance, tax management, as well as risk assessment and internal controls
- Employees could be interested in the sections about our tax principles and governance, our operating environment, value chain and total tax contribution
- The main focus for civil societies could be on our tax principles, governance, effective income tax rate reconciliation, country-by-country data, summary of low-taxed countries, and the list of our companies and countries.

Assurance of Tax Footprint

Fortum's external auditor Deloitte, has assessed that this Tax Footprint report contains the information required by the guidance VN/15411/2022 issued by Prime Minister's Office. External auditor has also reviewed the tax strategy, related policies and the processes and controls designed for collecting the quantitative data related to this Tax Footprint reporting for total tax contribution and Public Country by Country reporting.

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Our tax and operating environment in 2023

This section sets out the key priorities of the Fortum's Group Tax Team within our operating and regulatory environment in 2023.

Fortum's tax contribution is changing

Deconsolidation of Russia and our tax contribution

Fortum's 2023 data is presented as: 1) continuing operations, representing the remaining consolidated Fortum Group; and 2) discontinued operations, representing Russia. This means that Russia's tax payments are not included in the 2023 tax contribution data, but they were included in 2022 and 2021.

These major changes impact our tax contribution, as our tax contribution reflects where we have operations, the profitability of our business and external changes in tax regulation. The deconsolidation of Russia has a material tax impact, which is the material losses in Ireland, Finland, Sweden, and Netherlands, as described later in this report.

We are committed to responsible tax principles, including the application of arm's length pricing, business-oriented planning and acting in line with the purpose of the law. In this context, we will optimise the future use of the Group's losses in balance with our business opportunities. We will report and pay our income taxes where profits are generated and where we have operations. Our tax contributions may fluctuate year-on-year owing to various factors, such as the level of investments or divestments as well as whether we make any acquisitions during the year.

As taxation is a consequence of business, not a business of its own, all taxes are embedded in almost all of the business processes. This means that any new or revised taxes impact our business directly in one way or another, but changing business processes will also impact taxes as they are interlinked, such as creating a need to review tax compliance topics. This year has included both regulatory and operational changes for Fortum.

Fortum's strategy was renewed in 2023, followed by a new organisational structure, a One Fortum approach and fit-for-

purpose objectives. While this creates an additional challenge for Group Tax, it is also an opportunity to ensure efficiency and compliance. To manage the change, Fortum's Group Tax Team has been actively taking every opportunity to raise awareness around taxes and tax principles and to get taxation to be factored into the renewal of business processes.

As part of our commitment to responsible tax management, we participated in B Team's process of self-assessment of our tax principles; the results of the self-assessment are reported later in this report. As a key takeaway, in 2023 we emphasised the commitment to our tax principles and our tax governance. This resulted in a plan for more systematic training for key persons and a revision of our tax principles to create a better understanding for all stakeholders.

Our comparable profit and taxable income stabilised in 2023, but our tax position continued to be challenging due to the geopolitical situation, managing material deferred tax assets and new legislation requirements. The divestment of Uniper in late 2022 and the loss of control of the Russian operations created a material loss and deferred tax asset (See Business Case 1 below). In the spirit of our tax principles, this resulted in extensive work to optimise our tax position and engaging with tax authorities to ensure our compliance with the letter of and the purpose of different rules. Communication of these tax consequences with our stakeholders, especially with tax authorities, is crucial. Documenting relevant factors and arguments on the solutions and decisions made in the business cases has been essential to illustrate our compliance.

Preparing for new tax rules was a major theme in 2023. The new main rules are the EU Revenue Cap and Pillar 2. The Finnish and Swedish versions (see Business Case 2) of the revenue cap have been difficult to implement and, together with Pillar 2, i.e. global minimum tax, the preparations have been a major challenge as the rules are unclear, the possibilities to seek clarity are poor and the significant additional compliance burden is material.

See more information on how we are preparing for the new legislation below 'Pillar 2 (Global Minimum Tax)'.

Business Case 1: Discontinued operations in Russia

In 2022, the decision was made to initiate the exit from Russia. However, events in 2023 made the plans for a controlled exit more difficult and uncertain. In April 2023, by order of the Russian Presidential Decree, the Russian authorities seized control of Fortum's assets in Russia and deprived Fortum of our shareholder rights. Due to the loss of control, Fortum has reported Russia as a discontinued operation in 2023 and made full impairments of the share value of Russian operations, which impacted the Netherlands, Sweden and Finland. Additionally, impairments on loans were also recognised in Fortum's financing entities in the Netherlands and Ireland, which led to increased taxable losses and therefore an increased deferred tax asset mainly in Ireland.

Business Case 2: Finnish and Swedish Revenue Cap rules

The Finnish Revenue Cap is a temporary windfall profit tax for 2023 differing in almost all points from the EU regulation. The basis for the tax differs from the normal taxable income basis. Fortum has applied for an advanced ruling to clarify some unclear issues creating questionable outcomes, but we need to file returns before we have any final confirmation from this process. In Sweden, the Revenue Cap was implemented in a way that did not align with the investment structures under which energy companies are organised. That, together with poor definitions and instructions, made compliance work difficult for companies. We participated in the public hearing where we laid out our points.

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Green transition impacts on energy markets and investments

As has been widely reported, and is explained in our accounts, the increase in energy prices and volatility in the global energy market had an unprecedented impact on our business and raised critical challenges. The journey to meet ambitious green transition targets requires solid footing. Market stability, predictable liquidity and credibility are still important. It is vital that the capital-intensive industry can secure the ability to invest in carbon-neutral production projects utilising well-known renewable energy sources and energy sources that are still emerging (like hydrogen).

Currently, large multinational entities, in particular, face a challenge of multiple overlapping, often unclear regulations. A proper impact assessment on new regulations as well as a responsible and transparent legislative process is crucial. A stronger and predictable regulatory framework would reduce the extreme financial and tax impacts and, at the same time, support the well-functioning internal market through consolidation of various initiatives rather than isolated proposals that deteriorate investment power.

EU policy

The EU has multiple new policies on its agenda. We support the strategic green transition targets to produce clean energy and to promote industrial decarbonisation. However, in the massive amount of recent new regulations, we have experienced turbulent and disjointed implementations (Windfall tax), complex and uncertain outcome proposals (Pillar 2), as well as well-defined regulations supporting the green-transition (Energy Tax Directive). The high frequency of new rules increases the compliance burden and lacks consolidation with other regulations. We also see that multinational companies are disproportionately impacted due to the criteria settings that targets them, thereby creating inequality in tax legislation.

Example: In Finland, the proposed Pillar 2 rules do not include any possibility of advanced ruling. This would be crucial, as Pillar 2 represents a totally new regulation without any previous case law or practice.

The EU is not a traditional tax legislator; it actually lacks a mandate on corporate income tax legislation. EU Member States have tax sovereignty. The EU has justified its direct tax initiatives by improving the functioning of the EU's internal market. Pillar 2 and the new BEFIT (Business in Europe: Framework for Income Taxation) proposals are good examples of this.

Clarity, certainty and predictability are key qualities of regulation. To meet the important objective of a well-functioning internal market through tax legislation, the EU's role as a tax legislator should be discussed and improved. This would allow the EU to continue the important work of true harmonisation to improve the functioning of the internal market as a whole.

The BEFIT proposal aims to simplify, harmonise and partially replace corporate income tax regulation in EU Member States to determine the taxable base for groups of companies. Although the proposal is positive and contains some positive impacts, it unfortunately does not improve the functioning of the internal market. Instead, it will diffuse the green investments in particular by creating two kinds of tax bases with unequal tax treatment. (See our statement to the EU ► <https://www.fortum.com/media/2023/12/fortums-comments-proposal-council-directive-business-europe-framework-income-taxation-befit>).

Example: The businesses engaged in carbon-neutral material projects, which are often realised in collaboration with partners, may face not only increased compliance costs but also increased investment costs.

The impact assessment of new regulations has not been adequately performed – businesses have a right to understand the implications of a new regulation and its parallel effect with other regulations, like Pillar 2, as well as yet-to-be introduced regulations. Alongside predictability and certainty of the rules, we emphasise the importance of assessing the impacts of any new regulations. Our commitment to responsible tax management is firm and important. Equally, we encourage regulators and tax authorities to ensure that new regulations are responsible, transparent and sustainable.

Example: We estimate that Pillar 2 will not create an additional tax burden for Fortum, however, the cost of compliance is excessive and its clear sustainability is not achieved.

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Fortum's tax principles

Fortum operates in the energy sector, which is characterised by long-term, capital-intensive investments with a focus on developing and building new clean power. Making this type of long-term investments to solve challenges related to clean energy and the decarbonisation of industry requires stability and certainty concerning investment infrastructure, such as taxation. The widespread and often rapid pace of change in the tax regulatory environment makes our commitment to such investments more challenging, as it often leads to greater uncertainty and greater risk. We overcome these challenges by having a robust and responsible tax management. Firstly, we strictly comply with the tax principles approved by Fortum's Board of Directors. Secondly, our strategic and operating objectives are the starting point when planning and optimising taxes as part of business planning. Thirdly, we comply with the law and respect the purpose of the law. Fourthly, as part of our tax advocacy, we are transparent with our opinion on policies to promote green investments transition in order to contribute to responsible tax legislation. Finally, we assess the risks and uncertainties of our business and solutions, and we run key controls to ensure compliance with laws and our principles.

In 2023, we renewed our Tax Principles to align with our new Fortum strategy and to provide more clarity on the issues that are important for responsible tax management. We clarified the description of our risk appetite and our business structure, aligned our tax advocacy with our Business Ethics Guidelines for Lobbying, and adjusted the governance section to support the change in the organisational structure. This demonstrates our continued belief in and commitment to the Tax Principles we have established since 2018.

Tax rules are complex and not always clear. Responsible tax management ensures that our businesses can continue to invest, to operate flexibly and efficiently and to safeguard returns for our shareholders, our tax contribution to societies and obligations to other stakeholders. This is also the basis for our tax advocacy.

Our approach to tax risk follows the same assessment that we apply to all other business risks. Further, when considering

OUR TAX PRINCIPLES INCLUDE THE FOLLOWING MAIN POINTS:

GOVERNANCE – We are committed to continuous development to ensure responsible tax management and sustainable principles. The principles are governed by Fortum Corporation's Board of Directors and communicated company-wide to ensure compliance with the principles.

COMPLIANCE – We have a consistent compliance process to ensure that regulations are followed in all parts of our operations and that the correct amount of tax is paid at the right time in the countries in which we operate.

BUSINESS STRUCTURE – We only use business structures that are driven by commercial considerations, are aligned with our business activity and have genuine substance. We do not seek abusive tax results.

purely tax-related risk, we apply the 'more likely than not' principle. When making business decisions, we consider the associated tax consequences and our ability to mitigate any risks. We comply with the rules and recognise that material issues require particular attention in the decision-making process. We report our business income in line with local rules and requirements, respecting the purpose of the law. We consider many aspects, including taxes, in Environmental, Social and Governance (ESG) responsibilities, as well as reputational and financial impacts. We work to ensure that our approach creates understanding between our operational functions and tax functions, and to support the development of the business while taking into account the views of our various stakeholders.

We've also paid more attention on the awareness of our tax principles and will promote them together with our updated Code of Conduct.

Fortum's tax principles are approved by Fortum Corporation's Board of Directors and are included in Fortum's Code of Conduct and published on Fortum's website together with a summary of our Tax Governance principles.

► <https://www.fortum.com/files/tax-principles-2023/download?attachment>

TAX RISK PROFILE – We follow the approved Fortum business risk appetite in all our tax work: this ensures that we have a responsible approach to tax risk management. Additionally, we also follow the 'more likely than not' principle in our tax risk assessment.

TAX PLANNING – We respect the purpose of the law. We also respect the shareholders' interests and seek optimisation and to eliminate double taxation.

RELATIONSHIPS WITH OTHERS – Fortum engages with governments and tax authorities to explain what impacts their policies on tax and regulations have on us. We want to participate in public discussions relating to taxation to promote responsible tax legislation and to show how important predictive legislation is to capital intensive business.

REPORTING TO STAKEHOLDERS – We are committed to ensuring that stakeholders are able to understand the important elements of our tax position and that the information provided in our tax reporting is fair and accurate.

What is responsible tax management?

Responsible tax management refers to our ethical and strategic approach to taxes not only as an organisation but also as individuals, ensuring compliance with tax laws while considering shareholder and social and environmental impacts. It involves transparent reporting, fair tax practices, and a commitment to contributing to the well-being of the community and sustainable legislation.

To be responsible, it is vital that huge emphasis is put on creating sustainable tax principles that have a Group-wide reach. It is not enough to just have these principles; we must continually assess ourselves to ensure that we are following the principles.

We are committed to building a culture of responsible tax management in our daily work. It is a fundamental building block in our tax principles and governance.



