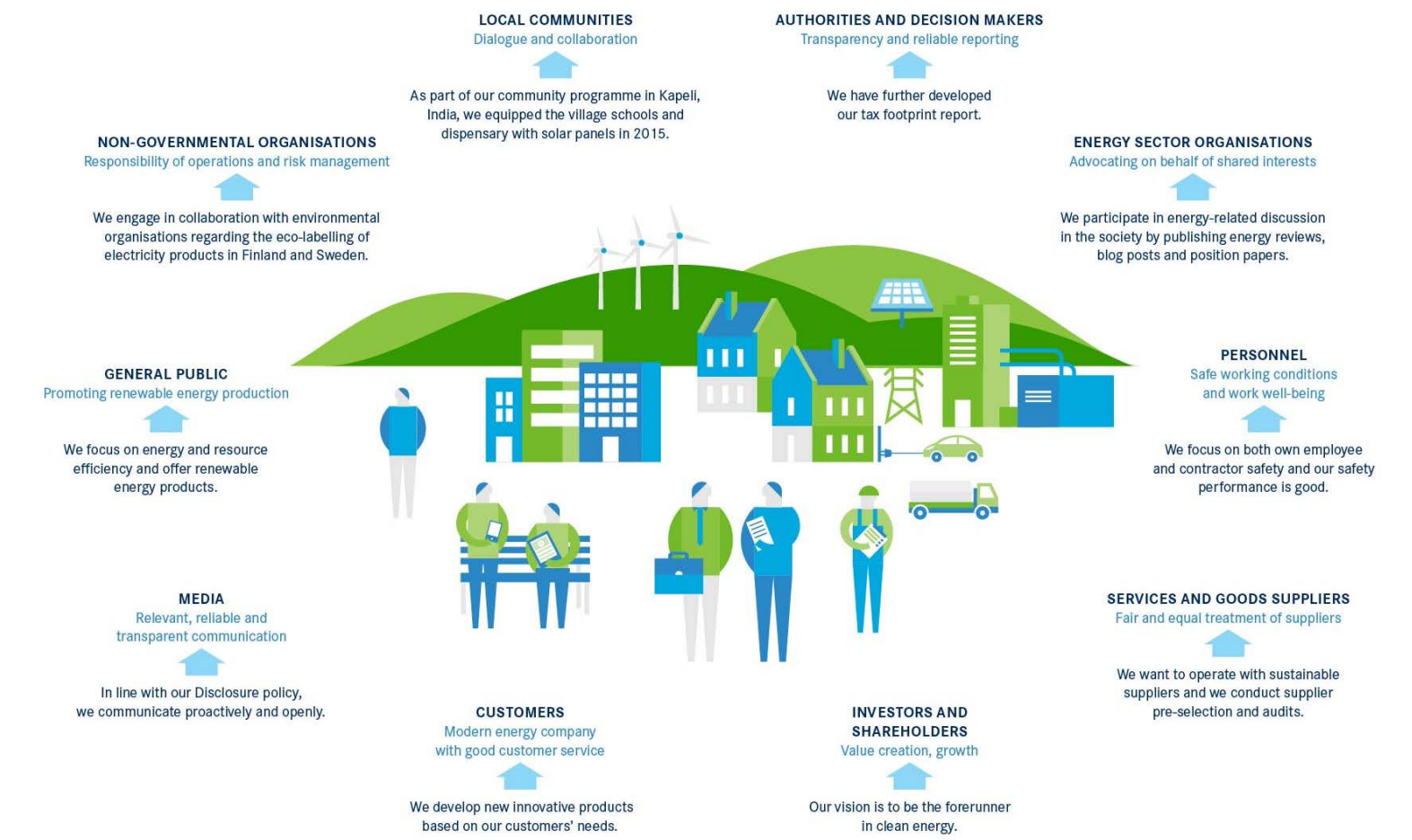




Our stakeholders

We interact with millions of people through our business operations. Engaging in collaboration and a dialogue with different stakeholder groups as well as conducting surveys help us to assess and meet the expectations important stakeholder groups have towards our company. We report openly about stakeholder collaboration and the impacts of our operations.



