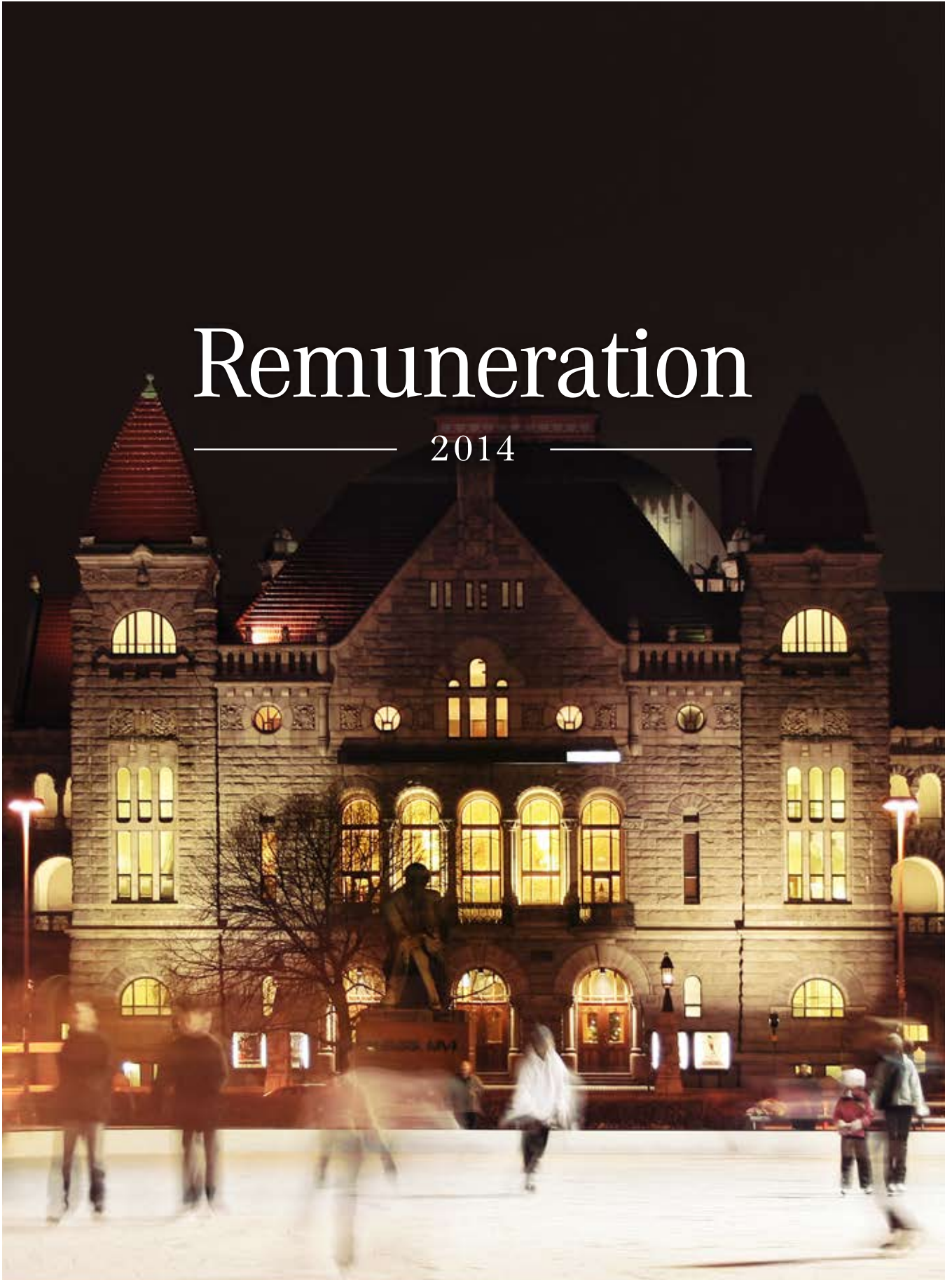


Remuneration

2014



Next generation
energy company



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GOVERNANCE

Remuneration

Remuneration at Fortum is directed by the Group's remuneration principles and Fortum's general remuneration and benefits practices. When determining remuneration, the company's financial performance and external market data, particularly the remuneration for similar positions among peer companies, are taken into consideration. The Board of Directors approves, at the proposal of the Nomination and Remuneration Committee, the remuneration principles at the Group level and decides on the bonus targets and the remuneration of senior management (President and CEO and other members of the Fortum Executive Management Team). Remuneration of the Board of Directors is decided by the Annual General Meeting of

Fortum. Remuneration proposal is prepared by Fortum's Shareholders' Nomination Board, which is appointed in the previous Annual General Meeting.

Fortum offers a competitive compensation package for senior executives and other members of the management teams. The aim is to attract, commit and retain key resources in all countries where Fortum operates. The package offers employees a competitive base salary. In addition to a salary, relevant benefits and short-term and long-term incentive schemes – with eventual payment based on attainment of challenging performance targets decided by the Board of Directors – are also offered.

