

FORTUM GROUP TAX GOVERNANCE - EXECUTIVE SUMMARY

1 INTRODUCTION

Purpose of Tax Governance

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

Fortum Tax Mission

Fortum's Audit and Risk Committee annually confirms the Fortum Tax function's mission. Fortum is committed to responsible tax management. This is achieved through early planning, transparent tax reporting, and efficient financing and taxation of Fortum Group on a short- and long-term basis, and by respecting the purpose of tax laws.

In line with this, the Corporate Tax Team defines the tax strategy to strongly support Fortum's business strategy, supports the business by delivering simple, predictable, and efficient solutions, and strives to ensure that taxes are paid on time in each country of operation.

2 FORTUM TAX GOVERNANCE'S MAIN ACCOUNTABILITIES AND RESPONSIBILITIES:

Board of Directors of Fortum Oyj reviews and approves principles for tax management. Proposal for tax principles is drafted by the VP Tax and reviewed by CFO/Finance & FEM prior to Board approval.

Tax aspects, such as awareness of tax regulations, tax impacts, reputational aspects, and regulatory compliance, are highlighted by Fortum Tax and reviewed in each investment proposal in line with investment guidelines. The Board of Directors reviews tax-related topics in relation to any material investment as part of the investment approval process.

Audit and Risk Committee of Fortum Oyj's Board annually reviews Fortum's tax strategy, mission, and tax environment, and reports on tax risks and their mitigation plans, as well as ongoing tax litigation.

Fortum Executive Management (FEM) reviews tax-related topics included in investment, acquisition, and divestment proposals in line with the Fortum investment manual.

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Chief Financial Officer (CFO) is accountable for Fortum's tax position and issues in FEM. To manage this accountability, the CFO appoints a head of tax, VP Tax, as responsible for all Fortum Group tax matters. The VP Tax regularly reports on applicable tax-related matters to the CFO or to the person appointed by the CFO to ensure compliance with the rules and optimisation of our tax position.

Corporate Tax Team (CTT), headed by VP Tax, manages all Fortum Group tax issues. The VP Tax drafts tax strategy, tactics, and strategic planning of material corporate-level transactions. Under the VP Tax, the CTT is organised by function:

Tax Planning further develops the planning in concrete strategic transactions under the supervision of the VP Tax.

Tax Compliance is accountable for tax compliance instructions and for ensuring the correct local taxable income and maintaining a jointly agreed RACI of concrete tax compliance duties in the Fortum Group.

Tax Audits & Assessments manages Fortum Group tax audit readiness and tax litigation processes.

Tax Accounting & Risk delivers quarterly and annual financial statement disclosure notes to Corporate Accounting.

Tax Transparency is responsible for external stakeholder communication as well as for internal tax communication.

Tax Policies & Authority Transparency is in charge of following tax policy developments and identifying key policies of relevance to Fortum.

Business Tax ensures sufficient expertise in transaction, property, and production-related taxes borne and collected (including customs).

Holding and Group Internal Financing also reports to VP Tax.

Fortum Corporate Tax has internal control process to ensure that all key controls are performed. Any failure in the key controls is reported to the VP Tax and the CFO Office.

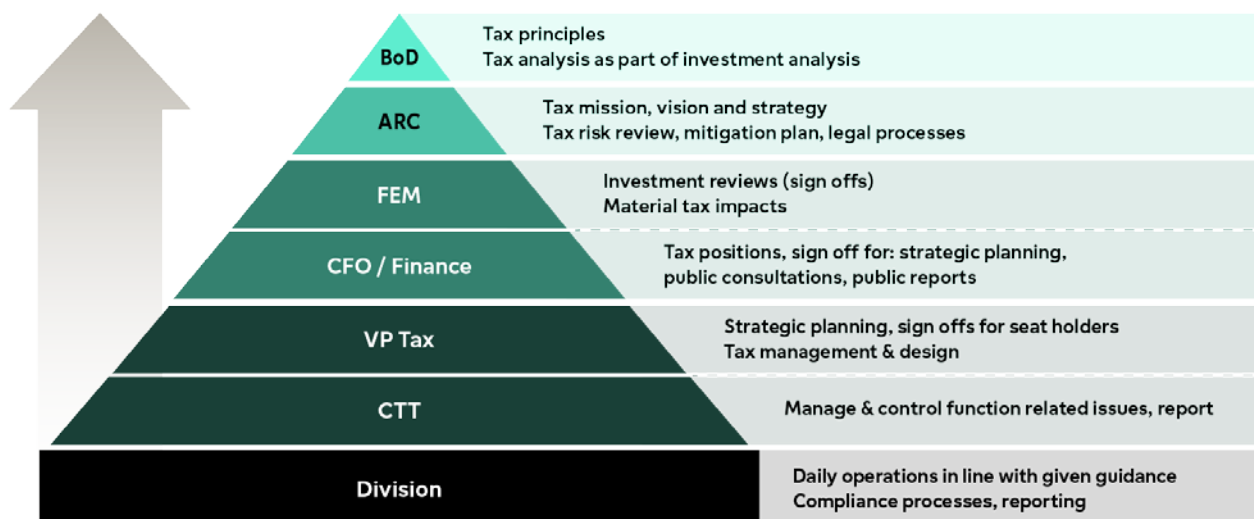
Divisions are responsible for actual tax reporting, compliance work of any tax in line with CTT instructions, guidelines, and recommendations.

Financial Services (FS) is responsible for actual compliance and reporting processes, bookings, and tax payments of those taxes that a division has outsourced to FS.

Divisions and FS are obliged to maintain internal controls to illustrate that the laws and CTT guidance are respected and followed.

The functions have defined accountabilities and responsibilities (RACI). Maintenance of RACI is a clear risk mitigation action.

RACI follows the main mandate principles and reporting lines, as follows:



The functions have several reporting obligations to VP Tax through processes and forums, such as steering and reporting meetings, risk review & internal controls, hand over, sign off & closing of non-routine transactions, and closing reporting. The reporting obligations are defined in the Tax Governance Principles.

All tax-related work and activity in Fortum Group, independent of who is performing it, must respect and follow the tax principles and tax strategy. Each function is liable for requesting sign off for items not included in the agreed mandates and for reporting items within mandates to the VP Tax.

3 FORTUM TAX GOVERNANCE IN STOCK-LISTED SUBSIDIARIES

Fortum may own subsidiaries that are listed on a stock exchange. These subsidiaries typically have their own individual tax organisation. Due to the de facto principle, Fortum Tax Governance Principles are not directly applicable to those entities. These entities will be covered separately, case by case, in these guidelines and updated from time to time.

However, in spite of the de facto principle, even these entities are expected to follow Fortum’s tax principles, as defined by Fortum’s Board of Directors, report their tax position in line with the requirements set forth by consolidation, be part of the Fortum Group tax risk review, and have tax governance that, at minimum, fulfils the same standards as Fortum’s Tax Governance.