	Stakeholders' expectations	Fortum's actions
Investors and shareholders	<ul style="list-style-type: none">Long-term value creationHigh-yield shareResponsible operationsRisk management	<ul style="list-style-type: none">We are committed to achieving our financial targetsWe are committed to growth and to creating solid earningsOur goal is to pay a stable, sustainable and over time increasing dividend of 50-80% of earnings per share excluding one-off itemsWe take economic, social and environmental responsibility into consideration in our businessWe manage risks and operate in line with the Fortum Code of Conduct

- and our company's values
- We compensate financiers as agreed

Customers

Customer relationship and products

- Safe and reliable electricity company
- Good service, self-service channels 24/7
- Fair pricing
- Convenient handling of energy-related matters
- Modern products and services to support efficient and smart energy use

Energy production and heat distribution

- Renewable energy production with minimal load on the environment
- Responsible operations in society
- Security of supply of energy
- Effective communication of outages to customers in the most appropriate ways

Products and customer relationship management

- We develop new innovative products based on our customers' needs
- We develop customer service know-how and customer orientation
- We promote customer orientation with the 'Customer in the Centre' programme
- We develop new energy efficiency products for customers
- We offer origin-labelled renewable electricity
- We offer climate benign heat products
- Our customers participate in our product development projects through customer panels
- We serve our customers through the Internet, social media and mobile services

Energy production and distribution, and our activities in society

- We improve district heat networks
- We communicate outage information through multiple channels
- We use environmentally sustainable energy forms
- We develop future energy production forms

Personnel

- Recognition of work contribution
- Opportunities for professional development
- Equal treatment
- Incentivizing compensation
- Open interaction
- Work well-being and safe working conditions
- Job security

- We operate in compliance with the Fortum Code of Conduct and values
- We support equality, and we respect the cultures and values of individuals and groups
- We develop employee competence through job rotation and career advancement
- We develop the quality of leadership and supervisory skills
- Our employees have performance-based wages as well as uniform processes, guidelines and tools in remuneration
- Personnel have the opportunity to influence the content of their own work in line with business goals
- We promote and improve and improve work well-being and safety
- We conduct a group-wide personnel survey every other year

Services and goods suppliers

Fortum's business operations

- Good financial position and the ability to take care of the agreed obligations
- Responsible operations
- Good reputation (e.g. Fortum as a good customer reference)

Business relations with suppliers

- Fair and equal treatment of suppliers
- Long-term business relations

Fortum's business and procurement principles

- We comply with the Code of Conduct, agreements, and agreed upon regulations and business practices
- We expect responsible actions from our business partners
- We adhere to professional procurement processes that are consistent with good procurement practice (including public procurements)
- We evaluate suppliers actions and possible risks and conduct audits
- We monitor the development of Fortum's reputation

Supplier relationship management

- Development of the suppliers' business and products/services
- We manage supplier relationships in a systematic manner
- We use an operating model that is based on category management in the most significant purchasing categories
- We offer joint development projects and new business opportunities for our suppliers

Authorities and decision makers

- Compliance with laws, regulations and permits
- Integration of sustainability into strategic and operative decision making
- Promoting renewable energy production and resource efficiency
- Paying taxes according to laws
- Maintaining dialogue
- Transparency and reliable reporting
- We comply with laws, regulations and permits
- We develop our business and the management of environmental and safety risks
- We pay our taxes and dividends
- We publish tax footprint
- We actively **engage in a dialogue** with authorities and decision makers about key issues in the energy sector
- We offer constructive suggestions for policies and legislation
- We communicate proactively and openly

Media

- Relevant, reliable and transparent communication
- In line with our **Disclosure policy**, we communicate proactively and openly
- We are easily accessible through the media desk
- We continuously improve our crisis communication preparedness

Energy sector organisations

- Advocating on behalf of share interests
- Maintaining dialogue
- **We advocate on behalf of shared and Fortum's owners' interests**
- We actively participate in energy sector's organisational activities
- We publish **position papers** and vies on energy-sector development
- We actively communicate our views (**blog**, social media, Fortum Energy Review etc.)