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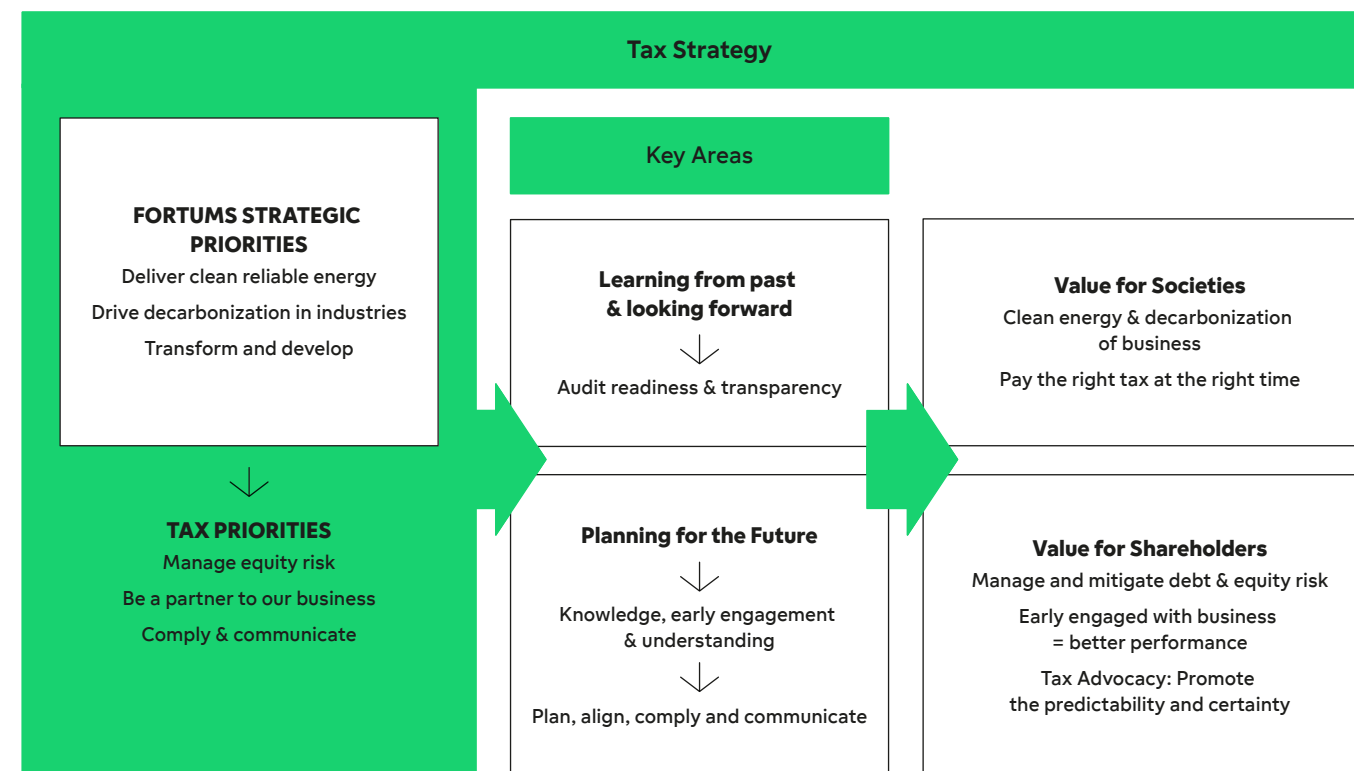
Fortum's revised strategy

During 2023, Fortum revised its core purpose and strategy. Our purpose is to power a world where people, businesses and nature thrive together. The strategy has been designed to deliver on our purpose.

Tax strategy in brief

In line with our responsible tax principles our strategy for tax is to support clean energy & decarbonisation of businesses by sustainable planning, supporting our financial position and investment capability now, and in the future, to produce shareholder value and ensure transparent compliance to create value for our societies where we do business. The key points of our tax strategy are to be proactive, be prepared and manage our tax position in an efficient manner by engaging with the business earlier and more often.

Tax Strategy: Alignment of tax principles and business strategy to stakeholder contribution



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Fortum's tax management 2023

Our solution to managing taxes: early engagement and transparency

Fortum is operatively organised through segments and business areas. The legal set up is based on separate companies that include subsidiaries, associated companies and joint ventures; meanwhile, the segments and business areas don't recognise company or country borders. Subsidiaries may therefore include the operations of multiple segments or business areas. Segments and business areas must comply with both operating and legal governance in their decision making. For tax management, this means that all operations report and comply with the relevant operational management boards concerning tax matters, for example in investment proposals or changes in operations.

Tax contributions are made by legal entities. Legal entities, i.e. companies, therefore, have a key role in complying with tax rules and regulations. The Fortum Group Tax Team supports business operations by planning and advising the businesses and steering through operating and legal guidelines, instructions, advice and controls to ensure that we are in compliance with tax regulations and pay tax where the value is created. Our aim is to take into account shareholder and other stakeholder expectations.

All consolidated subsidiaries must follow the Fortum Group Tax Team's instructions and guidelines. As taxation is a consequence of business, these instructions and guidelines, when applicable, are also included in a number of corporate policies, instructions and guidelines.

The Fortum Group Tax Team supports Fortum's strategy by being engaged early in business planning. For this purpose, we identify responsible tax planning and compliance solutions to strengthen the Group's balance sheet and finances, and we make sure that the main stakeholder views are considered. For us, responsible tax management means a strong connection with and support for our business, ensuring compliance with rules and respecting the purpose of the laws.

The key objectives underpinning our approach to responsible tax management are predictability and certainty. This can be

difficult in a regulatory environment that is often subject to change. That's why we follow a 'more likely than not' approach to responsible tax management. By planning and optimising taxes in line with our tax principles and the purpose of tax laws, we are more likely to achieve our strategic and operational objectives. Meaningful transparency, internal controls and proactive tax risk management are key cornerstones in our aim of reaching predictability, certainty and efficiency. To us, transparency means that we communicate our cases openly with local tax authorities by applying for advance rulings wherever possible to get confirmation of our understanding or by answering questions in a transparent manner. Further, it means that we annually publish our Tax Principles and our total tax contribution country-by-country with narratives to create understanding of our tax contributions and to illustrate that we follow our principles.

Topics specific to 2023

After the extraordinary losses in 2022 and additional losses due to Russia impacts, 2023 has been coloured by follow-up work to ensure compliance with tax laws, to secure Fortum's financial position and to support the ongoing business. Events in Russia have created extraordinary complexities. The compliance burden is also growing: the different EU-initiated revenue cap rules and Pillar 2 have commanded a lot of attention – and meanwhile we've been going through an organisational change. This has resulted in multiple overlapping issues with different angles. Our responsible tax management principles have provided us with a strong and sustainable framework as we have navigated our way through unprecedented events and issues. We updated our Tax Strategy in 2023 to align with Fortum's strategy.

The roll-out of our renewed tax principles and true engagement with responsible tax principles and governance has been a joint effort for the Fortum Group Tax Team. Creating a Group-wide commitment has been the focus.

The new organisational structure naturally led to work to ensure consensus on the revised roles and responsibilities.

Pillar 2 (Global Minimum Tax)

What is Pillar 2?

Under the OECD/G20 Inclusive Framework on BEPS, an international collaboration of over 140 member countries and jurisdictions has developed a two-pillar solution to reform the international tax rules, which EU has implemented through directive. The EU directives force all the EU member states to implement the rules nationally. Many EU member states have already implemented Pillar 2 rules with an effective date of 1 January 2024, however some have delayed, and committed that when implemented they will do so in a way that is consistent with the outcomes provided for under Pillar 2.

The design of Global minimum tax rules is aimed to ensure that multinational entities with a consolidated revenue over EUR 750 million are taxed at a minimum 15% effective rate on any income arising in different jurisdictions independently of the country's nominal tax rate.

How has Fortum prepared for Pillar 2 legislation changes?

Fortum has closely monitored the forthcoming legislation changes and given comments to the OECD when the Pillar 2 directive was negotiated.

The regulations, some of which are very complex, require in-depth examination in order to apply them correctly and to calculate the applicable tax – the so-called 'top-up tax'. In light of this, Fortum started its preparations already in early 2022, with most of the steps taking place in 2023. In short, we initiated a Pillar 2 project with the involvement of all key stakeholders. Our key activities have been:

- Participation in public OECD hearings and consultations
- Modelling the likely financial consequences of Pillar 2
- Identifying where information gaps exist
- Upgrading our existing tax reporting solution
- Training and education of all Fortum countries

In 2023, Fortum Group spent an estimated 2,500 internal hours on the Pillar 2 project.



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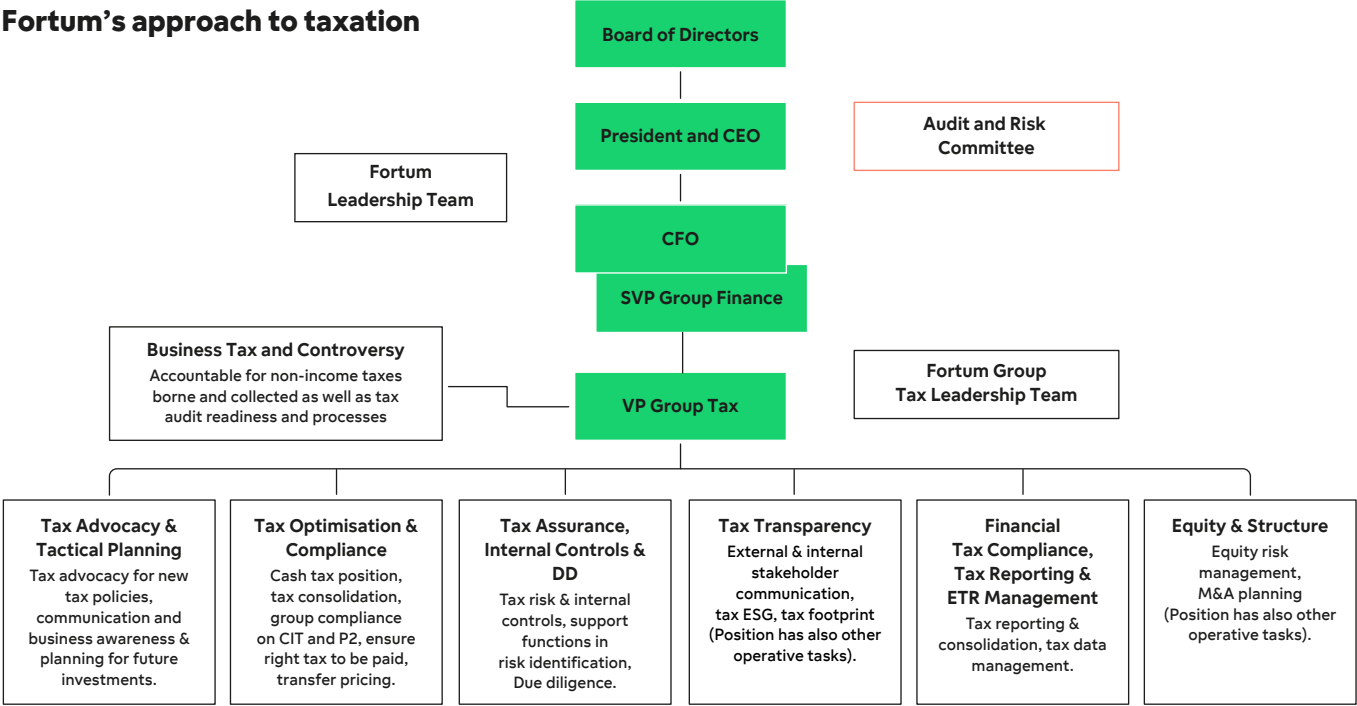
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Tax governance

The Chief Financial Officer is accountable for tax governance and strategy. The Vice President (VP), Group Tax implements our tax principles and is responsible for ensuring that those principles, and the procedures that support them, are in place, maintained and implemented in the same manner across all countries. The VP, Group Tax is supported by a team of professionals, the Fortum Group Tax Team. The VP, Group Tax is responsible for ensuring that the Fortum Group Tax Team has the adequate proficiency and experience to implement our principles appropriately. The Fortum Group Tax Leadership Team supports the VP, Group Tax in implementing our tax strategy and principles. Tax issues, such as tax strategy, legal processes and tax-related risks, are monitored on a regular basis by the Audit and Risk Committee of Fortum’s Board of Directors.

At Fortum we have formalised good tax governance principles. This is evidenced by our commitment to transparency and the B Team’s Responsible Tax Principles. We operate internal controls to ensure compliance with our principles and report the findings in this report. You can find Fortum’s tax governance principles and framework in our Tax Governance document. The document aims to provide clarity on the roles and responsibilities in relation to tax management and related tasks, and it sets the scene for responsible tax management. The document details the internal controls and mandates that are in place regarding tax-related decisions and issues, and it summarises the role of the Board of Directors, the Audit and Risk Committee, and Fortum Leadership Team. The main goal of the document is to allow us to work in an environment that is conducive to reporting taxes transparently, abiding by all laws and regulations, and meeting our ESG requirements. The document provides a more in-depth specification of the Fortum tax principles that were approved by the Board of Directors. Our participation in the European Business Tax Forum and the B Team discussions provides a platform for improvement.

