

Remuneration Statement 2015

Remuneration at Fortum is directed by the Group's remuneration principles and Fortum's general compensation and benefits practices.

This Remuneration statement 2015 is prepared in accordance with the Finnish Corporate Governance Code. It requires that Fortum issues a remuneration statement regarding the salaries and other remuneration paid by the company.

DECISION-MAKING RELATING TO REMUNERATION

The Shareholders' Nomination Board, the Annual General Meeting of Shareholders (AGM), the Board of Directors and its Nomination and Remuneration Committee are involved in the discussions and decision-making regarding remuneration at Fortum. The Shareholders' Nomination Board is responsible for presenting a proposal for remuneration of the members of the Board of Directors to the AGM. The decision on the remuneration of the members of the Board of Directors is made in the AGM.

The Board of Directors decides, based on the proposals made by the Nomination and Remuneration Committee, on remuneration principles and remuneration for senior management

(President and CEO and the other members of Fortum Executive Management). Similarly, the Board of Directors approves all company-wide incentive arrangements for senior management and other key personnel.

REMUNERATION PRINCIPLES

Fortum wants to recognise high performance and value-based behaviour and aims to offer a competitive remuneration package for senior management and other key employees. The objective is to attract, commit and retain key resources in all countries where the company operates.

Fortum's aim is to reward concrete achievements in executing the company's strategy and leading to business success. The company promotes the setting of challenging targets and taking initiative. Accountability and good leadership, which drive desired behaviour and support the achievement of successful results, are valued at Fortum. Emphasis is put on clear and effective communication to address the importance of ongoing dialogue with the employees and to support transparency, speed and efficiency in decision making. Fortum is committed to running its performance and rewards processes ethically and with high

integrity. In addition, relevant market and industry practices are taken into account in determining the reward practices.

Fortum's remuneration principles follow the Finnish Corporate Governance Code. They also comply with the recommendations on the remuneration and retirement benefits of executive management and key individuals in companies with state ownership.

Short-term incentives (STI)

Fortum's short-term incentive programme is designed to support the achievement of the company's financial and other relevant targets set on an annual level. The individual and team targets are aligned with the targets of the division and the Group through the frequent performance dialogues. All Fortum employees are covered by the STI programme or a comparable local variable pay arrangement.

The Board of Directors decides on the STI performance criteria – including all performance measures, target values and performance ranges – for senior management. The target incentive for senior management is 20% of the individual's annual salary including fringe benefits, while the maximum incentive represents 40% of the individual's annual salary including fringe benefits.

Main remuneration practices for the President and CEO and other members of Fortum Executive Management

Base salary	Fixed base salary includes monetary salary and fringe benefits.
Short-term incentives	Supports the realisation of the Group's financial and strategic performance targets, sustainability targets and values. The maximum incentive is 40% of the executive's annual salary including fringe benefits.
Long-term incentives	Supports the achievement of the Group's long-term targets. Fortum's LTI programme consists of six-year share plans, within which the participants have the opportunity to earn company shares. The maximum value of shares, before taxation, to be delivered to a participant cannot exceed the participant's annual salary. The combined gross value of short-term and long-term incentives (before taxation) cannot exceed 120% of the executive's annual salary.
Pensions	In addition to the statutory pensions, the members of Fortum Executive Management have supplementary pension arrangements. All new supplementary pension arrangements, including the pension plan for the President and CEO, are defined contribution plans with a maximum premium percentage of 25% of the annual salary.

Incentives payable for the members of Fortum Executive Management are determined based on the realisation of the set divisional targets, the Group's financial performance as well as individual targets. The criteria used to assess the personal performance of an executive are agreed in a performance discussion held at the beginning of the year. The Board of Directors assesses the performance of the President and CEO on a regular basis.