Non-governmental organisations

- Responsibility of operations and risk management
- Environmentally friendly investments
- Promoting renewable energy production
- Collaboration projects, open interaction and dialogue
- Reliable reporting
- We communicate actively and openly
- We collaborate with Finnish and Swedish nature conservation associations regarding our environmentally benign electricity products
- We collaborate with organisations in the responsible procurement of fuels and in our sponsorship projects
- We develop environmental and safety risk management
- We monitor NGO activities and engage in a dialogue

Local communities

- Plant safety
- Elimination of noise and emissions
- Safeguarding biodiversity and recreational use of nature
- Support and donations to local communities
- Dialogue and collaboration
- We manage our risks and we comply with the Fortum **Code of Conduct**
- We invest in infrastructure and plant safety
- We are a good employer and neighbour
- We support local community activities
- We carry out environmental projects in collaboration with our local stakeholders
- We communicate actively and openly
- We meet with local residents and customers

General public

- Security of supply of electricity and heat
- Activities for the good of society
- We improve the security of supply of electricity and heat
- We pay taxes, and we develop the energy sector in accordance with

- Safety operations
 - Promoting renewable energy production
 - Fair pricing
 - Transparency
 - Reasonable financial returns and moderation in management remuneration
- society's needs

 - We support non-profit activities benefiting society
 - We develop renewable energy in line with our strategy
 - We communicate actively and openly
 - Our remuneration complies with the Finnish State Ownership Steering department guidelines

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Stakeholder collaboration

Our way of operating responsibly includes continuously identifying the views of our stakeholders and finding a balance between the different expectations our stakeholders have. Dialogue, feedback and good collaboration are the key ways to promote a mutual understanding with our stakeholders.

Value creation and operational development through stakeholder collaboration

Fortum interacts with numerous local communities and millions of people through its businesses. We are a significant employer in our areas of operation, and we take care of the well-being of our personnel. We offer climate-benign products and services that meet customers' needs, and we strive to ensure the uninterrupted supply of energy. We create significant value for our stakeholders. We engage in active collaboration with our partners and society's decision-makers to build a sustainable energy future.

Collaboration with different stakeholder groups helps Fortum to assess and meet the expectations that important stakeholder groups have towards the company. We engage in an active dialogue with the different stakeholders associated with our operations, and we strive to find a balance between their varying expectations. We conduct annual stakeholder surveys and use the results in business planning and development. We monitor and assess the public dialogue in the countries where we operate. We have increased the dialogue with our stakeholders also through social media channels in all countries where we operate. Feedback from customers drives the development of our products and services. Additionally, our activities in national and international organisations help to deepen our understanding of global sustainability issues and their connections to our business.

Our main stakeholders include shareholders, investors, analysts, customers, personnel, authorities and decision makers, and media. Our other important stakeholder groups are suppliers of goods and services, energy sector organisations, non-governmental organisations and local communities. We report openly about the impacts of our operations and about the dialogue with our stakeholders.

Stakeholder collaboration throughout the organisation

Management of stakeholder collaboration at Fortum is assigned to a number of functions, particularly communications, corporate relations, human resources, the sustainability unit, the functions responsible for electricity and heat sales and energy production, as well as many of our experts. Responsibilities for managing stakeholder collaboration are primarily determined by stakeholder group or interaction theme. Key interaction areas, e.g. corporate relations, and corporate and customer communications, have annual plans that guide the activities.

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 increase the dialogue and the exchange of views between the company and its stakeholders.

Information through surveys

In collaboration with third parties, we annually conduct several surveys regarding stakeholder collaboration. The aim of these surveys is to help Fortum assess and respond to the important stakeholder groups' expectations of the company. The surveys also measure the success of our stakeholder collaboration. Additionally, the surveys provide information about emerging sustainability trends and risks.

We use the extensive One Fortum survey and the **EPSI customer satisfaction survey** to annually measure customer and stakeholder satisfaction as well as changes in the company's reputation and the factors impacting it. Additionally, as part of the One Fortum survey, we regularly identify what our stakeholders consider to be the most important sustainability areas. We use the survey results in business planning and development and in identifying material aspects in corporate responsibility.

