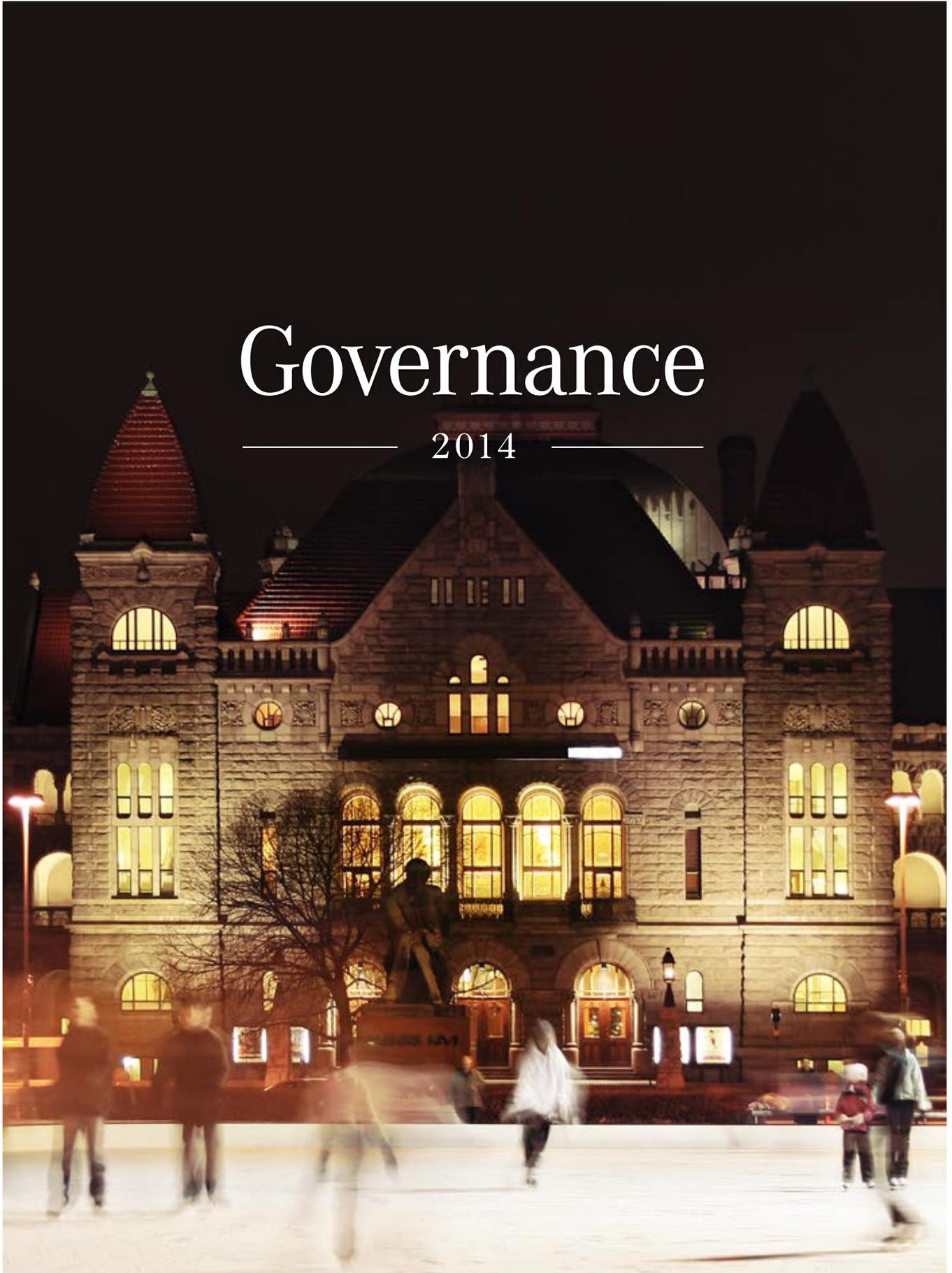


Governance

2014



Next generation
energy company



Table of contents

Governance	3
<hr/>	
<i>Corporate Governance Statement</i>	3
<hr/>	
<i>Governing bodies of Fortum</i>	3
<hr/>	
<i>Internal controls in relation to financial reporting</i>	11
<hr/>	
Legal notice	15
<hr/>	

GOVERNANCE

Corporate Governance Statement

Fortum Corporation's shares (FUM1V) have been listed on Nasdaq Helsinki since 18 December 1998. Fortum's industrial sector, according to the Global Industry Classification Standard, is Electric Utilities. The State of Finland is the majority owner in Fortum with 50.76 % of the shares as at 31 December 2014.

Corporate governance at Fortum is based on Finnish laws and the company's Articles of Association. Fortum complies also fully with the Finnish Corporate Governance Code

2010. The statement is issued separately from the Operating and financial review, and it has been reviewed by the Audit and Risk Committee of Fortum's Board of Directors.