Long-term incentives (LTI)

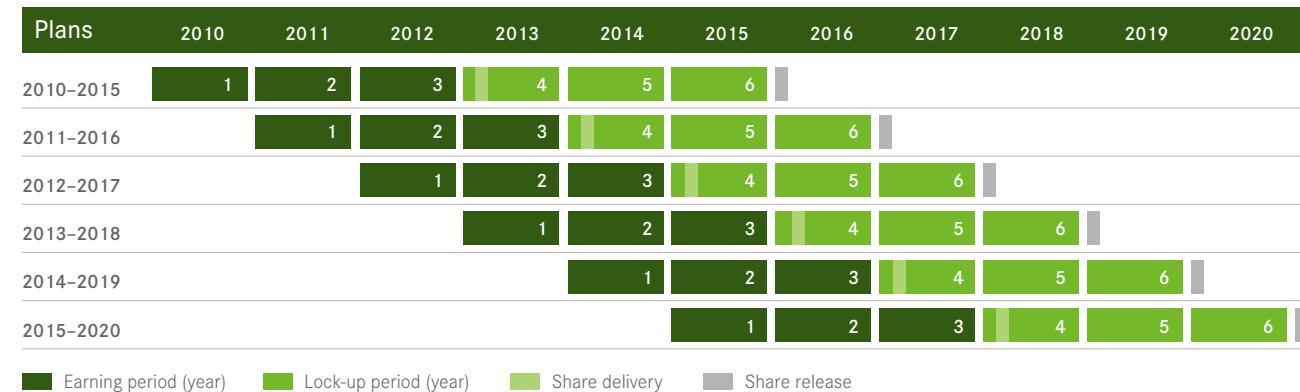
The purpose of Fortum's long-term incentive programme is to support the achievement of the Group's long-term targets by committing and retaining key individuals. The Board of Directors approves the Fortum management members and key individuals entitled to participate in an LTI Plan. Participation in an LTI Plan precludes the individual from being a member in the Fortum Personnel Fund.

Fortum's LTI Programme consists of six-year share plans, within which participants have the opportunity to earn company shares. Subject to the decision of the Board of Directors, a new share plan commences yearly.

Each share plan begins with a three-calendar-year period, during which participants may earn share rights if the earning criteria set by the Board of Directors are fulfilled. If all the targets set by the Board of Directors are met, the incentive for senior management is 50% of the individual's annual salary including fringe benefits. If the targets are exceeded and the performance is exceptionally good the maximum incentive may equal to the participant's annual salary including fringe benefits.

After the earning period has ended and the relevant taxes and other employment-related expenses have been deducted from the

Share bonus programme



■ Earning period (year) ■ Lock-up period (year) ■ Share delivery ■ Share release

gross value of the earned share rights, participants are paid the net balance of the earned rights in the form of shares. The earning period is followed by a subsequent lock-up period, during which participants cannot transfer or dispose of the shares. If the value of the shares decreases or increases during the lock-up period, the participant will carry the potential loss or gain.

For Fortum Executive Management members, the lock-up period may be shortened from three years to one year on an individual basis if the value of the aggregate ownership of Fortum shares corresponds to a minimum of the executive's annual base salary. For other participants, the lock-up period was changed to one year from the LTI Plan 2013-2018 onwards.

PCA Corporate Finance, an independent Finnish financial advisor, has provided external advice in matters related to remuneration of senior management.

Pensions

Members of Fortum Executive Management in Finland participate in the Finnish TyEL pension system, which provides for a retirement benefit based on earnings in accordance with the prescribed statutory system. Under the Finnish pension system, earnings include base pay, annual bonuses and taxable fringe benefits, but gains realised from the share bonus plans are not included in that definition. Members of Fortum Executive Management outside Finland participate in pension systems based on statutory pension arrangements and market practices in their local countries.

In addition to the statutory pensions, the members of Fortum Executive Management have supplementary pension arrangements. The Group policy is that all new supplementary

pension arrangements are defined contribution plans, and the pension plan for the President and CEO is also a defined contribution plan.