Our stakeholder surveys

Survey	Target groups	Target countries	Frequency
One Fortum	Customers Public	Finland, Sweden, Norway, Poland, the Baltic countries, Russia	Annually

		administration Capital markets NGO:s Opinion leaders Personnel	
EPSI customer satisfaction surveys	Electricity sales customers	Finland, Sweden, Norway	Annually
Media tracking	Media	All operating countries	Daily
Student surveys	Students	Finland, Sweden	Employer surveys by T-Media and Universum in Finland 2015. Employer survey by Universum in Sweden.

Improvement in customer satisfaction and reputation in One Fortum survey in 2015

The results of the 2015 One Fortum survey indicated that customer satisfaction improved among virtually all customer groups. We are pleased with the positive trend in customer satisfaction over the five years that the One Fortum survey has been conducted.

Fortum has a strong reputation among public administration representatives. Within this group, our reputation improved the most from the previous year. Our reputation also improved and is now good amongst non-governmental organisations, opinion leaders, personnel and customers. Our reputation is weakest among the general public; our reputation in Finland remained at the previous year's level and it improved somewhat in Sweden. Based on the survey results, our future focus should be specifically on social responsibility and on taking customers into even more consideration.

Focus on customer centricity improved customer satisfaction

Our Group-wide development programme, Customer in the centre, has strengthened our culture of customer centricity, which has led to better customer satisfaction.

The international and independent EPSI Rating annually surveys the level of satisfaction of electricity retail company customers in Finland, Sweden and Norway. Based on the 2015 EPSI survey, Fortum's customer satisfaction improved in all three countries where we offer electricity products and services.

Our customer satisfaction rating in Norway increased to a level clearly better than the industry average and is third best of the electricity companies in Norway. We also achieved our all-time best rating in Finland. In Sweden, too, our customers were clearly more satisfied than previously.

Security of supply, sustainable operations and risk management of interest to stakeholders

In the 2015 stakeholder survey on sustainability, decision makers, NGOs, employees and the general public emphasised the importance of security of supply of heat and electricity, sustainability-related risk management and sustainable business practices. Our personnel emphasised the safety of operations. For the general public, the use of renewable energy sources was important.

Related

- > Customer satisfaction and reputation
- > Economic added value for stakeholders
- > Security of supply
- > Operational and occupational safety
- > Climate change mitigation
- > Support for society

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Shareholders

Shareholders, investors and analysts are a key stakeholder group for Fortum. As a listed company, Fortum's obligation is to provide correct, adequate and up-to-date information regularly and equally to all market participants. Fortum's Investor Relations function is responsible for the communication with investors, analysts and the capital market.

Fortum Corporation's shares are listed on the Nasdaq Helsinki exchange. At the end of 2015, Fortum had 136,259 shareholders. The biggest shareholder, the Finnish State, owned 50.8% of Fortum's shares. 25.5% of Fortum's shares were in a book-entry register or in direct foreign ownership. Finnish households owned 11.4% of the shares, financial and insurance corporations 3.0%, and other Finnish investors the rest, i.e. around 10.0%.

The key values of Fortum's Investor Relations are openness, transparency and easy approachability. In accordance with the Finnish Securities Markets Act, we use stock exchange releases to disclose all such decisions and factors related to the company and its operations that are within the sphere of the continuous disclosure obligation or that, in the company's estimation, can have a material impact on its share value. Fortum's Disclosure Policy explains the main communications principles and operating models in different communications situations. We regularly provide information on our financial performance in interim reports, the financial statements, and the operational and financial review.

Fortum's Investor Relations and top management work in close interaction with all financial community members. We meet with investors and analysts regularly in conjunction with the publication of the quarterly interim reports, at investor meetings, road shows, and the Annual General Meeting. We participate in seminars and conferences in Finland and abroad. In 2015, we visited all the main financial centres in Europe, meeting investors. We spent some 15 days abroad and met with some 250 investment sector professionals in one-on-one or group meetings or in other events. Additionally, we participated in several events targeting private investors in Finland.

Our presentations and discussions with stakeholder groups at these events focused on topics related to the company's strategy, the operating results of the businesses, and the development of and the outlook for the operating environment.