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

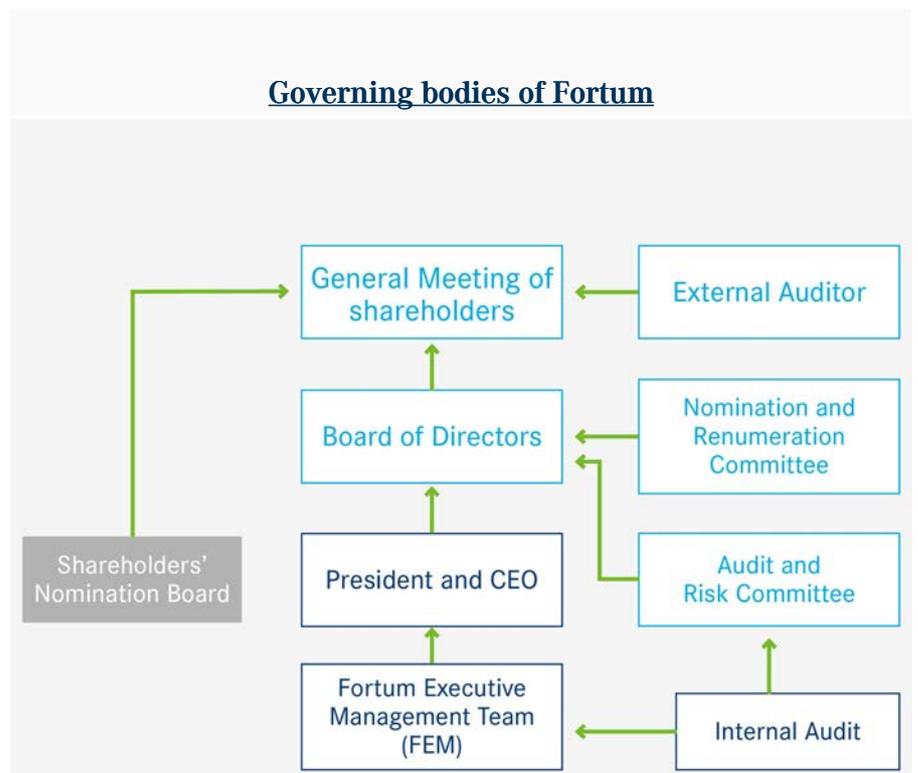
and financial review and the parent company financial statements are prepared in accordance with the Finnish Companies Act, Accounting Act, Securities Markets Act, and the opinions and guidelines of the Finnish Accounting Board. The auditor's report covers the operating and financial review, consolidated financial statements and the parent company financial statements. The Finnish Corporate Governance Code 2010 is available on the website of the Securities Market Association. (www.cgfinland.fi)

Governing bodies of Fortum

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

The General Meeting of Shareholders is the highest decision-making body of Fortum making resolutions in matters designated in the Companies Act. The Board of Directors is responsible for the company's strategic development and for supervising and steering the company's business and management. The President and CEO, supported by the Fortum Executive Management Team, has the operational responsibility at the Group level and is in charge of the day-to-day management of the Group, and at the division level, the operational responsibility is held by the division head, supported by the division's management team. In connection with the reorganisation as of 1 March 2014 Fortum Management Team was renamed as Fortum Executive Management Team (FEM) and the number of members was extended from nine to twelve.

In addition, Fortum has an informal Advisory Council consisting of representatives of Fortum's stakeholder groups as invited by the



Board of Directors. The Advisory Council aims to advance Fortum's businesses by facilitating a dialogue and exchange of views between Fortum and its stakeholders. During 2014, the Advisory Council consisted of 14

representatives of Fortum's stakeholder groups and three employee representatives.

Fortum has not established a specific Sustainability Committee for decision-making

on economic, environmental and social issues. As sustainability is an integral part of Fortum's strategy, the highest decision-making of these issues falls on the duties of the Board of Directors who share joint

responsibility on sustainability matters. The Audit and Risk Committee, members of the Fortum Executive Management Team and other senior executives support the Board of

Directors in the decision-making in the aforementioned matters, when necessary.

General Meeting of Shareholders

The General Meeting of Shareholders is the highest decision-making body of Fortum. Every shareholder has the right to attend the General Meeting and exercise his/her power of decision in matters belonging to the General Meeting by law. Each share is entitled to one vote. A shareholder who is present at the General Meeting of Shareholders also has the right to request information with respect to the matters to be considered at the meeting.

Decisions at the General Meetings of Shareholders are primarily made by a simple majority of votes. Examples of such decisions are the following: resolutions on the adoption of the financial statements, payment of dividends, discharging from liability of the members of the Board of Directors and the President and CEO, appointment of the Board of Directors and the external auditors and decision on their remuneration. However, for instance, a change in the Articles of Association of the company would require at least 2/3 majority of the votes at the General Meeting of Shareholders.

In accordance with the Articles of Association and Companies Act, a notice to convene the General Meeting of Shareholders is issued by the Board of Directors. The notice is delivered no more than three months and no less than three weeks before the General

Meeting of Shareholders by publishing the notice on the company's website and/or in two newspapers chosen by the Board of Directors. However, the notice shall be delivered at least nine days before the record date of the General Meeting of Shareholders. The Annual General Meeting of Shareholders is to be held once a year, in June at the latest. An Extraordinary General Meeting of Shareholders shall be held whenever the Board of Directors finds it necessary or when it is required by law to convene such a meeting. No Extraordinary General Meeting of Shareholders was held in 2014.

The duties of the Annual General Meeting include:

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

Board of Directors

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

The Board of Directors comprises five to eight members who are elected at the Annual General Meeting for a one-year term of office, which expires at the end of the first Annual

General Meeting following the election. The Annual General Meeting also elects the Chairman and the Deputy Chairman of the Board of Directors.

The Annual General Meeting resolved in April 2014 to remove the age limit of 68 years for board members from the Articles of Association, in accordance with the stand of the Ownership Steering of the Finnish State.

The Board of Directors convenes according to a previously agreed schedule to discuss specified themes and other issues whenever considered necessary. The Chairman of the Board of Directors prepares the agenda for

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

The President and CEO, the Chief Financial Officer, and the General Counsel, as secretary to the Board of Directors, attend

the Board meetings on a regular basis. Other Fortum Executive Management Team members and senior executives attend as required.

As part of its duties, the Board of Directors conducts an annual self-assessment in order to further develop its work. In addition, in accordance with the Finnish Corporate Governance Code 2010, the Board of Directors annually evaluates which of the directors are independent of the company and which are independent of its significant shareholders.

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

Board of Directors in 2014

Until the Annual General Meeting held on 8 April 2014, the Board of Directors comprised

the following seven members: Chairman Sari Baldauf, Deputy Chairman Christian Ramm-Schmidt, Mino Akhtarzand, Heinz-Werner Binzel, Ilona Ervasti-Vaintola, Kim Ignatius and Joshua Larson.