Fortum’s approach to taxation



Fortum’s Tax Policy Hierarchy

Approved by:

Board of Directors	Code of Conduct	Defines our ethical standards also for taxation
Board of Directors	Tax Principles	Defines our long-term approach to taxation and the principles for tax management
Audit and Risk Committee of Board	Tax Strategy	Aligns Fortum’s overall business strategy and strategic objectives for managing our taxes
CFO	Tax Governance	Describes how the tax principles are applied in the operations and accountabilities for tax

- Fortum’s Tax Governance principles: <https://www.fortum.com/files/fortum-tax-governance-executive-summary/>
- Tax Governance best practices paper to which Fortum has been contributing to: <https://ebtforum.org/good-tax-governance/>

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Risk appetite concerning tax planning

Our business and strategies evolve constantly, especially in 2023 following the Fortum Group's new organisational structure as well as developments in the European energy sector overall. Taxes are an essential part of business planning, and it is paramount that Fortum's tax planning is aligned with and supports the wider business strategy. The purpose of tax planning is to ensure efficiency, certainty and predictability of how Fortum's business is treated for tax purposes by partnering with business at an early stage. The purpose of this is not to pay less taxes but to optimise our tax positions, avoid double taxes and to create predictability. A high tax burden may defer investments or business plans, as tax implications are an important element – but not a key driver – of investment decisions. While uncertainties may exist when it comes to the interpretation of legislation, it does not prevent us from being compliant and/or seeking clarity from the tax authorities where necessary and possible. We may also engage with governments, policy makers and other stakeholders on the development of effective tax legislation and balanced tax regimes.

As tax law can be complex, at times we may interpret it differently than the tax authorities, which can result in additional tax assessments. In such cases, we apply a 'more likely than not' approach. We believe, however, that the timely and transparent exchange of information and communication with tax authorities are important factors in mitigating tax risks and achieving higher predictability in advance.

Risk assessment

Taxes are embedded within the Group-wide risk management process being part of the Fortum Enterprise Risk Management (ERM). The process defines the objective, scope and responsibilities for risk management, including the systematic identification and assessment of risks based on the ERM Group framework.

We assess uncertainties relating to the taxation of our existing and future businesses on a day-to-day basis in cooperation with respective business areas and functions. In addition, the identified tax and other risks are reported quarterly to Fortum's Audit and Risk Committee (ARC) and separately once a year together with the tax strategy review.



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We consider this to be an important part of responsible tax management and our commitment to our stakeholders.

Our risk review is twofold:

- Firstly, we assess business proposals. The main findings and the associated tax risk mitigation proposals are discussed with the business that has initiated the proposal, as well as with the CFO, Fortum Leadership Team and the Board of Directors.
- Secondly, our work on risk mitigation consists of self-assessments, cooperation with the business operations and internal conclusions in the Fortum Group Tax Team.

Reporting identified uncertainties and risks

Our Tax Governance guidelines define the tax principles and the underlying responsibilities with respect to our functions within the Group Tax Team.

Fortum's internal control framework is based on the main elements of the framework introduced by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The controls, including tax-related controls, have been defined based on the main risks in the process.

In 2023, we paid special attention to our Tax Control Framework (TCF), focusing on internal process alignments between tax functions and all supporting functions. We aligned internal controls, risk work and audit readiness as one part of this improvement.

We respect the independence of external auditors and advisors and comply with any and all recommendations made in relation to the management of our tax risks. For the benefit of our stakeholders, and as part of our commitment to greater transparency, we have outlined the main risks and uncertainties of 2023:

1. New and unclear tax legislation increases the compliance burden. The main risks are poor alignment between policies, creating double taxation and unintended outcomes. Examples include the new global minimum tax, the posted workers directive and the economic employer rules.
2. IT solutions and systems are crucial in complying with new tax rules. Taxes are often not considered in business IT development, which may result in non-compliance.
3. Fortum's renewed organisation increases the risk of unclear roles and responsibilities.

Our key risk mitigation actions include:

- Active communication with policy makers and in public hearings
- Taking a proactive approach to our tax position and the uncertainties we identify
- Simplification of our legal structure
- Improved internal collaboration on tax issues
- Seeking clearance from tax authorities, when possible
- Revising our tax governance
- Work on transparency and developing resources
- Participation in process and IT development.

As concrete examples of implementing risk mitigation, we have:

- Created a leadership team to clarify governance for tax matters and formalised tax governance guidance
- Incorporated an assurance function within the tax organisation
- Reduced the number of legal entities in our internal financing structure
- Included Group Tax Team in reviewing finance IT solutions, in order to take tax better into account
- Clarified roles and responsibilities in relation to tax.

Fortum's tax culture

Fortum's tax culture is guided by our Tax Strategy, Tax Principles and Tax Governance. Our culture focuses on ethics and transparency. We aim for excellence in all areas of our work. Fortum Group Tax Team supports all business areas and functions in the Fortum Group.

Fortum Group Tax Team annual bonus system

The Fortum Group Tax Team is included in Fortum's normal bonus systems both in relation to short-term (annual) and long-term (share-based) programmes. Bonuses are not connected to taxes borne, taxes collected or the effective tax rate. Team targets set are related to

- improved commitment to the Fortum Tax Principles
- business support such as renewable projects
- process improvements such as simplified closing processes, maintaining and improving clear roles on accountabilities, responsibilities, communication, and controls between functions
- tax governance
- development of transparency
- transactions strengthening Fortum's balance sheet.

Engaging advisors

Fortum's process for engaging advisors is defined in our Fortum Group Tax Governance guidelines. The main principles are that Fortum's advisors must comply with Fortum's Tax Principles and Supplier Code of Conduct. We do not engage tax advisors whose fees are purely success based. We aim to give our advisors all the relevant facts they need to give us the best possible advice.

Tax incentives

Fortum does not utilise tax incentives that are unlawful or are not offered to all. However we do utilise some tax incentives in the normal course of business, for example, we do utilise normal tax depreciations that are available to all taxpayers.

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Compliance controls

Overall, Fortum Group files hundreds of tax returns covering direct and indirect taxes as well as the various information filing requests that are required by tax authorities, such as financial statements, CBCR notifications and so on. We have invested in digital systems that support us in filing tax returns to ensure accuracy and efficiency. We ensure that our personnel have the correct skills and knowledge as well as sufficient time to file all returns before their deadlines, and to make the correct payments to authorities on time.

We have controls in place to ensure compliance with existing regulations. In these controls, we may find weaknesses or, in the worst case, failures. If we identify weaknesses or failures, we act accordingly to eliminate them. While we did not identify any major failures in 2023, we did identify weaknesses. Actions to eliminate the weaknesses are already implemented.

We identified challenges in the capability to efficiently collect some data from our systems fast enough. The business in question immediately started improvements in the area.

Reporting material related party transactions

We continually monitor developments around both the mandatory and voluntary disclosures that may affect Fortum. With that in mind and in line with OECD principles on Corporate Governance, we have chosen to report on extraordinary and material internal Group transactions.

The main events in 2023 were:

- Strengthening Fortum 1 AB equity; to maintain our legal position towards Russia, stabilising our internal holding companies.
- De-merger of Fortum Holding BV to isolate Russia-related risks.
- Fortum Deutschland SE merger; the German holding company whose purpose was to hold the shares in Uniper SE, was merged into its parent company Fortum Participation Limited, as it's purpose was obsolete.
- Partial repayment of the capital loan from Fortum Power and Heat Oy to Fortum Finance Ireland DAC due to it's stabilised equity position.
- The seizure of the Fortum's Russian operations by the Russian authorities resulted in an additional bad debt provision in Fortum Finance Ireland DAC on its loan receivable from Fortum 1 AB. This loan was used to acquire PAO Fortum shares. A bad debt provision in Fortum Finance Ireland DAC Dutch Branch has also been recorded on its loan receivable from PAO Fortum.

Transparency register and tax matters

We have discussions with policy makers and we participate in public hearings. To be transparent of our contribution to regulation we comply with our Public Affairs policies and also refer to our transparency identification number, when applicable. We trust that this makes our discussions more transparent regarding whom we have been communicating with and on what topic. In 2023, we participated in public hearings and discussions, such as in the Finnish windfall tax, Swedish revenue cap proposal and EU BEFIT proposal. Our statements are available on our Fortum.com internet pages.





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Annual self-assessment of the B Team Responsible Tax Principles

Fortum is committed to the B Team’s Responsible Tax Principles. ▶ **Read more at bteam.org.** Since making our commitment in 2018, we have worked to align with the B Team tax principles and support their work. For the benefit of our stakeholders, we have carried out a review of our alignment with the B Team tax principles. A summary of our main findings in the self-assessment follows.

We assessed different parts of the B Team principles of good tax governance. Even though we assessed most areas as green, i.e. compliant, we regard responsible tax management, tax governance, and transparency to be areas that are under ongoing further development, so we highlighted these as partially amber. Therefore, we are making efforts to develop our tax approach to have a sharper focus on the most critical issues for Fortum. In 2022 and 2023, we made efforts in relation to our relationships with tax authorities.

Our self-assessment was reviewed by a fellow B Team member who challenged and agreed with our assessment.

Self-assessment

Function	Assessment	Conclusion
Governance		We assessed governance-related issues as green, but we recognise that mechanisms around employee awareness of and adherence to our tax strategy are not as good as they could be. We have taken actions to improve our employee-targeted communication and to create tools that encourage employees to have an open dialogue with the Group Tax Team.
Compliance		We assessed our processes concerning compliance as green with respect to self-assessment.
Structure		We assessed structure-related issues as green, but we recognise that our tax principles extend to our relationships with employees, customers, and contractors, as third-party controls can be assessed as amber. We do have some processes to assess third parties, but they are not always systematic. We identified the need to consider third-party assessment and controls when entering into cooperation with them.
Relationship with tax authorities		We assessed issues related to our relationship with tax authorities as being in line with B Team principles.
Incentives and supporting tax systems		We assessed issues related to our incentives and supporting tax systems as being in line with B Team principles.
Transparency		We assessed our transparency-related issues mostly being in line with B Team principles. We have taken additional steps in open reporting about our structure in our Public CBCR and tax footprint. However, we assessed that we don’t have a systematic reporting tool with clear enough definitions for financially material tax incentives. Consequently, we assessed this section as amber as a final improvement area, we considered that some parts of operations are disconnected from tax issues, or we are not clear enough with our message in the area of advocacy approach. For this reason, we assessed this aspect as amber in light of B Team principles. Clarity and closer cooperation with public affairs naturally would be the improvement in this area.

- Compliant
- Compliant but room for improvement





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Fortum's commitment to responsible tax principles and transparency

We at Fortum have been building on responsible tax management for years. We started our public total tax contribution reporting already in 2012. In 2018 we committed to B Team's tax principles and our Board of Directors approved our tax principles. We contributed to B Team's, European Business Tax Forum's (EBTF) and Tax Executives Council's common effort for tax governance best practices. Our long-term work on tax management, partnered with our business and our transparency was recognised.

We want to promote responsible tax management publicly and share our thoughts with our peers and other organisations. This led us to join CSR Europe's project on Tax Responsibility and Transparency Index to create a single index to measure how responsible and transparent an organisation is in relation to taxes. CSR Europe has recognised the need for consistency with the challenge of too many public reporting frameworks and growing expectations from society and policymakers for companies to be transparent. The collaborative platform includes representatives from companies, civil societies, private equity investment firms, banks, Members of the European Parliament and other reporting framework firms. We would like to be transparent but the question remains: Which transparency framework is the best? CSR has made huge efforts to review all the public reporting frameworks and to create one single index. We have participated in focus groups reviewing and discussing the index. While the project is still ongoing, the end result aims to have one single index that can encompass the most important points where various stakeholders interests will be met.

Fortum awarded Fair Tax Mark

In 2023, Fortum was awarded the Fair Tax Mark accreditation. We are very proud of this achievement, as it independently verifies our commitment to responsible tax management and transparency. We join many other groups in being accredited; however, we are the first Finnish company to be accredited with the Fair Tax Mark. We sought this accreditation, as ESG is a major theme for Fortum. We want to continue being a leader in responsible tax management and transparency, to assess our work in this area and to build more transparency, trust and confidence with stakeholders with this independent third-party verification.

What does it mean to be accredited the Fair Tax Mark?

Our tax principles, governance and commitment to our principles were tested. The Fair Tax assessment measures our transparency. It indicates that we pay the right amount of tax in our countries of operation at the right time, according to both the letter and the spirit of the law. It also indicates that we transparently provide sufficient public information to stakeholders, so they can have an informed view of our tax conduct, beneficial ownership and financial presence. For us, this is confirmation that our work on responsible tax management is heading in the right direction, and it encourages us to continue our responsible tax management efforts. Our work will be reassessed in 2024.



How is a company assessed for the Fair Tax Mark?

The assessment is split into five key areas, each having their own set of criteria to meet. The key areas are:

- General transparency
- Tax policy, implementation and compliance
- Country-by-country reporting
- Tax notes disclosures
- Tax rate.

Companies are reviewed annually to ensure they maintain the standards achieved when first accredited.