We also organise discussions with analysts and investors focusing on sustainability, corporate social responsibility and governance issues. In 2015, we participated in a SRI conference in Paris.

In addition to meetings and discussions, we serve out target groups through digital channels, the most important of which is the Investors section on our website. Our stakeholder groups can also follow Fortum through social media channels, such as Twitter, LinkedIn, YouTube, SlideShare and the Fortum ForEnergy blog.

By communicating openly and proactively, we aim to ensure that investors have timely and sufficient information available about decisions and factors that can have a material impact on the value of Fortum's share. Through active and consistent communications, we also want to increase the knowledge about the company's strategy and business operations in order to enable a fair valuation of the company's share.

Investors are expecting long-term value creation for their investment. Financial targets are set to give investors relevant guidance about the company's views on its value creation potential and growth strategy. At Fortum, we are committed to achieving our financial targets, and to growing and creating solid earnings. Our financial targets mirror the capital efficiency of our investments and the efficiency of our operations. In February 2016 we updated our long-term, over-the-cycle financial targets as follows:

- Return on capital employed (ROCE) at least 10%
- Comparable net debt to EBITDA around 2.5 times

One way to reward shareholders for their commitment to the company is to pay a return on their investment and distribute some of the profits back to them. Fortum's dividend policy is to pay a stable, sustainable and over time increasing dividend of 50-80% of earnings per share, excluding one-off items. For the year 2015, Fortum's Board of Directors proposes a dividend of EUR 1.10 per share to be paid. This will be decided by the Annual General Meeting on 5 April 2016.

Investors and our shareholders expect highly responsible operations from us. Our Code of Conduct as well as our company values – accountability, creativity, respect and honesty – define the ethical standards of our own operations and how we deal with each other internally and with customers, vendors, partners and communities and determine how we engage in business and how we safeguard our corporate assets. We

believe that there is a clear connection between the high ethical business practices and successful financial results. Fortum's Supplier Code of Conduct sets the basic sustainability requirements for suppliers of services and goods. It is based on the principles of the United Nations Global Compact and is implemented in all of our operating countries.

A challenging market environment and changing economic situations drive investors to look for not only financial key figures, but also for other measures related to environment, social responsibility and governance issues. The characteristics for successful business have partly changed and sustainability has to be an integral part of the strategy, as it is at Fortum. The tight link between business operations and corporate responsibility underscores the importance of sustainability as a competitive advantage. In its operations, Fortum gives balanced consideration to economic, social and environmental responsibility. Rankings in significant sustainability indexes support the development and continuous improvement in the responsibility of our operations. Additionally, the assessments and indexes provide investors with impartial information about the level of the company's operations in the three sub-areas of sustainability: economic, environmental and social responsibility.

A responsible investor also expects thorough risk management from its investment target. The objective of risk management within Fortum is to support the creation of the corporate strategy, enable the strategy execution, support the achievement of agreed financial targets and avoid unwanted operational events. In today's fast-changing operating environment, risk management is even more importantly in focus for investors. Risk management is equally applicable to global environmental and climate challenges as well as resource scarcity, just as it applies to currency or commodity price risks.

Related

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Customers

Electricity sales and new solutions

We sell electricity directly to customers in Finland, Sweden and Norway. At the end of the year, we had 1.3 million electricity customers.

The currently low electricity price and new technological solutions change the expectations customers have towards their electricity company. We respond to these expectations by offering customers an opportunity to control, manage and boost the efficiency of their electricity consumption. In recent years we have introduced several new services that improve energy efficiency.

Services for heat customers

We supply heat to millions of people in seven countries. In 2015 we continued significant investments in bio- and waste-fuelled combined heat and power production and in heat pumps in the Baltic Rim countries.

In addition to power plant investments, we actively developed new ways to produce energy. The bio-oil plant integrated with the Joensuu combined heat and power plant is the first of its kind on an industrial scale worldwide. The first export batch of bio-oil was delivered to Sweden, where it was tested at E.ON's Karlshamn power plant. Based on the test combustion performed at Karlshamn, bio-oil can replace heavy fuel oil also in bigger power plants.