The Annual General Meeting on 8 April 2014 re-elected Chairman Sari Baldauf, Deputy Chairman Kim Ignatius (previously member), Mino Akhtarzand, Heinz-Werner Binzel, Ilona Ervasti-Vaintola and Christian Ramm-Schmidt (previously Deputy Chairman) and, in addition, Petteri Taalas and Jyrki Talvitie were elected as new members to the Board of Directors until the end of the Annual General Meeting in 2015.

In 2014, the Chairman, the Deputy Chairman and the members of the Board of Directors were all independent, non-executive directors and also independent of the company's significant shareholders. Three members, including the Chairman, are female.

During 2014, the Board of Directors met 11 times and the attendance rate of its members was 100 %.

The main focus areas of the Board of Directors during 2014 consisted of in-depth reviews of the economic environment and the energy sector especially in-light of the recent geopolitical development and possible impacts, further development of the company's strategy, including assessment of the future strategic alternatives after divestment of the electricity distribution business e.g. the plan to restructure TGC-1 ownership, reorganisation of business structure, review of succession plans as well as further review of various operations. Based on the self-assessment conducted during the previous year, the Board of Directors set certain focus areas and amended certain processes in an effort to further enhance the efficiency of the board work.

Fortum's Board of Directors on 31 December 2014

Name	Born	Nationality	Education	Occupation	Attendance in the Board Meetings	Attendance in the Board Committee Meetings
Chairman Ms. Sari Baldauf	1955	Finnish	MSc (Econ.)	Non-executive chairman	11/11	Nomination and Remuneration Committee, 3/3
Deputy Chairman Mr. Kim Ignatius	1956	Finnish	BSc (Econ.)	CFO of Sanoma Corporation Non-executive director	11/11	Audit and Risk Committee, 6/6
Ms. Minoo Akhtarzand	1956	Swedish	MSc (Electrical engineering)	Governor in the County of Jönköping Non-executive director	11/11	Nomination and Remuneration Committee, 3/3
Mr. Heinz-Werner Binzel	1954	German	Economics and electrical engineering degree	Independent consultant Non-executive director	11/11	Audit and Risk Committee, 6/6
Ms. Ilona Ervasti-Vaintola	1951	Finnish	LL.M, Trained on the bench	Non-executive director	11/11	Nomination and Remuneration Committee, 3/3
Mr. Christian Ramm-Schmidt	1946	Finnish	BSc (Econ)	Senior Partner of Merasco Capital Ltd. Non-executive director	11/11	Nomination and Remuneration Committee 3/3
Mr. Petteri Taalas ¹⁾	1961	Finnish	PhD in Meteorology	Director General of the Finnish Meteorological Institute Non-executive director	9/9	Nomination and Remuneration Committee, 3/3
Mr. Jyrki Talvitie ¹⁾	1966	Finnish	Executive MBA, Master of Law	Russian Direct Investment Fund, Director Non-executive director	9/9	Audit and Risk Committee, 4/5
Member of Fortum's Board of Directors until 8 April 2014						
Mr. Joshua Larson	1966	U.S. citizen	Master of International Affairs, Bachelor in Russian language	Private investor and consultant Non-executive director	2/2	Audit and Risk Committee, 1/1

1) New member from 8 April 2014.

The duties of the Board of Directors

- Responsibility for the administration and the proper organisation of the operations of the company
- Strategic development and steering of the company's business and fields of activity
- Ensuring that the business complies with the relevant rules and regulations and the company's Articles of Association
- Ensuring that the accounting and financial administration are arranged appropriately
- Appointing and dismissing the President and CEO
- Confirming the Group's organisational structure at the top management level, and appointing and dismissing the members of the Fortum Executive Management Team
- Reviewing the main risks and providing instructions concerning the risks
- Confirming the Group's business plan on an annual basis
- Setting and follow-up of company and management performance targets
- Discussing and commenting on the interim reports
- Approving consolidated financial statements, operating and financial reviews, and parent company financial statements
- Defining the dividend policy
- Deciding on major investments, divestments and business arrangements
- Confirming Group policies and principles, such as the Group Risk Policy
- Confirming the Group's ethical values and operating principles, including sustainability, and overseeing their implementation
- Reviewing the Group's sustainability performance and report

Board committees

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

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

Members are appointed for a one-year term of office, which expires at the end of the first Annual General Meeting following the election. All the members of the Board of Directors have the right to attend the committee meetings. The Chairman of the committee reports on the committee work to the Board of Directors regularly after each meeting and, in addition, the committee meeting materials and minutes are available to all members of the Board of Directors. The

Board of Directors has approved written charters for the committees; the charters are updated based on need.

Audit and Risk Committee

The Audit and Risk Committee assists the Board of Directors in matters relating to financial reporting, risks and control, in accordance with the tasks specified for audit committees in the Finnish Corporate Governance Code 2010. The Audit and Risk Committee oversees the financial reporting process and monitors the efficiency of the internal controls and risk management within the Group. In addition, the committee regularly reviews the business ethics compliance reporting. The committee has a written charter in which its duties have been defined. The main content of the charter is disclosed herein.

Pursuant to the Finnish Corporate Governance Code 2010, the members of the Audit and Risk Committee shall have the qualifications necessary to perform the

responsibilities of the committee, and at least one of the members shall have expertise specifically in accounting, bookkeeping or auditing. The members shall be independent of the company, and at least one member shall be independent of the company's significant shareholders.

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

The Audit and Risk Committee reports on its work to the Board of Directors regularly after each meeting. The Audit and Risk Committee annually reviews its charter, approves the internal audit charter and the internal audit plan and carries out a self- assessment of its work. As regards the external auditor, the committee reviews the audit plan and meets with the external auditor regularly to discuss the audit plan, audit reports and findings. In addition, the committee evaluates the

independence of the external auditors and monitors their performance.