More information can be found at ► www.fairtaxmark.net

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Fortum's value chain and tax footprint

One of the ways Fortum companies contribute to societies is by paying taxes in countries where we operate. We pay taxes at different points of our value chain. Both the value chain and value creation within the value chain are the basis for paying taxes. In order to illustrate the tax footprint of our business, the accompanying image shows Fortum's value chain and the many instances in which taxation occurs.

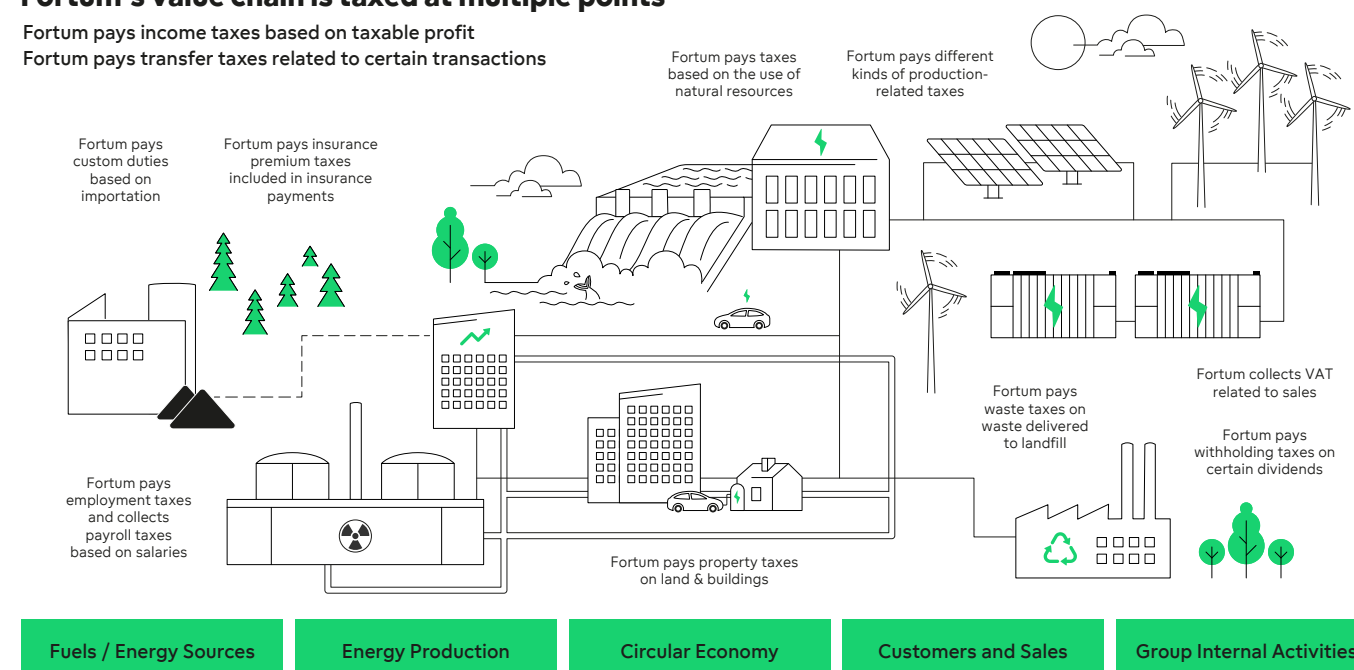
The Fortum Group's strategy is to manage its operations in local energy markets effectively. Producing and selling energy – electricity, commodities and heat – as well as recycling and waste solutions are inherently local activities. Our ability to make profit depends on our investment decisions and our existing power plants and facilities. Proper recognition of the functions participating in the business operations is crucial in order to define where profits are generated.

The key profit driver depends on investments and plant portfolios, such as hydro, solar, nuclear, wind and so on. All our tax contributions are local. More than 98% of our total tax contribution is in countries where we have local production and assets related to production. The remaining part of taxes borne refers to local profits on sales, financing and service operations representing our international business operations.

Fortum's value chain is taxed at multiple points

Fortum pays income taxes based on taxable profit

Fortum pays transfer taxes related to certain transactions



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Relationship between value chain, value creation, and tax contribution

Our investments in production plants generates power to be used by families and businesses, and the importance of sustainable power production has never been more important. These investments also generates value in the long-term for our various stakeholders, such as shareholders, but equally also for customers, states, municipalities, employees and so on, which in turn drives tax liabilities where we are engaged in business. Those taxes, whether based on profits, asset values, fuel usage or something else, need to reflect the cash generated by the business; so when the tax environment is changed, it is crucial that it does not undermine future investment decisions. As business is the origin of the tax contribution, inadequately designed taxes can negatively impact not only future value creation, but also the decarbonisation of power production.

We believe that the design of tax rules should always be balanced with business interests to allow for the optimal value creation for all stakeholders. A good understanding of the existing value chains by policy makers and business is crucial in order to properly recognise the value created, which leads to tax contributions. This is valid independently, whether talking about taxes on existing or assumed exceptional profits in the form of windfall taxes as well as new forms of businesses. The traditional model of energy production is now supported with innovations and digital solutions, which changes the core business model and the future value chain in the case of capital-intensive businesses. Meeting the climate targets will require new energy sources and will give rise to new technologies and solutions, like the use of hydrogen. This will require substantial new investments and a sustainable tax regime that supports it on a long-term basis. This timing aspect has multiple taxing points across the whole lifetime of investments.

Value creation in the business is the basis for paying taxes and the ability to pay taxes

Our total tax contribution, being taxes borne and taxes collected, in 2023 was EUR 755 million (2022: 1,211), of which EUR 376 million (2022: 537) related to taxes borne and EUR 379 million (2022: 674) related to taxes collected. Finland and Sweden were our biggest production countries. In 2023, taxes borne in Finland were EUR 173 million (2022: 276) and in Sweden EUR 153 million (2022: 156).

Taxes borne include corporate income taxes (excluding deferred taxes), production taxes, employment taxes, taxes on property, and the cost of indirect taxes payable or refundable for the reporting period. Taxes borne are indicative of cash taxes paid for the period; however, they may be paid in that period or after. For example, in Finland for 2022, preliminary payments were made for corporate income taxes during the year; however, due to the turbulent markets later in the year 2022, unforeseen profits arose in different entities, causing a material final balance to be paid in Q1 2023. This is also in line with law. This caused income taxes paid for Finland in 2023 (EUR 309 million) to be much higher than the corporate income tax borne for 2023 (EUR 112 million). The majority of taxes borne are paid within the period or the period immediately after. Fortum does not have any long-term liabilities owed to tax authorities. If we would have, we would disclose them separately.

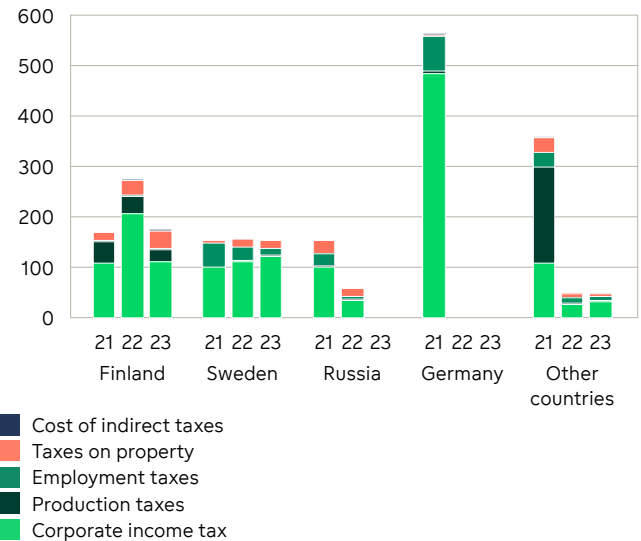
Taxes collected include VAT, payroll taxes, excise taxes and withholding taxes. While income taxes are paid on taxable profit, Fortum also pays other taxes based on, for example, fuel usage, waste, production capacity, and the value of real estate. As a major part of our taxes are not based on profits, our total taxes borne in relation to our profit excluding taxes borne (total tax rate) increase if the profit level decreases.

The 5 year average for corporate income taxes borne (being cash taxes paid for the period however, they may be paid in that period or after, excluding all deferred taxes) was -13.5% for the year 2019 to 2023. The negative rate reflects that while the Fortum made an overall loss for that period, still continued to incur and pay taxes. The rate is calculated on restated data excluding Russia and Uniper.

Total taxes borne 2023, EUR million and %



Taxes borne by country, EUR million



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Value chain and tax contribution

Our tax contribution reflects the nature of our business. As a general rule, the larger our asset and operating footprint is, the more value we create and the more we contribute to local communities and governments in taxes, the heavier our tax footprint is.

Correspondingly, operations that have a lighter footprint tend to have a lighter tax contribution, but they are not necessarily comparable. It is important to note that Fortum pays a variety of different taxes, and our overall contribution goes beyond corporate income tax; in particular, we pay significant amounts in employment and property taxes.

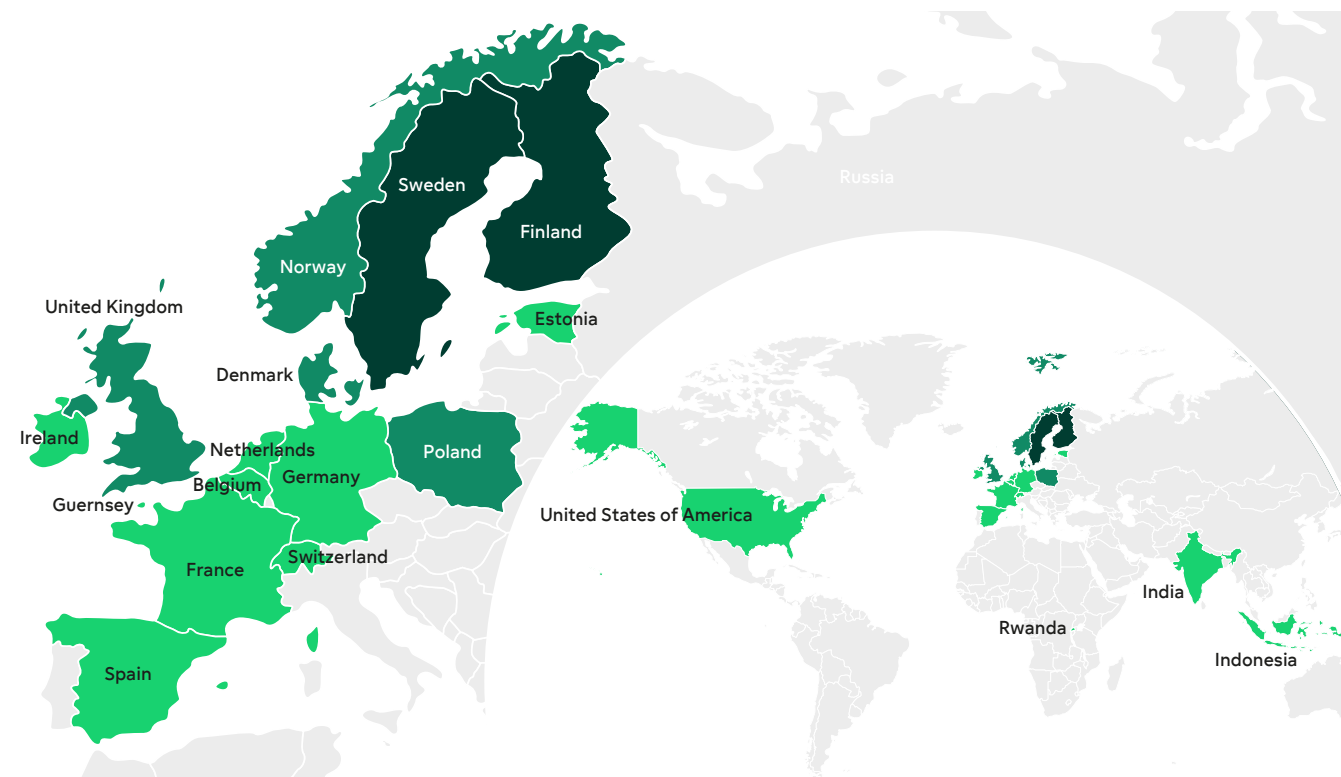
We support the European Business Tax Forum (EBTF) initiative dedicated to raising the standards of the public tax debate and the focus on Total Tax Contribution, including both taxes borne and taxes collected. We have embraced this concept in this report, by reporting detailed tax contributions by tax and country. ▶ [Read more about EBTF on https://ebtforum.org/ttc/](https://ebtforum.org/ttc/)

We do not engage in artificial corporate structuring for the purposes of lowering our tax liabilities. Our tax contributions may vary by country, reflecting differing operations, headline tax rates and other reliefs and incentives that we may utilise where appropriate. In 2023, Fortum had operations in 20 countries. The quality and scope of our tax footprint depends on our operational footprint, while the size of our tax contribution depends on the size of our operations.

The legal structure as such does not impact the tax footprint, other than the fact that nominal tax rates differ between countries. You can find country-specific information about our operations on our website: ▶ <https://www.fortum.com/about-us/our-company/fortum-worldwide/country-fact-sheets>. The nature and footprint of our business is illustrated in the picture on the right.