A heat pump station utilising waste heat from wastewater was commissioned in Suomenoja, Espoo. The heat pump solution significantly reduces emissions from district heat production in Espoo by replacing fossil fuels with recovered waste heat. As much as 15% of the district heat demand in Espoo can be met with heat pumps.

A geothermal production pilot project was launched with St1 in Espoo. The plant will be placed on Fortum's Otaniemi heat plant plot, where test drillings were performed in 2015. Fortum will buy the thermal energy produced by the plant for the Espoo district heat network; it is estimated that it could cover as much as 10% of the district heat demand in the Espoo area.

We want to promote also active customer participation in heat market operations and the opportunities to have an impact on their heating solutions and consumption.

An open district heat network offers our customers the opportunity to sell surplus heat back to the district heat network. Data centres, grocery stores, hospitals and our other similar customers that produce surplus heat can significantly improve their energy efficiency with an open district heat network.

We are already working with data centres in Stockholm and Espoo, and offering cost-efficient solutions for the cooling of data centres and utilising the waste heat. Espoo's new hospital as well as the expansion of the North Karelia Central Hospital in Joensuu will also connect to the open district heat network.

An open district heat pilot was launched also in Tartu, Estonia, and a district cooling network was built.

Expert services

We offer a variety of operation and maintenance expert services to power plants and industrial customers. Our services and tools help our customers to boost the operational and maintenance efficiency of their plants and increase profitability. Additionally, we offer products and consulting services related to hydropower, nuclear safety and nuclear waste handling.

Related

[➤ Products and services](#)

➤ Power solutions

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Personnel

Fortum had 7,835 employees at the end of 2015.

Dialogue with personnel

The Fortum Sound personnel survey conducted every other year is part of the dialogue with personnel. The response rate to the survey conducted in October 2014 climbed to 84% (2012: 79%). The results indicate that 70% of the employees feel a commitment to the company (2012: 65%).

Based on the survey results, the personnel feel that the customer-oriented way of thinking of Fortum employees as well as sustainability as an integral part of Fortum's operations are at a good level. Overall wellbeing and a healthy work-life balance are also considered to be at a good level. Working in compliance with the Fortum Code of Conduct and occupational safety guidelines is part of the Fortum employees' daily work.

The most important development targets emerging from the survey were clarification of the strategy, transparency and more effective communication of change. In response to this need, the Fortum Dialogue events between management and employees were started. They are held twice a year.

Additionally, a project to develop change management capacity was launched. During phase one of the project, support materials for management were created, and HR and communications organisations were trained to support management in change situations.

In a survey conducted when Pekka Lundmark started as President and CEO of Fortum in September 2015, more than 3,200 Fortum employees noted their observations and development suggestions on ways to boost operational efficiency and build future success.

We measure employee engagement also as part of the annual One Fortum stakeholder survey. A total of 1,400 employees participating in the 2015 survey rated Fortum a 76 (2013: 73) on a scale of 0-100 in the index measuring Fortum's reputation.

Operational safety, delivery reliability of power and heat, and sustainability of operations were emphasised by the 1,422 employees who responded to the sustainability survey conducted in conjunction with the One Fortum survey.

Cooperation between personnel and Fortum's management is based on local legislation and Fortum's Code of Conduct. The Fortum European Council (FEC) convenes once a year. FEC is an European level co-operational function where personnel and employer representatives meet to discuss matters related to Fortum.

Personnel development

Fortum encourages its employees to continuously develop their knowledge, skills and competencies. To support this, we have focused on developing leadership and organisational culture through a coaching approach. The coaching approach increases participative management, which empowers and encourages employee accountability in their work. One of the key elements in the coaching approach is the giving and receiving of feedback.

The supervisory training programmes to develop leadership and organisational culture are an important element in personnel development. A total of 116 supervisors took part in the three programmes under way in 2015.

All our new employees go through an induction programme; the Fortum Passport online on-boarding programme is one part of that. Personnel development is supported through annual performance and development discussions. All Fortum employees are within the sphere of these discussions. The main goal of the performance and development discussion is to ensure that the employee has clear goals aligned with the business as well as the competencies supporting the achievement of the goals and professional growth.