Audit and Risk Committee in 2014

After the Annual General Meeting on 8 April 2014, the Board of Directors elected from amongst its members Kim Ignatius as the Chairman and Heinz-Werner Binzel and Jyrki Talvitie as members to the Audit and Risk Committee. Until the Annual General Meeting on 8 April 2014, the committee comprised Kim Ignatius as the Chairman and Joshua Larson and Heinz-Werner Binzel as members.

In 2014, the members were all independent of the company and of its significant shareholders. The Audit and Risk Committee met 6 times in 2014 and the attendance rate was 96 %.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee assists the Board of Directors in issues related to nomination and remuneration of the company's management. The committee has a written charter in which its duties have been defined. The main content of the charter is disclosed herein.

Pursuant to the Finnish Corporate Governance Code 2010, the members of a remuneration committee shall be independent of the company. The President and CEO or other executives of the company may not be appointed as members of the committee.

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

The duties of the Audit and Risk Committee include:

- Monitoring the financial position of the company
- Supervising the financial reporting process
- Monitoring the reporting process of financial statements
- Communicating with the external auditor and reviewing the reports that the auditor prepares for the committee
- Monitoring the statutory audit of the financial statements and consolidated financial statements
- Holding annual private meetings with the external and internal auditors
- Preparing through the Board of Directors the proposal on the election of the external auditor for shareholders to consider and for resolution at the Annual General Meeting
- Evaluating the independence of the external auditor particularly the provision of related services to the company to be audited
- Approving the operating instructions for internal audit
- Reviewing the charter, plans and reports of the internal audit function
- Monitoring the efficiency of the company's internal control, internal audit, and risk management systems
- Reviewing the description of the main features of the internal control and risk management systems in relation to the financial reporting process, which is included in the company's Corporate Governance Statement
- Annual reviewing of the Group Risk Policy and risk exposures
- Reviewing reports on legal disputes and proceedings
- Reviewing the Corporate Governance Statement

The Nomination and Remuneration Committee reports on its work to the Board of Directors regularly after each meeting. The Nomination and Remuneration Committee conducts annually a self-evaluation of its work.

Nomination and Remuneration Committee in 2014

After the Annual General Meeting on 8 April 2014, the Board of Directors elected from amongst its members Sari Baldauf as the Chairman and Minoo Akhtarzand, Ilona Ervasti-Vaintola, Christian Ramm-Schmidt and Petteri Taalas as members of the

Nomination and Remuneration Committee. Until the Annual General Meeting on 8 April 2014, the committee comprised Sari Baldauf as the Chairman and Minoo Akhtarzand, Ilona Ervasti-Vaintola and Christian Ramm-Schmidt as members.

In 2014, the members were all independent of the company and of its significant shareholders. The committee met 3 times during 2014 and the attendance rate was 100 %.

The duties of the Nomination and Remuneration Committee include:

- Preparing for the Board of Directors recommendations on the pay structures and the bonus and incentive systems of the Group and its management
- Monitoring the functioning of the bonus systems to ensure that the management bonus systems advance the achievement of the company's objectives and are based on personal performance
- Evaluating the performance and the remuneration of the President and CEO as well as other members of the Fortum Executive Management Team
- Preparing nomination and remuneration issues and proposals to the Board of Directors concerning the President and CEO as well as other members of the Fortum Executive Management Team
- Assisting the Board of Directors in reporting on remuneration at the Annual General Meeting, as necessary
- Reviewing and preparing succession plans for the President and CEO and other members of the Fortum Executive Management Team
- Monitoring, planning and promoting competence development in the Group based on strategic target setting

Shareholders' Nomination Board

The Annual General Meeting on 9 April 2013 established a permanent Shareholders' Nomination Board.

The purpose and task of the Shareholders' Nomination Board is to prepare and present to the Annual General Meeting, and, if necessary, to an Extraordinary General Meeting, a proposal on the remuneration, number and members of the Board of Directors. In addition, the task of the Shareholders' Nomination Board is to seek candidates as potential board members.

The Shareholders' Nomination Board consists of four members, three of which shall be appointed by the company's three largest shareholders, who shall appoint one member each. The Chairman of the Board of Directors serves as the fourth member. The members shall be nominated annually and their term of office shall end when new members are nominated to replace them.

Fortum's three largest shareholders that are entitled to appoint members to the Shareholders' Nomination Board, shall be determined on the basis of the registered holdings as of the first working day in September in the year concerned. The Shareholders' Nomination Board shall forward its proposals for the Annual General Meeting to the Board of Directors by 31 January each year.

Shareholders' Nomination Board ahead of Annual General Meeting 2015

In September 2014, the representatives of the company's three largest registered shareholders were invited to the Shareholders' Nomination Board: the Government Ownership Steering Department of the Prime Minister's Office, the Social Insurance Institution of Finland (KELA) and the State Pension Fund (of Finland). The State Pension Fund informed that they will not use their right to nominate. The following persons were appointed to the Shareholders' Nomination Board: Eero Heliövaara, b. 1956, MSc (Econ.) and MSc (Eng.), Director General of the Government Ownership Steering Department, Prime Minister's Office, and Liisa Hyssälä, b. 1948, MSSc, DDS, Director General, Social Insurance Institution of Finland (KELA). The Chairman of the Board of Directors, Sari Baldauf, acts as a member of the Shareholders' Nomination Board.

The Nomination Board convened 4 times and the attendance percentage at the meetings was 100 %.