When considering the size of our tax footprint, we use materiality in our financial reporting to select which countries to report stand-alone. See our taxes borne and collected later in this document.

Fortum Group has a dividend policy to have a payout ratio of 60–90% of comparable earnings per share. This compels us to find efficiencies and profitability. Total tax contribution is our contribution to the societies where we operate. Our ratio



of dividend distribution in comparison to total tax contribution (including withholding taxes on our external dividends) was 36% in 2021, 67% in 2022 and 137% in 2023. 2023 is based on Fortum's Board of Directors proposal to the Annual General Meeting 2024.

The key purpose of our legal structure is to protect the Fortum Oyj balance sheet, ensure appropriate income flow to Fortum Oyj and ensure efficient financing of our operations wherever they are located. When choosing the location, stability and predictability are key factors for us. For support operations, we prefer not only EU countries as our home market, but also euro-denominated countries. All our subsidiaries, associates and joint ventures are listed in our Financial Statements. For more details, see the Total taxes by country section.

The Tax Footprint follows our business footprint in terms of which countries are heavy, medium and light with respect to their total tax contribution.

Business footprint

- **Heavy:** Production operations having material assets in a country, resulting in taxes on profit, property, production, as well as other multiple taxes collected such as VAT, payroll, and withholding taxes.
- **Medium:** Services, sales, and trading operations with a wider customer base but no material fixed assets. VAT obligations on top of corporate income tax, and salary withholding obligations.
- **Light:** Limited number of customers and operations, typically small business and support functions to heavy operations, mainly financial assets and personnel. Taxes are mainly corporate income tax, and salary withholding tax obligations.

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Fortum's tax contribution in 2023

This section presents Fortum's total tax contribution. We also highlight the taxes we pay on a country-by-country basis, supplemented with other key performance indicators that offer different views and ways of measuring our overall contribution. Our operations are governed by our Tax Principles, Code of Conduct, tax strategy, and governance. We believe that our way of doing business illustrates how taxes are managed responsibly.

Financial statements disclosures

We regularly follow developments in tax transparency reporting and update our information if the development changes the qualitative description of our business.

Fortum publishes tax information as part of its Financial Statements. As a result of the deconsolidation of Russia, Russia is reported as discontinued operations in the Financial Statements 2023, and comparative data in the consolidated income statement and related notes has been restated to exclude Russia. We have not restated the country by-country tax footprint information; as such the comparatives for 2022 and 2021 include figures on Russia. The comparative information for 2021 also includes Uniper as it was divested and reported as discontinued operations in 2022. The consolidated financial statements include a disclosure on income tax expense. The condensed part of it is presented below with necessary commentary. Please see Note 12 'Income tax expense' and Note 27 'Income taxes on the balance sheet' for further information.

Key tax indicators

	2023	2022 restated ¹⁾	2022	2021 restated ¹⁾	2021
Effective income tax rate	4.3%	-33.2%	-122.1%	7.5%	60.7%
Comparable effective income tax rate	19.1%	21.9%	22.4%	22.2%	24.2%
Weighted applicable statutory tax rate	21.0%	19.9%	9.4%	20.2%	193.1%

1) 2022 restated refers to the restated amounts disclosed in the 2023 Group Financial Statements excluding Russia.

2) 2021 restated refers to the restated amounts disclosed in the 2022 Group Financial Statements excluding Uniper. Russia was still included in these amounts.



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Income tax expense

EUR million	2023	%	2022 restated	%	2022	%	2021 restated	%	2021	%
Profit before tax	1,583		1,564		455		4,332		-289	
Profits from associated companies and joint ventures	-59		184		629		-168		-192	
Tax exempt capital gains or losses	-1		0		-772		-2,673		-2,670	
Other items affecting comparability	-115		-308		1,713		-189		5,651	
Profit before income tax decreased by profits from associated companies and joint ventures and items affecting comparability	1,408		1,440		2,025		1,302		2,501	
Tax calculated at nominal Finnish income tax rate	- 282	20.0 %	-288	20.0%	-405	20.0%	-260.4	20.0%	-500	20.0%
Differences in tax rates	-14	1.0 %	26	-1.8%	12	-0.8%	15.2	-0.8%	-93	3.7%
Tax exempt income and other non deductible expenses	11	- 0.8 %	1	-0.1%	0	-0.0%	0.8	-0.0%	-5	0.2%
Tax effects of changes in value and non-recognition of deferred taxes	-5	0.4 %	-41	2.8%	-41	2.8%	-30.4	1.5%	-34	1.4%
Adjustments recognised for taxes of prior periods	0	- 0.0 %	4	-0.3%	3	-0.2%	3.4	-0.2%	32	-1.3%
Taxes related to dividend distributions	0	-	0	0.0%	0	0.0%	-12.1	0.6%	-13	0.5%
Other items	21	- 1.5 %	-18	1.3%	-22	1.5%	-6.1	0.3%	8	-0.3%
Comparable effective income tax rate	-269	19.1 %	-316	21.9%	-453	22.4%	-289.6	22.2%	-605	24.2%
Tax rate changes	0		0		0		-1		30	
Taxes on other items affecting comparability	201		836		263		-34		-833	
Other major one time tax effects	0		0		746		0		1,583	
Income tax expense	-69		520		556		-325		175	

Comparable effective income tax rate

The comparable effective income tax rate is presented to better reflect the Group's tax position when comparing the current period to previous periods. Items affecting comparability are not included in the comparable effective income tax rate. The comparable effective income tax rate for 2023 was 19.1% (2022: 22.4%, restated: 21.9%).

The table above explains the difference between the statutory income tax rate in Finland compared to the rate at which Fortum is taxed on its comparable profit before income tax. The major items affecting the comparable effective tax rate are:

- The weight of the profit in different jurisdictions and differences in standard nominal tax rates in these jurisdictions.
- Other items include EUR 23 million tax rate differential on capital loan interest recognised in equity, being interest income in Ireland at 12.5% and the corresponding interest expense taxable at 20% in Finland.

Taxes on other items affecting comparability included income taxes of EUR 225 million relating to one-time tax impacts mainly recognised in Ireland and in the Netherlands, due to the impairment of the Russian assets.

Effective income tax rate

Fortum Group's effective income tax rate, according to the income statement, was 4.3% (2022: -122.1%, restated: -33.2%). The tax rate is mainly impacted by the increased deferred tax asset on tax loss carry forwards in Ireland as a consequence of the write down of Russian assets and the share of profits from associates and joint ventures that are recorded based on Fortum's share of profits after tax and, therefore, their tax impact is not visible in Fortum's income statement.

Other material items affecting the effective income tax rate is the permanent effect related to tax rate differential on interest on group internal loans treated as equity also known as capital loan and other major one-time tax effects. See note 12

of the Fortum Group Financial Statements 2023 for a full reconciliation.

The effective income tax rate and comparable effective income tax rate reflect the income tax expense recognised in the income statement, including changes in deferred taxes.

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Deferred taxes on the balance sheet

Key message: Deferred taxes illustrate timing differences between the treatment of costs under accounting and tax rules. The timing differences give rise to deferred tax assets and liabilities, the most significant of which are displayed on this page.

EUR million	1 Jan 2023	Change 2023	31 Dec 2023
Intangible assets	-54	-7	-61
Property, plant and equipment and right-of-use assets	-530	78	-452
Pension obligations	-3	1	-2
Provisions	-19	7	-12
Derivative financial instruments	589	-499	90
Tax losses and interest carry-forward	751	164	915
Other	48	4	52
Net deferred tax liability	782	-252	530

Fortum’s net deferred tax reduced overall during 2023. The main changes are the increased deferred tax assets on losses due to the losses realised in connection with the deconsolidation of Russian operations in April 2023, and the reduced deferred tax asset on derivative financial instruments due to price commodity decreases. The deferred tax asset on derivative financial instruments decreased during 2023 due to a decrease of net fair values in unrealised commodity derivatives. Fortum continues to have a material deferred tax liability on property plant and equipment, owing to its investments in non current assets. These assets are depreciated more rapidly for tax purposes than for accounting purposes, resulting in lower current tax payments at the start of an asset’s lifetime and higher tax payments at the end of its lifetime. This difference results in a deferred tax liability. More information on deferred taxes can be found in the Financial Statements 2023.

Total taxes

Taxes borne indicate different taxes that Fortum pays for the period. In 2023, Fortum’s taxes borne were EUR 376 million (2022: 537). Taxes borne includes corporate income taxes

(excluding deferred taxes), production taxes, employment taxes, taxes on property, and the cost of indirect taxes. Production taxes include also taxes on production and on property, paid through purchased electricity from associated companies.

The total tax rate indicates the burden on the Fortum Group’s profit before these taxes are borne. When the pre-tax profit is close to nil or negative, which occurred in 2021, the total tax rate does not illustrate the tax contribution in an informative way.

Fortum administers and collects different taxes on behalf of governments and authorities. Such taxes include VAT, excise taxes on power consumed by customers, payroll taxes and withholding taxes. The amount of taxes collected by Fortum in 2023 was EUR 379 million (2022: 674).

Pillar 2 impact – Transitional safe harbour and top-up tax 2024?

Transitional safe harbour sets out three routes to a nil top-up tax position in a specific jurisdiction for the three years of its application (financial years 2024–2026) if conditions are met. Fortum is assessing its exposure to the global minimum tax under Pillar 2 rules in the future. This assessment indicates that a majority of the operations are under safe harbour rules and Fortum is not expected to be exposed to paying Pillar 2 income taxes for 2024 due to application of some specific adjustments in the Pillar 2 legislation. The legislation is still subject to further amendments and clarifications during 2024 and onwards. Therefore, the certainty of impacts from the new regulation cannot yet be assessed with sufficient certainty. We will follow guidance and instructions on this new regulation and seek for tax authority confirmation where possible in line with our tax principles.

Total taxes, %

	2023	2022 restated	2022	2021 restated	2021
Total tax rate	22.2%	28.1%	87.4%	10.7%	662.3%

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In this section, we provide a view of our total tax contribution and other financial information on an individual country basis with supporting narratives on the major business and operational impacts to our total tax contribution. The Ownership Steering Department of the Finnish Prime Minister's Office has given new guidelines for majority state-owned companies for reporting tax. They create a minimum standard for our Tax Footprint including CBCR. Fortum has selected and developed key indicators that reflect the nature of its business operations and the related tax. As Fortum's operations are capital-intensive and have a long lifetime, the net assets, being stated capital and accumulated earnings, have been selected as the best determinant of our value creation in each country. Our operations are not labour-intensive, nor is revenue the most relevant base for a value creation indicator. Therefore, for our operations, the tables on pages 24–26 present assets used in operations, along with taxes borne and taxes collected for the thirteen most significant countries of operation. The source of the data is the IFRS consolidated numbers, some KPI's source differs as noted in the table. To ensure a good understanding of our value creation, we also present interest-bearing loan receivables, as financing is crucial for the success of our operations. We believe these are the best determinants of value creation for our operations. Again, you can find country-specific information about our operations on our website: <https://www.fortum.com/about-us/our-company/fortum-worldwide/country-fact-sheets>.

Countries of interest

The financial year 2023 was exceptional. While comparable operating profit was again good, the net profit including items affecting comparability was much lower, mainly due to the impacts discussed at the beginning of this report. Fortum's total tax rate for 2023 was 22.2% (2022: 87.4%, restated: 28.1%), which illustrates Fortum's taxes borne in relation to profit before tax, increased by taxes borne in operating

profit. Taxes included in operating profit are production taxes, employment taxes, taxes on property and the cost of indirect taxes. The current total tax rate of 22.2% and the restated total tax rate of 2022 – 28.1% are comparable as they both exclude Russia. The main driver behind the decrease in the total tax rate is the reduced corporate income tax borne in Finland which is explained below.

Finland

A large part of Fortum's Nordic electricity generation and electricity customers are in Finland, which generate the majority of Finland's income. In 2023 we saw similar trends to 2022 with high volatility and peaked electricity prices and a multiplying effect from geopolitical events, although it stabilised during 2023.

In the Nordics, the achieved power prices in Generation increased during 2023. Production volumes also increased significantly in hydro operations generally and also in nuclear due to the commissioning of Olkiluoto 3 nuclear plant. In the electricity selling business sale margins decreased due to increased costs. In Renewables, Decarbonisation and Circular Solutions business taxable profits decreased. On total level the operative profitability developed positively.

While the operative income developed positively, the taxable income and corporate income tax decreased in 2023. The main reasons for that were effects from currency positions, higher market interests, extraordinary financing costs and losses generated in some businesses. The extraordinary financing costs consist of one-time payment and deduction of capital loan interests accrued in 2022 and 2023 as well as extraordinary costs of the Finnish State bridge loan facility granted in 2022 and repaid in 2023. The capital loan interest and the related income tax expense deduction is recorded in equity and not visible in profit. These explain largely the change of corporate income tax borne from EUR 206 million in 2022 to EUR 112 million in 2023.

The write-down of Russian shares in company TGC-1 of EUR 475 million has had no impact on the Finnish taxable

income of 2023, however when confirmation on the tax treatment and classification of the shares is received there may be a tax impact.