The Finnish Corporate Governance Code 2010 requires that Fortum issues a remuneration statement regarding the salaries and other remuneration paid by the company. Furthermore, the Cabinet Committee on Economic Policy, representing the State owner, issued a statement in August 2012 on the remuneration of executive management and key individuals in companies with State ownership. Fortum's remuneration principles comply both with the Finnish Corporate Governance Code 2010 and the statement issued by the Cabinet Committee.

Short-term incentives

Fortum's short-term incentive scheme (STI), i.e. bonus system, supports the realisation of the Group's financial performance targets, sustainability targets, values and structural changes. The system ensures that the performance targets of individual employees align with the targets of the division and the Group. All Fortum employees, with the exception of certain personnel groups in Poland and Russia, are covered by the system.

The Board of Directors decides on the bonus criteria – including all performance measures,

target values and performance scales – for senior management. The bonuses paid to the members of senior management are dependent on the Group's financial performance – measured in 2014 by profitability and cash flow, divisional targets and success in reaching personal targets. The performance bonus criteria also include indicators related to sustainability targets.

The maximum bonus for senior management is 40 % of the executive's annual salary including fringe benefits (annual salary = 12 times the salary paid in December of the year in question).

The bonuses of the division heads, all of whom are members the Fortum Executive Management Team, are determined on the basis of the division's performance and the Group's financial performance. The criteria used to assess the personal performance of the executive are agreed in the annual performance discussions 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

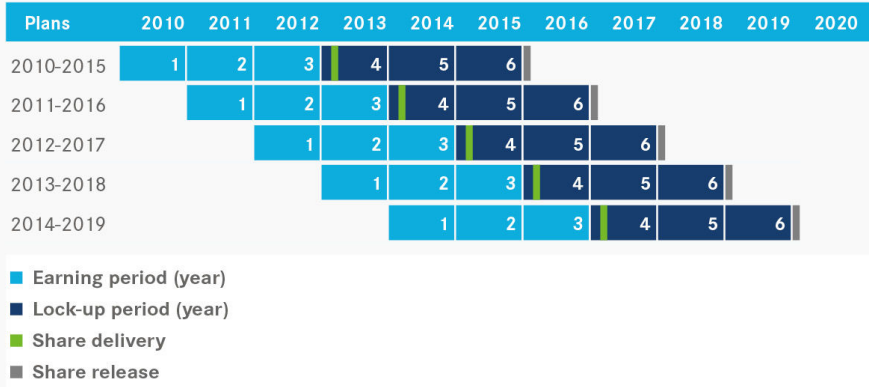
The purpose of Fortum's long-term incentive system (LTI), i.e. share bonus system, is to support the achievement of the Group's long-term targets by committing key individuals. The Board of Directors approves the Fortum management members and key individuals entitled to participate in the share bonus system. For the share bonus system 2014–2019 there are currently approximately one hundred participants. Participation in the

system precludes the individual from being a member in the Fortum Personnel Fund.

Fortum's share bonus system is divided into six-year share plans, within which participants have the opportunity to earn company shares. A new plan commences yearly, if the Board of Directors so decides.

Each share plan begins with a three-calendar-year period, during which participants may earn share rights if the earnings criteria set by the Board of Directors are fulfilled. For the earnings period 2014–2016 the approved key earning criteria are based on earnings per share (EPS), return for shareholders and reputation index.

Share bonus systems



After the earning period has ended and the relevant taxes and other employment-related expenses have been deducted from the 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 decrease or increase during the lock-up period, the potential loss or gain is carried by the participants.

For the Fortum Executive Management Team members, the lock-up period may be shortened to one year on an individual basis if the value of the aggregate ownership of Fortum shares corresponds to a minimum of the annual base salary. For other participants, the share bonus systems lock-up period is changed to one year from Plan 2013-2018 onwards.

The maximum value of shares, before taxation, to be delivered to a participant after the earning period cannot exceed the participant's annual salary.

Fortum's current long-term incentive system is in line with the statement on the remuneration of executive management and key individuals in companies with State ownership and the Finnish Corporate Governance Code 2010 for listed companies. PCA Corporate Finance, an independent Finnish financial advisor, has been consulted in matters related to remuneration.

Pensions

Fortum's Finnish senior executives participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and 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 system are not included in that definition. Finnish pension legislation offers a flexible retirement from age 63 to age 68.

Fortum's senior executives 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 the Fortum Executive Management Team have supplementary pension arrangements. The Group policy is that all new supplementary pension arrangements are defined contribution plans.

The retirement age for Fortum's President and CEO is 63 and for the other members of the Fortum Executive Management Team 60-65. For the President and CEO and some members of the Fortum Executive Management Team, the maximum pension can be 60 % of the pensionable salary, with the pension insured by an insurance company and for some members, the maximum is 66 % of the pensionable salary, with the pension provided by Fortum's Pension Fund.

Remuneration for Management

The table below includes the salaries and fringe benefits, short-term bonus- and long-term share bonus payments to the President and CEO and the Fortum Executive Management Team during the year. Short-

term bonus (STI) payments are based on the previous year's targets and achieved results. Long-term share bonus (LTI) includes the shares delivered during the year. The table also includes payments made to

supplementary pension arrangements for the President and CEO and the Fortum Executive Management Team.