The Shareholders' Nomination Board will propose to the Annual General Meeting 2015, which will be held on 31 March 2015, that the fees to be paid to the members of the Board of Directors are for a term ending at the end of the Annual General Meeting 2016

as follows: for the chairman, EUR 90,000 per year; for the deputy chairman, EUR 65,000 per year; and for each member, EUR 45,000 per year, as well as for the chairman of the Audit and Risk Committee EUR 65,000 per year if he or she is not at the same time acting as chairman or deputy chairman of the Board of Directors. In addition, for each Board of Directors and Board Committee meeting a fee of EUR 600 is proposed. For Board of Directors members living outside Finland in Europe, the proposed fee for each meeting will be doubled and for Board of Directors members living outside Europe, the proposed fee for each meeting will be tripled. For Board of Directors members living in Finland, the proposed fee for each Board of Directors and Board Committee meeting will be doubled for meetings held outside Finland and tripled for meetings held outside Europe. For Board of Directors and Committee meetings held as a telephone conference the proposed fee will be paid as single to all members. No fee will be paid for decisions made without a separate meeting.

The largest shareholder of the company, the Finnish State, which owns approximately 50,76% of the shares in the company at the date of the Notice to the Annual General Meeting, has notified the Board of Directors of the company that, in deviation from the proposal made by the Shareholders' Nomination Board, it will propose to the Annual General Meeting that the yearly fees to be paid to the members of the Board of

Directors remain at the current level for the following term of office.

In addition, the Shareholders' Nomination Board has decided to propose to the Annual General Meeting 2015 that the Board of Directors comprises of the eight members and that the following person be elected to the Board of Directors for the upcoming term: Ms Sari Baldauf (as chairman), Mr Kim Ignatius (as deputy chairman), Ms Minoo Akhtarzand, Mr Heinz-Werner Binzel, Mr Petteri Taalas and Mr Jyrki Talvitie as well as new members Ms Eva Hamilton and Mr Tapio Kuula.

Shareholders' Nomination Board 2014

In September 2013, following the establishment of the Shareholders' Nomination Board, the following persons were appointed to the Shareholders' Nomination Board: Eero Heliövaara, Director General of the Government Ownership Steering Department, Prime Minister's Office; Harri Sailas, b. 1951, MSc (Econ), President and CEO, Ilmarinen Mutual Pension Insurance Company; and Liisa Hyssälä, Director General, Social Insurance Institution of Finland (KELA). In addition, the Chairman of the Board of Directors, Sari Baldauf, was a member of the Shareholders' Nomination Board. The Shareholders' Nomination Board

convened three times and the attendance percentage at meetings was 92 %. The Shareholders' Nomination Board presented its proposal covering the members of the Board of Directors and the remuneration be paid to them, on 30 January 2014. The Annual General Meeting decided on the Board of Directors members and remuneration in accordance with this proposal on 8 April 2014.

The State of Finland, the majority owner in Fortum, complies with the Government Resolution on State Ownership Policy dated 3 November 2011. This resolution defines criteria for Board of Directors candidates.

President and CEO

The President and CEO holds the position of Managing Director under the Companies Act and is the Chairman of the Fortum Executive Management Team. The President and CEO is in charge of the day-to-day management of the Group, in accordance with the Companies Act and with instructions and orders issued by the Board of Directors. Under the Companies Act, the President and CEO is responsible for ensuring that the accounts of the company comply with the applicable laws and that its financial affairs have been arranged in a reliable manner.

Tapio Kuula has served as the President and CEO since May 2009. On 18 December 2014, Mr. Kuula started sick leave. Mr Timo Karttinen, CFO of Fortum Corporation, assumed responsibility for the duties of the President and CEO during Tapio Kuula's sick leave. On 22 January 2015 Fortum announced that Tapio Kuula will retire on disability starting 1 February 2015. Timo Karttinen continues to assume responsibility for the duties of the President and CEO as an interim President and CEO until the nomination of the new President and CEO.

The performance of the President and CEO is evaluated by the Board of Directors. The evaluation is based on objective criteria that include the performance of the company and the achievement of targets set by the Board of Directors in advance.

Fortum Executive Management Team and operational organisation

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

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

Each member of the Fortum Executive Management Team is responsible for the day-

to-day operations and the implementation of operational decisions in their respective organisations. The Fortum Executive Management Team meets on a monthly basis. On 31 December 2014, the Fortum Executive Management Team consisted of twelve members, including the President and CEO. Three of the members were female.

Fortum renewed its business structure as of 1 March 2014. Fortum's new divisions and responsibility areas are:

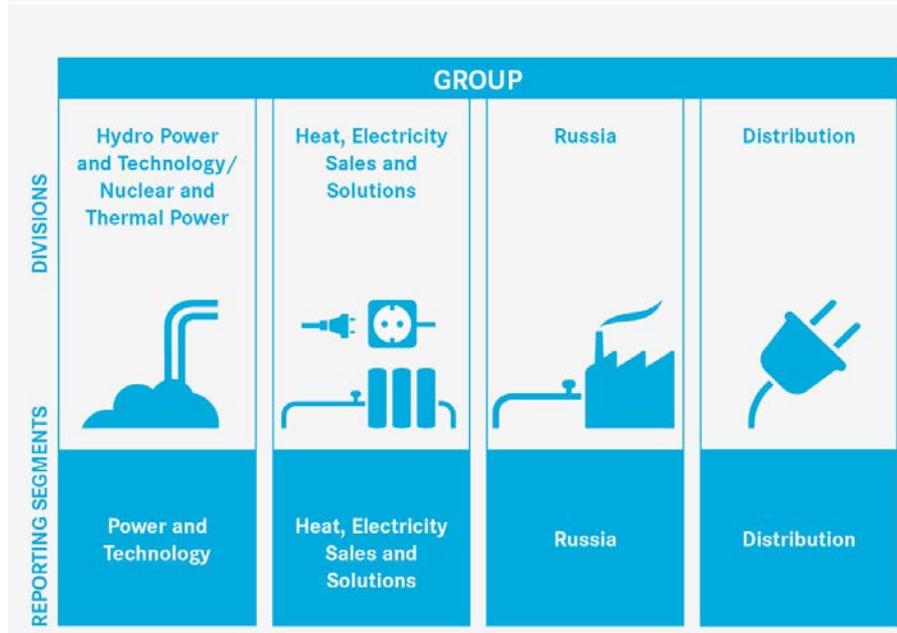
- The Hydro Power and Technology Division and the Nuclear and Thermal Power Division are both part of Power and Technology reporting segment. The two divisions are responsible for Fortum's hydro, nuclear and thermal power generation, expert services, portfolio

management and trading as well as technology and R&D functions.