The difference between the statutory income tax rate (20%) and effective income tax rate (19.2%) is mainly a consequence of tax exempt share of profits in associates and joint ventures.

In 2023, Finland introduced a temporary windfall tax regulation for companies in the electricity sector within electricity generation, wholesale and partly retail sales in Finland. The tax is calculated at 30% of the companies' net profits generated from the above listed electricity operations in Finland exceeding a 10% return on capital in the fiscal year 2023. Due to hedged power prices and revenues generated by Fortum, the profitability of its electricity operations is below the threshold and no payments of windfall tax is expected.

Production taxes have decreased due to more efficient methods of production as the excise tax on electricity is much lower than the taxes on fossil fuels. In addition, more heat was produced with heat pumps than before. The efficiency of heat pumps is very high, which also has had a positive effect on the amount of taxes to be paid.

Finland applied a reduced VAT rate of 10% for electricity instead of the standard VAT rate of 24% during 1.12.2022–30.4.2023 which has affected both reported sales VAT and VAT on purchases.

Sweden

Fortum is one of the major energy companies on the Swedish market with strong presence in fossil-free power generation (hydro power and nuclear power mainly), electricity sales and waste & recycling. In 2023, our Nordic Generation segment's total power generation increased overall. While nuclear decreased, the hydro power increased mainly due to the higher water inflow, leading to an overall slight increase.

Accordingly our Swedish companies had higher profits and taxable income due to the higher hydro volumes and the increase of electricity customer base due to the inclusion of the newly acquired company Telge Energi AB from 31 August.

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The corporate income tax expense (taxes borne) was EUR 122 million (2022: 112). In 2021, the Swedish data included Uniper, which was divested in 2022 and had a material impact on the comparability year on year.

The effective tax rate of 19.2% was mainly impacted by the share of profit of associates and joint ventures (similar impacts as in 2022 when it was 28.2%) and tax exempt income. In 2021, the effective tax rate of -2.8% was mainly driven by the tax-exempt capital gain realised in the divestment of Stockholm Exergi Holding and the inclusion of Uniper data.

Total tax contribution amounted to EUR 318 million (2022: 367), mainly comprised of corporate income tax and net VAT. The total tax rate was 22.5%, which was lower than the 24.8% of 2022, mainly due to the lower employment and payroll taxes.

Employment taxes were significantly lower in 2023 compared to 2022, as pension-related liabilities in Sweden were dissolved in 2022, which led to a one-time increase of approximately EUR 8 million in 2022. Property taxes from associated companies amounted to EUR 15 million (2022: 16) and were included in the taxes on property category starting in 2022; they were part of production taxes until 2021.

Ireland

Ireland plays a key role in Fortum Group as the internal long-term financing centre. Fortum's Irish financing company has foreign branches in Belgium and the Netherlands, and the Irish legal companies are taxed in Ireland on their worldwide profits, meaning the foreign branch profits are taxed both in Ireland and the country where the branch is located. As previously mentioned, there is a significant deferred tax asset in Ireland as a result of the Uniper divestment in 2022 and write-downs on loans following the deconsolidation of Russian operations in 2023. The full impact of the losses cannot be seen in the Profit before tax on page 24 due to the accounting elimination of Group internal items, however, the impact can be seen in the accumulated earnings. A deferred tax asset of EUR 123 million has been recorded in Ireland on the current year tax loss with the year-end deferred tax asset being EUR 829 million. The high effective income tax rate is caused by the low consolidated loss compared with the legal company's stand alone loss.

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Netherlands

The Netherlands also plays a key role in the Group's financing and holding activities. The Dutch financing entity is a branch of the Irish Finance company and its profits and losses are taxable in both Ireland and Netherlands. During 2023, the Dutch companies realised material losses due to Russia-related write-downs in shares and loans and RUB fair value foreign exchange differences. The full impact of the losses cannot be seen in the Profit before tax on page 24 due to the accounting elimination of Group internal items, however, the impact can be seen in the accumulated earnings.

Norway

A major part of operations in Norway belongs to Consumer Solutions. Historically, we have a stable taxable income in Norway mainly coming from electricity sales volume. In 2023, however, despite there were no major business changes, the interest rates of Norway peaked to the level where they were in 2008 last time. That resulted in significant increase of our interest expense overall in the country, leading to a loss before taxes, as well as simultaneously increasing taxable income due to adding back the interests that were not deducted in 2023. Interest expenses in Norway can be carried forward for 10 years and we expect them to be utilised before their expiry. Corporate income tax expense of 2023 was EUR 2 (2022: 11) million.

The effective tax rate was 23.7%, which is close to the statutory rate of 22%, mainly impacted by minor tax exempt income and non-deductible expenses. In 2022, profit before tax as well as all the other key indicators were impacted by the divestment of the Norwegian heat company Fortum Oslo Varme AS. That resulted in decreased property taxes, employment and payroll taxes in 2023, although not in net VAT. As a result, the total tax rate was -25%.

Poland

Operations in Poland consist of Consumer Solutions and Renewables and Decarbonisation operations. Consumer Solutions has generated improved profits, even though the business was negatively impacted by the regulated price cap set for end users in 2023 by the Polish Government. Heating and Cooling operations in Poland were positively impacted by higher heat and power prices, the effect of which was offset by disadvantageous price changes in fuels.

As in the previous year, the negative profit was impacted by the fair value changes in derivatives, which does not affect taxes borne or collected. This, combined with the loss, results in a negative total tax rate.

The taxes borne increased in 2023 mainly due to a prior year tax adjustment of EUR 17 million. The adjustment arose due to a re-assessment of the non-deductible expenses after the year end. The non deductible interest costs could not be carried forward due to the tax unit period ending. This combined with adjustments to previous year taxes lowered the effective tax rate below statutory rate of 19%.

In 2023, a windfall tax as per the EU directive was implemented in the form of a price cap as well as a solidarity contribution for both energy producers and retailers, with a compensation rebate available for retailers only. These impacts are reported as costs and not taxes according to Polish legislation. The cost of this windfall tax for 2023 was EUR 66 million.



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Total Tax Contribution; information by country Countries of operations

European union

EUR million	Finland			Sweden			Poland			Ireland			Netherlands		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Profit before tax	934	592	561	652	583	2,195	-66	-209	366	-51	754	95	160	214	-70
Stated capital ¹⁾	11,799	12,533	6,531	3,802	1,828	6,295	308	379	374	18,630	12,399	12,913	7,366	6,378	7,391
Accumulated earnings ¹⁾	9,595	7,874	7,137	1,754	7,065	3,928	73	117	297	-14,714	-11,248	661	-3,009	-477	209
Number of employees	2,682	2,529	2,377	1,038	914	1,755	717	635	594	5	5	4	9	10	335
Assets used in operations ²⁾	4,439	4,499	4,158	4,107	4,207	10,920	956	822	725	7	7	5	17	12	329
Interest bearing loan receivables ^{2,3)}	5,470	8,428	6,322	664	691	1,616	5	5	15	4,975	11,134	10,904	2,703	3,451	6,095
Effective income tax rate	19.2%	19.7%	19.2%	19.2%	28.2%	-2.8%	16.6%	20.2%	19.0%	318.8%	-94.8%	12.6%	-22.2%	7.9%	153.4%
Total tax contribution	290	586	364	318	367	204	51	29	28	0	-10	11	2	5	116
Total tax rate	17.4%	41.7%	27.1%	22.5%	24.8%	N/A	N/A	N/A	4.8%	N/A	N/A	11.5%	0.6%	2.3%	N/A
Taxes borne															
Corporate income tax	112	206	107	122	112	100	24	7	9	0	-11	11	0	5	22
Production taxes	23	34	43	1	1	1	0	0	0	0	0	0	0	0	10
Employment taxes	3	2	3	15	26	46	2	2	2	0	0	0	0	0	8
Taxes on property	34	31	15	15	16	6	7	7	7	0	0	0	0	0	2
Cost of indirect taxes	1	2	1	0	0	0	0	0	0	0	0	0	1	0	1
Total taxes borne	173	276	169	153	156	154	34	16	18	0	-11	11	1	5	42
Taxes collected															
Net VAT	2	162	57	146	190	3	0	0	0	0	0	0	1	0	44
Sales VAT	692	1,327	1,730	516	813	738	611	121	252	1	0	0	1	1	626
VAT on Purchases	689	1,165	1,674	369	624	735	649	191	272	1	0	0	0	1	582
Payroll taxes	54	51	51	18	22	48	5	5	4	0	0	0	0	0	16
Excise taxes	0	0	0	0	0	0	7	6	5	0	0	0	0	0	14
Withholding taxes	61	97	87	0	0	0	4	3	1	0	0	0	0	0	0
Total taxes collected	117	310	195	164	212	51	17	14	10	0	1	0	1	1	74

1) In line with country by country reporting requirements, we have chosen to disclose the stated capital and accumulated earnings per country. The data in the overall table is based on the consolidated group position per country however these lines differ as the basis is the sum of the legal entities per country. This better reflects the position of the country's equity.

2) Group internal eliminations between the countries are not included. This better reflects the position of the country's assets and receivables.

3) Including cash collaterals.

Business activities	Businesses with production, service, sales, and trading operations with a wider customer base	Businesses of production operations, holding activities, service and sales operations with a wider customer base	Businesses of production operations, trading operation, holding activities, services and sales with a wider customer base	Business with financing and service operations with a limited customer base	Businesses of holding, financing, service and sales operations
Name of parent company/companies	Fortum Oyj	Fortum Power AB	Fortum Power and Heat Polska Sp. z o.o.	Fortum Finance Ireland DAC	Fortum Holding BV
Names of main companies with operations	Fortum Power and Heat Oy, Fortum Markets Oy, Fortum Waste Solutions Oy	Fortum Sverige AB, Fortum Markets AB, Fortum Waste Solutions AB	Fortum Power and Heat Polska Sp. z o.o. Fortum Marketing and Sales Polska S.A	Fortum Finance Ireland DAC	Fortum Finance Ireland DAC Dutch Branch, Fortum Holding B.V
Comments by country	Please see more details separately.	Please see more details separately.	Please see more details separately.	Please see more details separately.	Please see more details separately.



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European union

EUR million	Denmark			Belgium			Germany			Other EU Countries		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Profit before tax	7	10	0	2	43	16	-2	-110	-3.186	-2	-1	-105
Stated capital ¹⁾	30	31	38	902	920	920	6	1,602	55.682	1	1	454
Accumulated earnings ¹⁾	69	65	50	133	114	83	4	-6,274	16.686	-4	-6	-102
Number of employees	175	172	187	4	3	3	29	24	4.906	76	81	136
Assets used in operations ²⁾	101	99	110	0	0	0	6	3	3.714	10	11	113
Interest bearing loan receivables ^{2,3)}	0	0	0	0	101	795	0	0	11.357	0	0	165
Effective income tax rate	21.7%	21.1%	0.0%	73.4%	27.6%	23.6%	-21.6%	0.2%	3.8%	1291.8%	0.0%	52.3%
Total tax contribution	11	9	11	2	12	5	1	0	1.448	2	1	-19
Total tax rate	48.1%	31.2%	104.0%	75.0%	27.8%	14.8%	N/A	0.2%	N/A	N/A	N/A	N/A
Taxes borne												
Corporate income tax	2	1	0	1	12	2	0	-1	485	0	0	21
Production taxes	3	3	3	0	0	0	0	0	5	0	0	1
Employment taxes	0	0	0	0	0	0	0	0	67	0	1	1
Taxes on property	0	0	0	0	0	0	0	0	3	0	0	0
Cost of indirect taxes	0	0	0	0	0	0	0	0	4	0	0	0
Total taxes borne	5	4	3	2	12	2	0	0	564	0	1	23
Taxes collected												
Net VAT	1	0	3	0	0	3	0	0	385	0	0	0
Sales VAT	12	10	13	0	0	3	0	0	16,277	9	9	278
VAT on Purchases	11	11	10	0	0	0	1	1	15,893	11	11	325
Payroll taxes	5	5	5	0	0	0	1	0	214	1	0	1
Excise taxes	0	0	0	0	0	0	0	0	285	0	0	3
Withholding taxes	0	0	0	0	0	0	0	0	0	0	0	0
Total taxes collected	6	5	7	0	0	3	1	0	884	1	1	4

1) In line with country by country reporting requirements, we have chosen to disclose the stated capital and accumulated earnings per country. The data in the overall table is based on the consolidated group position per country however these lines differ as the basis is the sum of the legal entities per country. This better reflects the position of the country's equity.

2) Group internal eliminations between the countries are not included. This better reflects the position of the country's assets and receivables.

3) Including cash collaterals.