The retirement age for Fortum's President and CEO is 63, and for the other members of Fortum Executive Management the retirement age varies between 60 and 65. For the President and CEO and other members of Fortum Executive Management, the maximum pension premium percentage can be 25% of the annual salary. Members, who have joined Fortum prior to 1 January 2009, are entitled to defined pension plans in which the benefit is 60 or 66% of the final pensionable salary. In these cases, the pension is provided by an insurance company or Fortum's Pension Fund.

ANNUAL REMUNERATION REPORT 2015

Fortum's principle is to encourage high performance, and variable compensation is payable depending on how well the company is able to achieve the set annual and long-term strategic targets.

The criteria for annual incentives for the year 2014, which were paid in 2015, were the Group's profitability and cash flow, divisional

and other unit-level targets, as well as success in reaching personal targets. The performance criteria also included indicators related to sustainability targets. In 2015, a total of EUR 13.7 million (2014: EUR 14.3 million) was paid as incentives for the financial year 2014. The amounts reported exclude payments to the personnel of the divested electricity distribution business. The amount paid decreased compared to the previous year, mainly due to the lower financial performance of the company.

Fortum employees in Finland, who are not participating in the long-term incentive plan, belong to the Fortum Personnel Fund. The amount paid annually to the Personnel Fund is based on the achievement of annual targets. The payments to the fund in 2015 totalled EUR 3.7 million (2014: EUR 0.4 million).

Remuneration for Management

The annual short-term incentives paid in 2015 to the members of senior management were measured by the Group's profitability and cash flow, divisional targets and success in reaching personal targets. The performance criteria also included indicators

related to sustainability targets. The STI payments for the senior management remained below the 20% target level.

In 2015, the three-year earning period (2012-2014) of the company's long-term incentive plan 2012-2017 resulted in a payment close to the target level (48.4% of maximum). As a result, after deduction of taxes and tax related expenses, the total reward corresponded to 207,403 net shares, 55,794 of which were awarded to members of Fortum Executive Management. In addition, 30,271 shares were delivered to the former President and CEO Tapio Kuula.

In December 2015, the Board of Directors approved the commencement of a new long-term incentive plan for 2016-2021. The Board-approved earning criteria for the earning period 2016-2018 are based on earnings per share (EPS) and return for shareholders. Approximately 110 key employees were included in the plan.

The table below includes the salaries and fringe benefits, short-term bonus and long-term share bonus payments to the President and CEO and to Fortum Executive Management during the year. Short-term bonus (STI) payments are based on the 2014 targets and achieved results. The long-term share bonus (LTI) includes the shares delivered during the year. The table also includes payments made to supplementary pension

Compensation to the President and CEO and to Fortum Executive Management

Thousands of euros	President and CEO			Other executive management members		
	2015		2014	2015 ³⁾	2014 ⁴⁾	
	Pekka Lundmark, (President and CEO since 7 Sep 2015)	Timo Karttinen (Interim President and CEO until 6 Sep 2015) ¹⁾	Tapio Kuula (President and CEO until 31 Jan 2015) ²⁾	Tapio Kuula		
Salaries and fringe benefits	305	372	279	1,005	3,367	3,321
Short-term bonus	-	n/a	170	38	638	453
Long-term share bonus	-	n/a	1,146	549	1,526	1,509
Voluntary pensions	-	n/a	25	255	661	578
Total	305	372	1,620	1,847	6,192	5,861

1) Includes the payments CFO Timo Karttinen received during his position as Fortum's Interim President and CEO during 1 February - 6 September 2015 and as a substitute to the President and CEO in January 2015. Also included is a lump sum payment of EUR 70,000 for his success in assuming the responsibilities of Interim President and CEO.

2) Long-term share bonus includes the gross payment Tapio Kuula received from the share plans commenced in 2012, 2013 and 2014. Mr. Kuula received the net amount of the payment as shares, after deducting the taxes and tax-related charges arising from the payment. These shares, totalling 30,271 shares, are under lock-up until the spring 2018.