- The Heat, Electricity Sales and Solutions Division consists of Fortum's combined heat and power (CHP) production, district heating and business-to-business heating solutions, solar business, electricity sales and related customer offering as well as Corporate Sustainability.
- The Russia Division consists of power and heat generation as well as heat distribution in Russia. It also includes Fortum's approximately 29 % holding in TGC-1, accounted for as an associated company using the equity method.
- The Distribution Division focuses on distribution activities in Sweden.

In addition, Fortum has established a role of Chief Operating Officer (COO) to enhance

Fortum's financial reporting structure 31 December 2014



agile and flexible operations and to focus on performance and synergy. The Hydro Power and Technology Division, the Nuclear and Thermal Power Division and the Heat, Electricity Sales and Solutions Division report to the COO.

Fortum's Staff functions are Finance, Strategy and Mergers & Acquisitions, Legal, Human Resources and IT, Communications and Corporate Relations.

Fortum Executive Management Team on 31 December 2014

- Tapio Kuula, President and CEO, Chairman of the Fortum Executive Management Team, born 1957, MSc (Eng), MSc (Econ)

- Helena Aatinen, Senior Vice President, Corporate Communications, born 1959, MSc (Econ)
- Alexander Chuvaev, Executive Vice President, Russia Division, born 1960, MSc (Eng)
- Mikael Frisk, Senior Vice President, Corporate Human Resources, born 1961, MSc (Econ)
- Esa Hyvärinen, Senior Vice President, Corporate Relations, born 1967, MSc (Econ.) and MSc (Agr.& For.) ¹⁾
- Timo Karttinen, Chief Financial Officer and Executive Vice President, Distribution Division, born 1965, MSc (Eng)
- Kari Kautinen, Senior Vice President, Strategy, Mergers and Acquisitions, born 1964, LL.M ¹⁾
- Per Langer, Executive Vice President, Hydro Power and Technology Division, born 1969, MSc (Econ)
- Markus Rauramo, Executive Vice President, Heat, Electricity Sales and Solutions Division, born 1968, MSc (Econ and Pol. Hist.)
- Matti Ruotsala, Chief Operating Officer, Deputy to the President and CEO, born 1956, MSc (Eng)
- Sirpa-Helena Sormunen, General Counsel, born 1959, LL.M ²⁾
- Tiina Tuomela, Executive Vice President, Nuclear and Thermal Power Division, born 1966, MSc (Eng), MBA ¹⁾

1) New member as of 1 March 2014

2) New member as of 1 September 2014

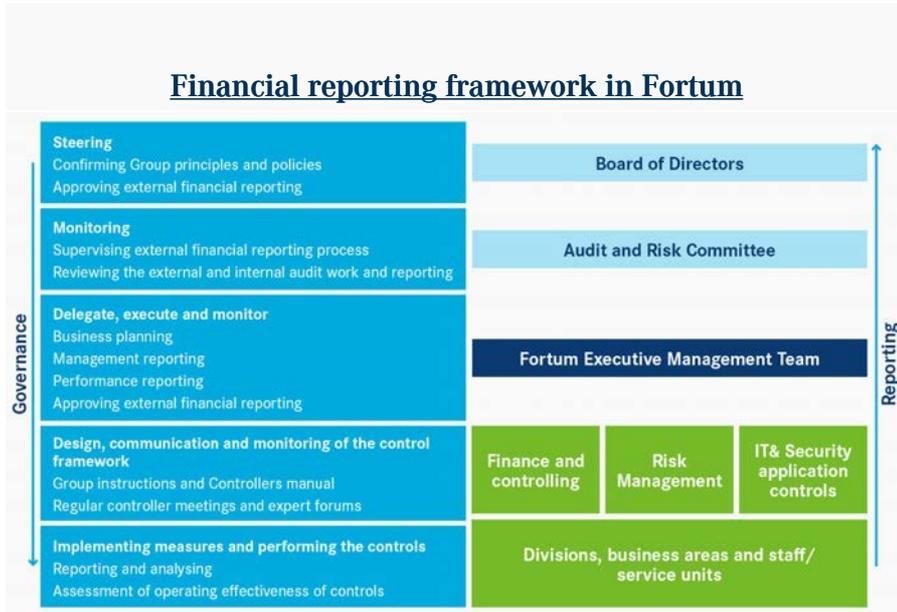
Internal controls in relation to financial reporting

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

Risk control processes for financial reporting

Fortum's Board of Directors approves the Group Risk Policy that sets the Group's objective, principles and division of responsibilities for risk management activities and also sets the frame for the financial reporting process. The controls of the

financial reporting process are embedded in the internal control framework, and the process-level internal control structure has been created using a risk-based approach. Fortum's internal control framework includes the main elements from the framework introduced by the Committee of Sponsoring Organisations of the Treadway Commission (COSO).