Business activities	Businesses with service, sales with a wider customer bases	Businesses of service operations and sales	Businesses of service operations and sales
Name of parent company/companies	Fortum Waste Solutions A/S	Fortum Finance Ireland DAC	Fortum Holding B.V.
Names of main companies with operations	Fortum Waste Solutions A/S	Fortum Finance Ireland DAC, Belgium Branch	Fortum Batterie Recycling GmbH, Fortum Service Deutschland SE

Comments by country	The high total tax rate is driven by the low profits. The total tax contribution has remained stable despite the fluctuation in profits.	In 2023, the operations continued to reduce resulting in reduced profits. In late 2023, the loan portfolio was transferred to the Netherlands and the Branch will now continue as a service provider. The higher PBT in 2022 was mainly related to the interest income received related to the favourable decision in the ongoing legal tax case. The high total tax rate is a consequence of the low profit.	In early 2023, our holding operations were ceased and merged into Ireland which resulted in a material reduction in the indicators above. The remaining operations consist of service operations which generate low profits and therefore low taxes borne and collected.	Mainly refers to Estonia, France, and Spain. The effective tax rate is increased due to a group level tax adjustment on internal capital loan interest that cannot be allocated to a specific country. The rate would be 0% without this adjustment. See note 12.2 of the Financial Statements for more details.
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Non European union

EUR million	Norway			Russia			United Kingdom			USA			India			Other Non EU Countries		
	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021	2023	2022	2021
Profit before tax	-30	33	57	0	-1,437	455	-13	-10	-824	-4	-4	221	-5	-4	1	1	0	-72
Stated capital ¹⁾	254	325	489	0	965	1,228	35	12	110	121	106	134	16	16	9	1	1	144
Accumulated earnings ¹⁾	176	213	262	0	390	2,052	-35	-15	392	-22	-19	35	-10	-6	-6	30	28	-30
Number of employees	350	395	607	0	2,724	6,894	75	76	1,067	0	0	80	57	68	73	8	75	122
Assets used in operations ²⁾	598	881	1,711	0	1,614	3,727	5	7	1,199	95	86	75	8	5	6	8	6	97
Interest bearing loan receivables ^{2, 3)}	6	0	0	0	2	29	10	5	176	0	0	17	0	0	0	29	29	45
Effective income tax rate	23.7%	9.9%	22.6%	0.0%	7.9%	19.1%	-2.7%	-0.5%	21.8%	0.0%	0.0%	24.2%	-0.2%	-0.5%	-12.5%	13.3%	11.0%	-5.7%
Total tax contribution	73	36	33	0	163	331	3	7	258	0	0	3	2	2	1	2	3	10
Total tax rate	N/A	46.0%	29.5%	0.0%	N/A	29.9%	N/A	-N/A	N/A	0.0%	0.0%	13.7%	N/A	N/A	0.0%	35.1%	N/A	N/A
Taxes borne																		
Corporate income tax	2	11	11	0	34	99	0	0	0	0	0	29	0	0	0	0	1	1
Production taxes	0	0	0	0	3	5	0	0	177	0	0	0	0	0	0	0	0	0
Employment taxes	4	6	7	0	4	23	1	1	11	0	0	1	0	0	0	0	0	0
Taxes on property	0	1	1	0	17	25	0	0	19	0	0	0	0	0	0	0	0	0
Cost of indirect taxes	0	1	0	0	0	0	0	0	2	0	0	0	0	0	0	0	0	0
Total taxes borne	6	18	19	0	59	152	1	1	209	0	0	31	0	0	0	1	1	1
Taxes collected																		
Net VAT	59	6	0	0	96	152	0	4	23	0	0	0	1	0	0	0	0	8
Sales VAT	495	894	544	0	319	490	-1	5	1,361	0	0	0	1	1	1	0	1	9
VAT on Purchases	436	888	571	0	223	338	2	1	1,338	0	0	0	0	0	1	0	1	1
Payroll taxes	7	11	14	0	8	16	2	2	26	0	0	3	1	1	1	1	1	0
Excise taxes	0	0	0	0	0	0	0	0	0	0	0	3	0	0	0	0	0	0
Withholding taxes	0	0	0	0	0	10	0	0	0	0	0	0	0	0	0	0	0	0
Total taxes collected	66	17	14	0	104	178	2	6	49	0	0	6	1	2	1	1	2	9

1) In line with country by country reporting requirements, we have chosen to disclose the stated capital and accumulated earnings per country. The data in the overall table is based on the consolidated group position per country however these lines differ as the basis is the sum of the legal entities per country. This better reflects the position of the country's equity.

2) Group internal eliminations between the countries are not included. This better reflects the position of the country's assets and receivables.

3) Including cash collaterals.

Business activities	Businesses of production operations, holding activities, trading operations, services and sales	-	Businesses of production operations, holding activities, services and sales	Business of equity investments	Businesses of solar production operations, services and sales
Name of parent company/companies	Fortum Holding BV	-	IVO Energy Ltd	Fortum Holding BV	Fortum Holding BV
Names of main companies with operations	Fortum Hedging AS, Fortum Strøm AS, Norges Energi AS	-	Fortum O&M UK Ltd	Valo Ventures I LP Fund	Fortum India Private Ltd
Comments by country	Please see more details separately.	Following the deconsolidation of Russian operations in April 2023, Russia is not reported in the Fortum Group and further information on Russian results can be in information on discontinued operations later in this report.	While O&M operations continued to be profitable, we are engaged in an ongoing R&D project and in the early phases of building of waste to energy plants, resulting in negative profits. The total tax rate was impacted by the loss and unrecognised deferred tax assets.	Fortum has a limited partnership in the USA for investing in external start-ups on a wider geographical scale. Operations have been loss making. Accordingly, no taxes borne and collected.	Operations in India are mainly the building of Solar Power parks. This business is capital intensive and expect to incur losses in the early years. As a result, taxes borne are low which impact the total tax contribution and tax rate. The low effective tax rate is also driven by unrecognised deferred tax assets on losses.

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Information on discontinued operations

During 2023, Fortum lost control of the Russian operations due to the seizure by the Russian authorities. Accordingly, Russia is now reported as discontinued operations in the Group Financial Statements for 2023 and the 2022 Income Statement was restated, meaning Russian profits are excluded from the results for 2023 and 2022. With effect from 1 April 2023, the accounting data of Russia is no longer included in the Balance Sheet of continuing Fortum Group results.

EUR million	Dec 2023 Russia
Profit from discontinued operations	-3,583
Of which relates to:	
Taxes borne	21
Taxes collected	27
Effective income tax rate	0
Total tax contribution	47
Total tax rate	0

Other payments to the public sector

In addition to taxes borne and taxes collected, we make other compulsory tax-like payments to the public sector, payments that are not compensation for goods or services received. For example, in 2023 we paid EUR 42 (2022: 52) million in employer statutory pension contributions. We are also a significant dividend payer. Fortum’s Board of Directors proposes to the 2024 Annual General Meeting that a dividend of EUR 1,031 million (2023: 817) be paid for 2023. The Finnish State’s share of this would be about EUR 460 million (2023: 419).

Ongoing tax appeals

Fortum had ongoing tax audits during 2023. Based on earlier audits, Fortum has received income tax assessments in Belgium for the years 2008–2012. In previous years, Fortum appealed all assessments received; in 2022, Fortum received the final assessment for the years 2009–2012 in our favour, while 2008 is still being assessed. This positive assessment for 2009–2012 became final, as the tax authorities did not appeal the court decision. Based on a legal analysis, no provision has

been accounted for in the financial statements related to the Belgium 2008 tax audits, and the prepaid tax is recorded as a receivable.

In Sweden, in June 2023 Fortum received a negative decision from the Court of Appeal in Stockholm regarding a case in which damages are claimed from the Swedish State. Fortum applied for leave to appeal to the Supreme Court in August 2023. Secondly, Fortum has had ongoing tax appeals in Swedish courts and the EU Commission relating to the hydro property tax. In February 2022, Fortum did not get leave to appeal to the Supreme Administrative Court in Sweden. Fortum has a complaint pending in the EU Commission; Fortum has requested the Commission to analyse the Swedish Supreme Administrative Court’s compliance with EU law, as the Court does not refer relevant cases to the EU Courts.

Fortum has applied for advanced rulings to the Finnish Central Board of Taxation in relation to the treatment of the EU’s Revenue Cap. The Decision was that the board was not willing to provide a ruling and Fortum will make a new ruling request to the Finnish Tax Authority in 2024.

For more information, see Note 36 ‘Legal actions and official proceedings’ in Fortum Financials 2023.

Information about companies registered in so-called low-tax jurisdictions

For the purposes of our tax principles we define so called low tax jurisdictions to be countries with no or very low taxation, no or low exchange of information and tax assessments that are not based on tax law, rather on non-transparent agreements. This steers our behaviour when incorporating companies and businesses. Fortum has two entities in countries that are considered low-tax jurisdictions. Both these companies have been incorporated for business reasons, e.g. insurance regulation-related reasons, and not to take advantage of tax benefits. Fortum has a fully owned captive insurance company in Guernsey. It also has a stake in Nature Elements Asia Renewable Energy and Cleantech Fund L.P., which does research and development investments and is located in the Cayman Islands.

Fortum’s earnings from controlled foreign companies (CFCs) are subject to normal taxation in Finland. The taxes borne on these operations were EUR 330 thousand in 2023.



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During 2023, we voluntarily published for the first time public country-by-country (CBCR) information in line with the OECD guidelines. We find this helpful when moving to next CBCR for 2023 in 2024. For our second year of reporting public CBCR we have decided to combine this with our Tax Footprint report. We believe that combining these reports increases transparency and understanding of our tax positions.

The information disclosed in the CBCR tables differs from the above total tax tables on pages 24–26 due to different reporting requirement applied in the approaches. The total tax tables aim to show the IFRS Group consolidated position, while public country-by-country reports IFRS aggregated position which is the sum of the legal entities, stand-alone, within a country before any consolidation adjustments. Fortum’s legal entities report locally in local gaap or IFRS, so therefore the data we display will not align with the legal company financial statements. The difference will be accounting related IFRS adjustments.

Consolidation adjustments are those that eliminate internal transactions between Group companies. As many of Fortum’s companies trade with each other across the entire Group, within the same jurisdiction and across borders, the financial information is different than what is presented in the consolidated Financial Statements and the Tax Footprint for 2023.

Also, the definitions dictated by the OECD guidelines differ from the standard definitions we use in other reporting areas. For example, revenue includes interest income and capital gains in the CBCR report; in Financial Statements, they are reported separately outside of the revenue line in ‘Sales’. For ease of understanding, we have included a definitions section at the end of this report to illustrate the basis used in this report. Definitions are based on OECD terminology and may be different from IFRS terminology used in Fortum’s annual report.

How to read this report

This report aims to report the data as defined in the OECD Public CBCR Reporting (CBCR) and the guideline VN/15411/2022 issued from Ownership Steering Department of the Finnish Prime Minister’s Office. This data illustrates local financial details on a stand-alone basis and the nature of business activities in each country. We believe that this report will mostly be used to identify the cash taxes paid in each jurisdiction. This data automatically differs from Fortum’s financial and tax footprint data.

Important notice:

The report includes all our operating countries, without a materiality threshold in the country-by-country report. It is important to note that our total tax contribution reporting, based on consolidated information, does employ a normal materiality threshold.

Cash taxes paid in Finland in 2023 are high as Fortum paid both the 2022 final corporate income tax and the 2023 advanced corporate income tax within the calendar year 2023. The term "cash tax paid" reflects taxes paid at the time of payment, and "taxes borne" accounts for current tax liabilities accrued over a specific period.

Key Indicator	Tax footprint basis	CBCR basis	Comments
Revenue – Unrelated Party	N/A	Sum of legal entities	
Revenue – Related Part	N/A	Sum of legal entities	
Total Revenue	N/A	Sum of the above	
Profit/Loss before Income Tax	Consolidated – all transactions between related parties eliminated and Group adjustments included	Sum of legal entities	This is where the largest differences will be seen due to the nature of consolidated accounts
Income Tax Paid (on cash basis)	CIT Taxes borne represents accrued taxes during the year that will be paid in this year or future years – but will be paid	Actual CIT taxes paid during the year	
Income Tax Accrued – Current Year	CIT taxes borne includes taxes accrued during the year relating to the current and prior years.	Included taxes accrued during the year relating to the current year only	
Stated Capital	Sum of legal entities	Sum of legal entities	No difference
Accumulated Earnings	Sum of legal entities	Sum of legal entities	No difference
Number of Employees	Year end number of employees	Year end number of employees	No difference
Tangible Assets other than Cash and Cash Equivalents	We present assets used in operations on consolidated basis	Sum of legal entities	



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Tax Jurisdiction	Unrelated Party Revenue	Related Party Revenue	Total Revenue	Profit (Loss) before Income Tax	Income Tax Paid (on Cash Basis)	Income Tax Accrued — Current Year	Stated Capital ¹⁾	Accumulated Earnings ¹⁾	Number of Employees	Tangible Assets other than Cash and Cash Equivalents
Belgium	0	12	12	2	2	2	0	0	4	0
Denmark	63	3	66	7	0	2	30	69	175	75
Estonia	0	2	2	0	0	0	0	1	55	0
Finland	2,671	1,472	4,143	250	309	157	11,799	9,595	2,682	2,305
France	0	1	1	0	0	0	0	-2	2	0
Germany	2	3	5	-2	0	0	6	4	29	3
Guernsey	11	1	12	2	0	0	1	30	0	0
India	4	0	4	-4	0	0	16	-10	57	6
Indonesia	0	0	0	0	0	0	0	0	0	0
Ireland	0	687	687	-791	-17	0	23,412	-15,330	5	0
Netherlands	68	320	388	-5,125	10	2	3,486	-2,260	9	0
Norway	1,751	572	2,323	-22	-6	2	254	176	350	7
Poland	1,593	155	1,748	-60	29	6	308	73	717	605
Russia	254	5	258	52	15	15	0	0	0	0
Rwanda	4	0	4	0	0	0	0	0	0	0
Spain	49	-3	46	-2	0	0	1	-4	19	0
Sweden	2,688	44	2,732	169	127	122	3,802	1,754	1,038	3,066
Switzerland	0	2	2	0	0	0	0	0	8	0
United Kingdom	14	1	15	-19	0	0	35	-35	75	1
United States	0	0	0	-4	0	0	121	-22	0	0

1) State Capital and Accumulated Earnings of Permanent Establishments and Branches have been included in the jurisdiction where the legal entity is located. This differs from our Tax Footprint where we have reported data in the jurisdiction where the Permanent Establishment or Branch is located.