Thousands of euros	Salaries and fringe benefits 2014	Salaries and fringe benefits 2013	Short-term bonus 2014	Short-term bonus 2013	Long-term bonus 2014	Long-term bonus 2013	Voluntary pensions 2014	Voluntary pensions 2013	Total 2014	Total 2013
President and CEO	1,005	795 ¹⁾	38	18	549	971	255	249	1,847	2,033
Other Executive Management team members ²⁾	3,321	2,860	453	137	1,509	1,508	578	453	5,861	4,958
Total	4,326	3,655	491	155	2,058	2,479	833	702	7,708	6,991

1) Amount is impacted by the sick leave during 2013.

2) 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. In addition former CFO Rauramo was paid EUR 80,000 compensation in 2013 for assuming duties of the President and CEO during March-November 2013.

The STI and LTI bonus payments to the Executive Management Team, including the President and CEO, amounted to a total of EUR 2,549 thousand (2013: 2,634), which corresponds to 0.83 % (2013: 0.77 %) of the total compensation in the Fortum Group.

Timo Karttinen, who assumed the responsibility for the duties of the President

and CEO during Tapio Kuula's sick leave in December 2014, did not receive any compensation for these additional duties in 2014.

CEO and other Fortum Executive Management Team members under the long-term incentive plans.

Number of shares delivered to the management

The following table shows the number of Fortum shares delivered to the President and

Number of shares	2014 ²⁾	2013
Tapio Kuula	15,187	35,152
Helena Aatinen	909	519
Alexander Chuvaev ¹⁾	13,793	35,783
Mikael Frisk	6,463	10,079
Esa Hyvärinen (member of the FEM from 1 March 2014)	1,382	n/a
Timo Karttinen	6,639	9,563
Kari Kautinen (member of the FEM from 1 March 2014)	1,739	n/a
Per Langer	5,517	8,550
Markus Rauramo	1,679	756
Matti Ruotsala	3,463	12,395
Sirpa-Helena Sormunen (member of the FEM from 1 September 2014)	0	n/a
Tiina Tuomela (member of the FEM from 1 March 2014)	1,156	n/a
Kaarina Ståhlberg (member of the FEM until 31 March 2014)	210	n/a

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

2) Share delivery based on share plans 2008-2012 and 2011-2016.

Remuneration and terms of employment of President and CEO Tapio Kuula

Salary and fringe benefits	EUR 81,530 /month, including free car allowance and phone allowances as fringe benefits.
Short-term incentive system (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.
Long-term incentive system (share bonus) *	According to Fortum management's current share bonus system. The maximum value of shares (before taxation) cannot exceed the annual salary of the President and CEO.
Pension	Retirement age is 63. The President and CEO's supplementary pension is a defined contribution pension plan, and the annual contribution is 25% of the annual salary. The annual salary consists of the base salary, fringe benefits and bonus. 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 to severance pay equal to 18 months' salary.

*) Annual bonus payments (short- and long-term) cannot exceed 120% of annual salary. Annual salary = 12 times the salary paid in December of the year in question.

Compensation of Board of Directors

The following table includes the compensation paid for the Board of Directors during 2014 and 2013. The amounts include fixed yearly fees and meeting fees.

Thousands of euros	2014	Board service 2014	2013	Board service 2013
Board Members at 31 December 2014				
Sari Baldauf, Chairman	83	1 Jan - 31 Dec	84	1 Jan - 31 Dec
Kim Ignatius, Deputy Chairman ¹⁾	67	1 Jan - 31 Dec	67	1 Jan - 31 Dec
Mino Akhtarzand	57	1 Jan - 31 Dec	58	1 Jan - 31 Dec
Heinz-Werner Binzel	60	1 Jan - 31 Dec	60	1 Jan - 31 Dec
Ilona Ervasti-Vaintola	48	1 Jan - 31 Dec	49	1 Jan - 31 Dec
Christian Ramm-Schmidt ²⁾	53	1 Jan - 31 Dec	66	1 Jan - 31 Dec
Petteri Taalas	37	8 Apr - 31 Dec	-	-
Jyrki Talvitie	53	8 Apr - 31 Dec	-	-
Former Board Members				
Joshua Larson	19	1 Jan - 8 Apr	71	1 Jan - 31 Dec

¹⁾ Deputy Chairman from 8 April 2014

²⁾ Deputy Chairman until 8 April 2014

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 systems, nor does Fortum have a pension plan that they can opt to take part in. The

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

Fees for the Board of Directors

The Annual General Meeting on 8 April 2014 confirmed the following annual fees for the members of the Board of Directors:

Thousands of euros/year	2014	2013
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 meeting fee of 600 euro is also paid for committee meetings and is paid in double to a member who lives outside Finland in Europe and in triple to a member who lives outside Europe. The members are entitled to travel

expense compensation in accordance with the company's travel policy.

Read more about

- [Meeting attendances in the Corporate Governance statement](#)

- [Fortum shares held by the members of the Board of Directors section in the Annual Report](#)

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