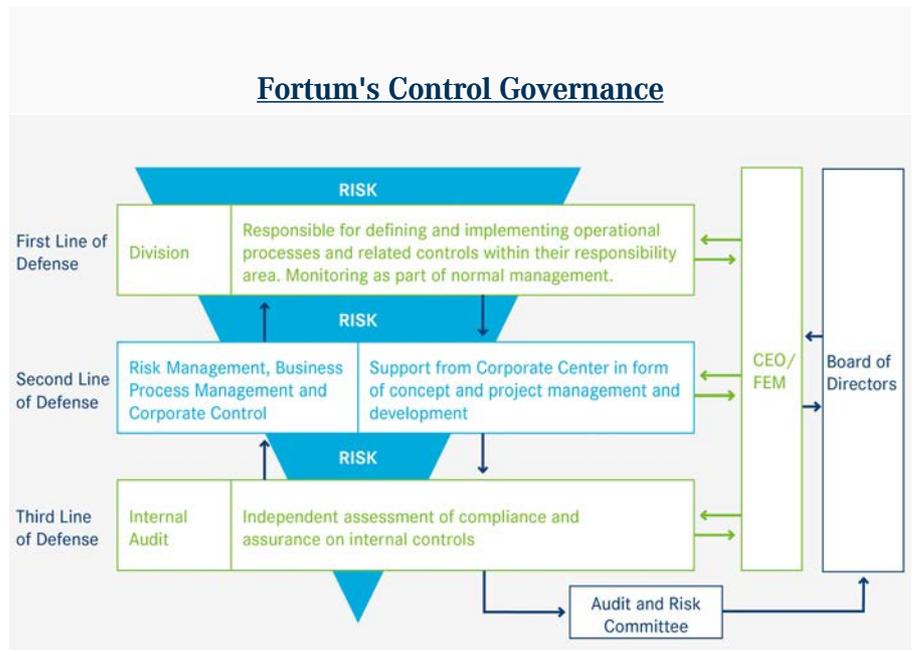
Control environment

Fortum's internal control framework supports the execution of the strategy and ensures regulatory compliance and reliability of the financial reporting. The internal control framework consists of Group-level policies and processes as well as business and support process-level controls.

Corporate Risk Management is responsible for reporting risk exposures and maintaining the company's risk management framework.

Corporate Accounting and Control is responsible for the overall control structure of the financial performance management process. The control process is based on Group instructions and guidelines relating to financial reporting. The Controllers Manual contains financial reporting instructions. This manual is regularly reviewed and updated. The finance process management supports the finance organisation in ensuring a uniform way of working and monitoring the performance of the processes within the Finance function.

Fortum's organisation is decentralised, and a substantial degree of authority and responsibility is delegated to the divisions in form of control responsibilities. Fortum's control governance follows the so-called



“Three lines of defense” –model, see picture “Fortum's Control Governance” .

Risk assessment

Risks related to financial reporting are identified and analysed annually as part of the risk management process. Risks are reported regularly in connection with the planning process and the follow-up of actions and improvements is integrated in operational management. The control risk assessment

has been the basis for creating the process-level internal control framework and the same applies to the control points to prevent errors in the financial reporting process. Cross-divisional teams by process area update the controls when needed.

After the organisational change, a review was conducted to ensure a clear scope and roles and responsibilities in controls. This assessment included risks related to potential fraud and other irregularities, as well as risks of loss or misappropriation of assets.

Control activities

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

The Corporate Accounting and Control unit defines the design of the control points and the internal controls covering the end-to-end financial reporting process. Responsibilities are assigned for the controls and also for ensuring their operating effectiveness.

Fortum's processes include controls regarding the initiation, approval, recording and accounting of financial transactions. A standardised way of working is also ensured by Fortum's financial shared service centre, which performs controls for the recognition, measurement and disclosure of financial information. The financial shared service centre has been ISO 9001:2008 certified since 2011.

All divisions have their own finance function ensuring that relevant analyses of the

business performance are done, analyses such as volumes, revenues, costs, working capital, asset base, risks and investments. These analyses are reviewed at different levels of the Group and ultimately by the Board of Directors.

Information and communication

The Controllers Manual includes the Fortum Accounting manual, Investment manual and reporting instructions and other policies relating to financial reporting. The regular Core Controllers' meetings, headed by the

Corporate Controller, steer the development projects within the Finance function and receive updates from different expert forums within Finance. The regular Accounting Network Forum meetings are used to inform

the finance community about upcoming changes in IFRS, new accounting policies and other changes in reporting.

Monitoring and follow-up

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

As part of the Fortum internal control framework, all divisions assess the effectiveness of the controls they are responsible for. Division and corporate-level controller teams are responsible for assessing the financial reporting process, and Corporate Risk Management consolidates regularly these control assessments and reports to the management and to the Audit and Risk Committee on an annual basis. Internal control design and operating



effectiveness are also assessed by Corporate Internal audit. Audit results, including corrective actions and status, are regularly reported to the management and to the Audit and Risk Committee.

Auditing

Internal Audit

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

Internal Audit form the basis for the work of Internal Audit.

External Audit

The company has one external auditor, which shall be an audit firm certified by the Central Chamber of Commerce. The external auditor is elected by the Annual General Meeting for a term of office that expires at the end of the first Annual General Meeting following the election.

Fortum's Annual General Meeting on 8 April 2014 elected Authorised Public Accountant Deloitte & Touche Oy as the company's external auditor, with Authorised Public Accountant Jukka Vattulainen having the principal responsibility. Jukka Vattulainen has had the principal responsibility since 2010.

Compliance Management and Code of Conduct

Fortum's Code of Conduct is based on the shared corporate values of Accountability, Creativity, Respect and Honesty, which form the ethical basis for all work at Fortum. Fortum's updated Code of Conduct was implemented in the spring of 2012 (originally launched in 2007) and is published in ten languages. The Code of Conduct has been approved by the Board of Directors.

Prevention of corruption is one of the Code of Conduct's focus areas. Compliance risks, such as corruption, are managed as part of Fortum's operational risk management framework and control procedures in all Fortum's operating countries. Fortum has procedures to ensure the prevention, oversight, reporting and enforcement based on the requirements prescribed in international legislation. A country and partner risk evaluation process to support the understanding and management of compliance needs at local and business partner level has been developed by Corporate risk management together with

other functions, such as the tax department and sustainability.