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Fortum Finance Ireland DAC Belgian Branch	Belgium						●		●				
Fortum Waste Solutions A/S	Denmark				●								
Barry Danmark ApS	Denmark					●							
Fortum CFS Eesti OÜ	Estonia						●						
Fortum Power and Heat Oy	Finland			●	●		●	●				●	
Fortum Oyj	Finland	●	●	●			●		●			●	
Fortum Markets Oy	Finland					●							
Fortum Battery Recycling Oy	Finland				●								
Fortum Asiakaspalvelu Oy	Finland					●	●	●					
Fortum Renewables Oy	Finland			●			●						
Fortum Real Estate Oy	Finland						●					●	
Fortum Waste Solutions Oy	Finland				●	●		●					
Koillis-Pohjan Energiantuotanto Oy	Finland					●						●	
EX-KE Oy	Finland					●							
Oy Pauken Ab	Finland						●						
Ekopartnerit Turku Oy	Finland				●	●		●					
Fortum Assets Oy	Finland											●	
Fortum Clean Oy	Finland												●
Fortum Heat and Gas Oy	Finland											●	
Fortum Norm Oy	Finland											●	
Fortum Power and Heat Holding Oy	Finland											●	
Katajamäen Tuulivoima Oy	Finland				●								
Molpe Vindkraft Ab/Oy	Finland				●								
Närpes Vindkraft Ab/Oy	Finland				●								
Oy Tersil Ab	Finland											●	
Oy Tertrade Ab	Finland											●	
Pjelax Vindkraft Ab/Oy	Finland				●								
Poikel Vindkraft Ab/Oy	Finland				●								
Brändskogen Vindkraft Ab Oy	Finland				●	●							
Fortum Alku Oy	Finland				●	●							
TGS Finland Oy	Finland				●								
Penkkisuon Tuulivoima Oy	Finland				●								
Fortum RES Oy	Finland				●	●							
Lamminnevan Tuulivoima Oy	Finland				●								
Fortum Kasvu Oy	Finland												●
Fortum Bio Oy	Finland												●
Fortum TwoGether Oy	Finland						●						
Lautamäen Tuulivoima Oy	Finland				●								
Santalan Aurinkovoima Oy	Finland				●								
Kalax Solkraft Ab/Oy	Finland				●								
Virolahden Aurinkovoima Oy	Finland				●								
Kemiönsaaren Aurinkovoima Oy	Finland				●								

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Korvenniityn Aurinkovoima Oy	Finland				●								
Marttilan Aurinkovoima Oy	Finland				●								
Norrsarvlax Solkraft Ab/Oy	Finland				●								
Tarvasjoen Aurinkovoima Oy	Finland				●								
Trepus Oy	Finland				●								
Frosart OY	Finland				●								
Koixi Oy	Finland				●								
Pophus Py	Finland				●								
Fortum France SAS	France							●					
Barry France SAS	France					●							
Fortum Service Deutschland GmbH	Germany							●					
Fortum Deutschland SE	Germany											●	
Fortum Oyj / German PE	Germany						●						
MAWAL Energie GmbH	Germany												●
SALWAL Energie GmbH	Germany												●
Fortum Batterie Recycling GmbH	Germany				●								
TGS Germany GmbH	Germany							●					
Fortum Insurance Ltd	Guernsey										●		
Fortum India Private Ltd	India					●	●	●					
Fortum Charge & Drive India Private Limited	India					●		●					
SolarXL Alpha Energy Private Limited	India												●
SolarXL Beta Energy Private Limited	India				●	●							
SolarXL Gamma Energy Private Limited	India												●
Solar One Energy Private Limited	India												●
SolarXL Zeta Energy Private Limited	India												●
SolarXL Delta Energy Private Limited	India												●
PT Fortum Energy Solution	Indonesia							●					
Fortum eNext Ireland Ltd	Ireland							●					
Fortum Finance Ireland DAC	Ireland								●				
Fortum Global Finance Designated Activity Company	Ireland								●				
Fortum P&H Ireland Limited	Ireland											●	
Fortum Participation Ltd	Ireland						●					●	
Fortum Holding B.V.	Netherlands						●					●	
Fortum 2 B.V.	Netherlands												●
Fortum 3 B.V.	Netherlands								●			●	
Fortum H&C B.V.	Netherlands											●	
Fortum Energy Holding B.V	Netherlands												●
Fortum Power Holding B.V.	Netherlands	●										●	
Fortum Russia B.V.	Netherlands						●		●			●	
Fortum SAR B.V.	Netherlands											●	
Fortum Star B.V.	Netherlands											●	



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PolarSolar B.V.	Netherlands								●			●	
Fortum Finance Ireland DAC Dutch Branch	Netherlands						●		●				
Fortum Hedging AS	Norway			●		●	●						
Fortum Strøm AS	Norway					●							
NorgesEnergi AS	Norway					●							
Fortum Consumer Solutions AS	Norway						●					●	
Tellier Service AS	Norway					●							
Fortum Forvaltning AS	Norway						●					●	
Fortum Kundesenter AS	Norway						●						
Fortum Plastics Recycling Norway AS	Norway												●
Fortum Waste Solutions Norway AS	Norway					●							
Fortum Marketing and Sales Polska S.A.	Poland					●	●	●				●	
Fortum Network Plock Sp.z.o.o.	Poland				●								
Fortum Network Wroclaw Sp. z o.o.	Poland				●								
Fortum Silesia S.A.	Poland				●			●					
Fortum Network Częstochowa Sp. z o.o.	Poland				●								
Fortum Power and Heat Oy Polish PE	Poland						●						
Fortum Sprzedaz Sp. z o.o	Poland						●						
Fortum Service Poland Sp. z o.o.	Poland			●			●						
Fortum Power and Heat Polska Sp. z o.o.	Poland				●								
Fortum-New Generation 3 Limited Liability Company	Russia												●
Fortum-New Generation 5 Limited Liability Company	Russia												●
Joint Stock Company Chelyabenergoremont	Russia						●						
PAO Fortum	Russia				●		●					●	
Ural Heat Networks Company Joint Stock Company	Russia					●	●						
LLC Bugulchanskaya Solar power station	Russia				●								
Ylyanovsk Wind Farm LLC	Russia												●
HQ Services Limited	Rwanda						●	●					
Escandinava de Electricidad S.L.U.	Spain			●		●							
Fortum Sverige AB	Sweden				●		●	●					
Fortum Markets AB	Sweden					●							
Brännälven Kraft AB	Sweden				●								
Göta Energi AB	Sweden					●							
Fortum Energy AB	Sweden					●							
Fortum Waste Solutions AB	Sweden				●								
Blybergs Kraftaktiebolag	Sweden				●								
Bullerforsens Kraft Aktiebolag	Sweden				●								
Energikundservice Sverige AB	Sweden					●	●	●					
Fortum 1 AB	Sweden											●	



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Fortum Fastigheter AB	Sweden												
Fortum Produktionsnät AB	Sweden												●
TGS Sweden AB	Sweden												●
Fortum Power AB	Sweden												●
Fortum Sweden AB	Sweden											●	
Fortum Waste Solutions Holding AB	Sweden											●	
Mellansvensk Kraftgrupp Aktiebolag	Sweden											●	
Oreälvens Kraftaktiebolag	Sweden				●								
Sävar Vindkraft AB	Sweden												●
Uddeholm Kraft Aktiebolag	Sweden												●
Värmlandskraft-OKG-delägarna Aktiebolag	Sweden											●	
Borgvik Vindkraft AB	Sweden												●
Salviken Solpark AB	Sweden												●
Fortum Vindkraft Sverige 3 AB	Sweden												●
Fortum Grön AB	Sweden												●
Bankälla Solpark AB	Sweden												●
Fortum Vindkraft Sverige 8 AB	Sweden												●
Bergsveden Solpark AB	Sweden												●
Klinthögen Vindkraft AB	Sweden												●
Klöverkullen Vindkraft AB	Sweden												●
Fortum Vindkraft Sverige 4 AB	Sweden												●
Nya Bullerforsen Kraft AB	Sweden												●
Fortum Mockfors Kraft AB	Sweden												●
Alvret Solpark AB	Sweden												●
Fortum Förnyelsebar Sverige 2 AB	Sweden												●
Fortum Förnyelsebar Sverige 3 AB	Sweden												●
Fortum Förnyelsebar Sverige 4 AB	Sweden												●
Fortum Förnyelsebar Sverige 5 AB	Sweden												●
Fortum Förnyelsebar Sverige 6 AB	Sweden												●
Fortum Förnyelsebar Sverige 7 AB	Sweden												●
Fortum Förnyelsebar Sverige 8 AB	Sweden												●
Fortum Förnyelsebar Sverige 9 AB	Sweden												●
Fortum Förnyelsebar Sverige 10 AB	Sweden												●
Telge Energi AB	Sweden					●							
Fortum Holding B.V. / Swiss Branch office	Switzerland						●						
Fortum Carlisle Limited	United Kingdom				●								
Fortum O&M (U.K.) Limited	United Kingdom							●					
Fortum Energy Limited	United Kingdom						●						
IVO Energy Limited	United Kingdom											●	
South Clyde Energy Recovery Holdings Ltd	United Kingdom											●	
Fortum Ratcliffe Limited	United Kingdom				●								
Valo Ventures I LP Fund	United States											●	

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Term	Definition
Corporate income tax	All taxes that are based on the taxable profits of a company and temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS12.
Current tax	The corporate income tax due with respect to taxable profits of an accounting period, as defined in the International Financial Reporting Standard IAS12.
Deferred tax	The corporate income tax due with respect to temporary differences between accounting values and tax bases, as defined in the International Financial Reporting Standard IAS12.
Effective income tax rate	Income tax expense, divided by profit before income tax.
Comparable income tax expense	Income tax expense, excluding taxes on items affecting comparability, adjustments to finance costs – net, tax rate changes and other one-time adjustments.
Comparable effective income tax rate	Comparable income tax expense divided by Comparable profit before income tax excluding comparable share of profit/loss from associated companies and joint ventures.
Weighted average applicable income tax rate	Sum of the proportionately weighted share of profits before taxes of each Group operating country, multiplied by the applicable nominal tax rate of the respective countries.
The Group / Fortum Group	Fortum Oyj and its subsidiaries and Fortum Group associated companies and joint ventures.
Indirect tax	Tax that is required to be paid to a government by one person or company at the expense of another person or company.
Profit before income tax	Accounting profit for a period before deduction of corporate income taxes.
Comparable profit before income tax	Comparable operating profit, +/- comparable share of profit/loss of associates and joint ventures, +/- comparable finance costs net.
Tax	Any amount of money required to be paid to a government without receiving any services, whether by law or by agreement, including, without limitation, corporate income taxes, production taxes, property taxes, employment taxes, sales taxes, asset transfer tax, and any other required payments.
Taxes borne	Taxes that a company is obliged to pay to a government, directly or indirectly, on that company's own behalf with respect to an accounting period. Taxes borne includes corporate income taxes (excluding deferred taxes), production taxes, employment taxes, taxes on property, and cost of indirect taxes. Production taxes include also taxes paid through electricity purchased from associated companies.
Taxes collected	Tax that a company is obliged to pay to a government on behalf of another person or a company. Taxes collected includes VAT, and excise taxes on power consumed by customers, payroll taxes, and withholding taxes.
Total tax contribution	Sum of taxes borne and taxes collected. Total tax contribution is a measure of the contribution it has made to the public finances in the year.
Total tax rate	Taxes borne, divided by profit before tax, increased by taxes borne in operating profit. Taxes included in operating profit are production taxes, employment taxes, taxes on property and cost of indirect taxes.
Windfall tax	A tax levied on an unforeseen or unexpectedly large profit, especially one regarded to be excessive or unfairly obtained.
Other payments to and from the public sector	Other compulsory tax-like payments to the public sector, payments that are not compensation for goods or services received.
Assets used in operations	Non-interest-bearing assets plus interest-bearing assets related to the Nuclear Waste Fund (non-interest-bearing assets do not include finance-related items, taxes, and assets from fair valuations of derivatives used for hedging future cash flows).

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