3) Includes remuneration of CFO Timo Karttinen from 7 September onwards.

4) Former CFO Markus Rauramo was granted a recruitment bonus in 2012 that was paid in three installments of EUR 33,334 in 2012, 2013 and 2014.

arrangements for the President and CEO and for Fortum Executive Management.

The STI bonus and LTI share bonus payments to Fortum Executive Management members, including the President and CEO, amounted to a total of EUR 3,479 thousand (2014: 2,549), which corresponds to 1.32% (2014: 0.92%) of the total compensation in the Fortum Group. The figures exclude payments to the employees of the divested electricity distribution business. The increase arises from the bonuses paid to the former President and CEO Tapio Kuula.

Tapio Kuula served as Fortum's President and CEO until 31 January 2015. In the Annual General Meeting on 31 March 2015, he was elected Member of the Board of Directors of Fortum. According to Fortum's remuneration principles, members of the Board of Directors cannot participate in Fortum's annual bonus or share bonus programme.

Mr. Kuula's salary, fringe benefits and holiday payments in 2015 were EUR 279,261. In April 2015, he was paid his annual bonus of EUR 170,037 for the year 2014. In addition, Mr. Kuula earned long-term share bonuses amounting to EUR 1,145,660 (gross) from the

share plans commenced in 2012, 2013 and 2014. Mr. Kuula received the net amount of the payment as shares, after deducting the taxes and tax-related charges arising from the payment. These shares, totalling 30,271 shares, are under lock-up until the spring 2018.

Timo Karttinen served as substitute to the President and CEO during Mr. Kuula's sick leave in January 2015 and as Fortum's Interim President and CEO from 1 February to 6 September 2015. During this time, he received a salary of EUR 35,000/month, including free car allowance and phone allowance as fringe benefits. Additionally, Mr. Karttinen received a lump-sum payment of EUR 70,000 in October 2015 based on his successful work during the challenging period when he assumed the responsibilities of Interim President and CEO alongside his CFO role.

Number of shares delivered to management

The following table shows the number of Fortum shares delivered to the President and CEO and to other Fortum Executive Management members under the long-term incentive plans.

Number of shares delivered to the President and CEO and to other Fortum Executive Management members

Number of shares	2015 ³⁾	2014 ⁴⁾
Pekka Lundmark (President and CEO since 7 September 2015)	-	n/a
Tapio Kuula (President and CEO until 31 January 2015) ¹⁾	30,271	15,187
Helena Aatinen	2,352	909
Alexander Chuvaev ²⁾	21,781	13,793
Mikael Frisk	3,926	6,463
Esa Hyvärinen (member of the FEM from 1 March 2014)	2,384	1,382
Timo Karttinen	4,261	6,639
Kari Kautinen (member of the FEM from 1 March 2014)	2,956	1,739
Per Langer	3,751	5,517
Markus Rauramo	5,029	1,679
Matti Ruotsala	6,706	3,463
Sirpa-Helena Sormunen (member of the FEM from 1 September 2014)	-	-
Tiina Tuomela (member of the FEM from 1 March 2014)	2,648	1,156
Kaarina Ståhlberg (member of the FEM until 31 March 2014)	n/a	210

1) Includes the shares Tapio Kuula received from the share plans commenced in 2012, 2013 and 2014. The shares are under lock-up until the spring 2018.