The review of compliance risks is periodic, documented and discussed in the network of compliance risk persons and with the Fortum Executive Management Team, which has oversight of the process. A systematic compliance risk assessment is included in the business plans, and follow-up is a part of the quarterly performance review. Line management regularly reports on the business ethical compliance activities to the Fortum Executive Management Team and further to the Audit and Risk Committee. Support and advice on compliance issues is given by the legal department.

Fortum employees are responsible for reporting any suspected misconduct to their own supervisors, to other management members or, if necessary, directly to Internal Audit. Additionally, Fortum employees and partners can report suspicions of misconduct confidentially via the "raise-a-concern channel" on Fortum's web pages to the

Fortum Head of Internal Audit. The report can be submitted in several languages and anonymously if necessary. Additionally in Russia, Fortum has a separate compliance organisation with compliance officers in place.

Every Fortum employee is expected to complete the Code of Conduct training through the Code of Conduct eLearning tool. The eLearning is part of the induction programme for new Fortum employees. In 2015, a revision of the Code of Conduct eLearning tool will be introduced. In addition, separate anti-corruption training events for division management teams and other specific groups have been arranged by the legal department.

The Code of Conduct and compliance topics and instructions are communicated through internal and external communication channels. Alignment is enforced by top management and with their full commitment.

Legal notice

Terms of Use

The use of the website of Fortum Corporation and its subsidiaries (together "FORTUM") requires following the terms of use set forth below. You are not allowed to use FORTUM'S website if you do not agree to follow these terms of use.

Intellectual Property Rights

The entire content of FORTUM'S website, such as text, graphics, names, images, figures, drawings, logos icons, recordings and software, are property of FORTUM and its associated companies, licensors and partners. Any rights not expressly granted herein are reserved. Copying, transferring, modifying, saving, publishing and distributing the content of FORTUM'S website or part thereof is prohibited without FORTUM'S prior written consent.

The use of FORTUM'S website for personal, non-commercial purposes is permitted. Documents classified as public, such as press releases, may be used for public communications if the source of the information is displayed.

Disclaimer

FORTUM'S website and its content are provided on "as is" basis. FORTUM does not give any express or implied representation or warranty with respect to the information included in FORTUM'S website, including any representation or warranty as to the accuracy, completeness or reliability of the information. Nothing included in FORTUM'S website can be held as a binding offer or commitment of FORTUM. FORTUM reserves the right to modify these terms of use and FORTUM'S website and its content or part thereof at any time without prior notice. FORTUM does not make any representation or warranty as to the accessibility of FORTUM'S website.

FORTUM SHALL IN NO EVENT BE LIABLE FOR ANY LOSS OR DAMAGE OF WHATSOEVER NATURE INCLUDING, WITHOUT LIMITATION, INDIRECT AND CONSEQUENTIAL DAMAGE, SUCH AS LOSS OF REVENUE, LOSS OF INCOME, LOSS OF PROFIT, BUSINESS INTERRUPTION OR LOSS OF DATA, ARISING FROM THE USE OF THIS WEBSITE OR ITS CONTENT OR THE INTERRUPTION OR LOSS OF DATA, ARISING FROM THE USE OF THIS WEBSITE OR ITS CONTENT OR THE INTERRUPTION OR INAVAILABILITY OF THE SAME. NEITHER SHALL FORTUM BE LIABLE FOR ANY LOSS OR DAMAGE CAUSED DUE TO ERRORS, INTERRUPTIONS OR INAVAILABILITY OF DATA SYSTEMS OR DATA COMMUNICATIONS OR DAMAGE CAUSED DUE TO MALWARE OF VIRUSES. IF THE APPLICABLE JURISDICTION DOES NOT ALLOW THE ABOVE LIMITATION OF LIABILITY, THE LIABILITY OF FORTUM SHALL BE LIMITED TO THE GREATEST EXTENT PERMITTED BY THE APPLICABLE LAW.

The sections 'This is Fortum', 'Business', 'In society' and 'GRI' have not been audited. The sustainability reporting material presented on these sections have been provided a limited independent assurance by a third party according to the scope and standards disclosed in the Assurance Statement, which will be published at the end of March. References to the future presented on these pages reflect Fortum's assessments at the beginning of February 2015. Materialisation of such assessments is dependent on various factors, some of which Fortum may not have an impact on, and thus the final outcome may deviate from the assessments presented. Fortum discloses its outlook statement and the risks related to the realisation of the outlook statement separately in accordance with the applicable laws and regulations under the specific sections in the Operating and Financial Review. Fortum Corporation's Financial Statements and Operating and Financial Review for 2014 and the related Auditor's Report are available on this website.

Information Submitted by the User

The user of FORTUM'S website is solely responsible for the accuracy and delivery of information and materials submitted to FORTUM'S website and that the user is entitled to provide FORTUM with such information or materials. The user of FORTUM'S website shall take all reasonable measures to make sure that information and materials submitted to FORTUM do not contain malware or viruses. FORTUM shall be granted with a royalty-free and unlimited right to modify, copy, publish and distribute all information and materials submitted to FORTUM'S website, either as such or as part of other materials or documentation, for any and all commercial and non-commercial use to the extent permitted by the laws of Finland.

Personal Information

The privacy of customers' personal information is important to FORTUM. FORTUM complies with the applicable legislation on personal data protection. User may request to have User's personal information collected by FORTUM removed or corrected at any time.

Applicable Law

These terms of use shall be governed by the laws of Finland.

Enquiries and Remarks

Please address all enquiries and remarks regarding these terms of use to FORTUM'S Legal Affairs, P.O. BOX 1, 00048 FORTUM, FINLAND, Tel. +358 10 4511