2) Share rights will be paid in cash instead of shares after the three-year lock-up period due to local legislation

3) Share delivery based on share plan 2012–2017

4) Share delivery based on share plans 2008–2012 and 2011–2016

Remuneration and terms of employment for President and CEO Pekka Lundmark

Salary and fringe benefits	EUR 80,000/month, including free car allowance and phone allowance as fringe benefits.
Short-term incentive programme (bonus)	The bonus can be earned annually based on the criteria approved by the Board of Directors. The maximum level is 40% of the annual salary including fringe benefits. Annual salary = 12 times the salary paid in December of the year in question.
Long-term incentive programme (share bonus)*	According to Fortum management's ongoing share bonus programme. The maximum value of shares (before taxation) cannot exceed the annual salary of the President and CEO. The combined gross value of short-term and long-term incentives (before taxation) cannot exceed 120% of the President and CEO's annual salary.
Pension	Retirement age is 63. The President and CEO has a supplementary defined contribution pension plan. The yearly contribution is 25% of the annual salary, which consists of the base salary and fringe benefits. If the President and CEO's contract is terminated before retirement age, he is entitled to retain the funds that have accrued in the pension fund.
Termination of contract	The notice period for both parties is six months. If the company terminates the contract, the President and CEO is entitled to the salary of the notice period and severance pay equal to 12 months' salary.

*As of 7 September 2015, Pekka Lundmark participates in 2014–2019 and 2015–2020 share bonus plans for the remaining earning periods.

Compensation for Board of Directors in 2015

The following table includes the compensation paid for the Board of Directors during 2015 and 2014. The amounts include fixed yearly fees and meeting fees.

Board compensation in 2015 and 2014

Thousands of euros	2015	Board service 2015	2014	Board service 2014
Board members at 31 December 2015				
Sari Baldauf, Chairman	86	1 Jan - 31 Dec	83	1 Jan - 31 Dec
Kim Ignatius, Deputy Chairman	68	1 Jan - 31 Dec	67	1 Jan - 31 Dec
Minoo Akhtarzand	61	1 Jan - 31 Dec	57	1 Jan - 31 Dec
Heinz-Werner Binzel	60	1 Jan - 31 Dec	60	1 Jan - 31 Dec
Eva Hamilton	43	31 Mar - 31 Dec	-	-
Tapio Kuula	38	31 Mar - 31 Dec	-	-
Petteri Taalas	51	1 Jan - 31 Dec	37	8 Apr - 31 Dec
Jyrki Talvitie	66	1 Jan - 31 Dec	53	8 Apr - 31 Dec
Former Board members				
Ilona Ervasti-Vaintola	13	1 Jan - 31 Mar	48	1 Jan - 31 Dec
Christian Ramm-Schmidt	13	1 Jan - 31 Mar	53	1 Jan - 31 Dec
Joshua Larson	n/a	n/a	19	1 Jan - 8 Apr

Board members are not in an employment relationship or service contract with Fortum, and they are not given the opportunity to participate in Fortum's bonus or share bonus programme, nor does Fortum have a pension plan that they can opt to take part in. The compensation for

the Board members is not tied to the sustainability performance of the Group.

Fees for the Board of Directors

The Annual General Meeting on 31 March 2015 confirmed the following annual fees for the members of the Board of Directors:

Annual fees for the members of the Board of Directors

Thousands of euros	2015	2014
Chairman	75	75
Deputy Chairman	57	57
Chairman of the Audit and Risk Committee ¹⁾	57	57
Members	40	40

1) If not Chairman or Deputy Chairman simultaneously

Every member of the Board of Directors receives a fixed yearly fee and a meeting fee. The fees in 2015 were the same as in previous years. The meeting fee of EUR 600 is also paid for Committee meetings. For Board members living outside Finland in Europe, the fee for each meeting is doubled; for Board members living outside Europe, it is tripled. However, as a change to the previous years, the Annual General Meeting held on 31 March 2015 decided that for Board members living in Finland, the fee for each Board and Board Committee meeting is doubled for meetings held outside Finland and tripled for meetings held outside Europe. For Board and Committee meetings held as a telephone conference, the meeting fee is paid as single to all members. No fee will be paid for decisions made without a separate meeting.

The members are entitled to travel expense compensation in accordance with the company's travel policy.