Aiming to be an attractive employer

We aim to be an attractive employer. Factors improving attractiveness are good reputation, good leadership, interesting career opportunities and the possibility to do meaningful work. We also strive to create attractive career and advancement opportunities that enable continuous professional growth for individuals.

In the 2015 annual employer image survey conducted by Universum, which specialises in employer branding research, technology sector students

in Finland ranked Fortum as the fifth most attractive employer, and young professionals ranked it 16th. In the Universum survey in Sweden, Fortum's ranking slightly improved compared to the previous year.

In 2015 we offered 226 summer jobs in Finland and Sweden. The recruiting campaign for summer workers, Summer Energy, was of interest to many young job-seekers; we received a total of 10,105 applications for the summer positions.

Related

> Social responsibility

> Employees

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Suppliers of goods and services

Fortum is a significant purchaser of goods and services. Fortum's purchasing volume in 2015 was EUR 2.2 billion. Fuel purchases, investments, and electricity purchased by the Electricity Sales business area from the Nordic wholesale electricity market for retail sales account for the majority of Fortum's purchases.

We treat suppliers equally and we strive for long-term business relations. We want to be involved in the development of our partners' business and goods and services.

We actively strive to reduce the environmental impacts related to our supply chain and to improve economic and social wellbeing. We also manage risks related to our supply chain.

Supply chain collaboration is guided by Fortum's Code of Conduct and the Supplier Code of Conduct. We perform a pre-selection for suppliers prior to the start of collaboration and we audit suppliers to ensure that the sustainability principles are realised in our production chain.

Related

[➤ Supply chain management](#)

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Authorities, decision makers and energy industry organisations

The significance of energy issues continues to grow in our society: climate change, security of energy supply and energy prices are part of the everyday public discussion. For this reason, collaboration with authorities, decision makers and energy sector organisations is important. At the EU level, and in our countries of operation, we are directly and indirectly involved in the activities of over 62 sector associations and organisations.

We engage in an active dialogue to develop the energy sector. We present our views and offer our expertise to decision makers and organisations in the sector. We annually publish position papers on key topics and participate in stakeholder consultations. Our goal is to offer constructive suggestions for policies and legislation.

Public affairs themes in 2015

Year 2015 was a year of an intense energy debate as the Energy Union concept was launched and concerns were raised about the EU's energy dependence, security of supply and internal energy market functioning. Electricity market design and the role of capacity mechanisms sparked broad debate. The trend of increasing fixed costs through taxation coincided with declining wholesale electricity market price development in the Nordic power market.

Ahead of the international climate conference in Paris, the discussion on the EU climate and energy policy was high on the agenda. In addition, resource efficiency and the circular economy were raised into the political debate. Other themes important for us were taxation of nuclear and hydro power, especially in Sweden.

Paris COP21

The international climate negotiations culminated in Paris with the adoption of an ambitious global agreement. While the agreement is likely to accelerate low-carbon transition and create new business opportunities, it will have no direct impact on, e.g., the EU carbon price unless the climate targets are revised.

During the year Fortum highlighted the importance of carbon pricing and markets in combating climate change. As the outcome of Paris was better than expected, the EU should, in Fortum's view, consider increasing its future climate ambition.

Energy Union

The Energy Union – a high-level and comprehensive energy strategy covering five dimensions (decarbonisation, energy efficiency, internal energy market, energy security, and research & innovation) – was launched in 2015 aiming at a low-carbon, secure and competitive economy.

The first 'State of the Energy Union Report' in November 2015 pointed out the major legislative work ahead, including a market design proposal, revised RES and Energy Efficiency Directives, and the first European strategy on heating and cooling. Fortum welcomed the Energy Union approach and supported the Commission's efforts in developing a holistic energy strategy and in laying the groundwork for stronger policy coordination.

EU power market

The wholesale price of electricity continued to decline in 2015. The profitability of electricity production and the investability of the sector raised increasing concern and discussion.

Fortum participated actively in the European discussion on wholesale market design and the future of subsidies for renewable energy. Capacity mechanisms that an increasing number of member states are either planning or already implementing as a response to distortions created by subsidies have been debated. The EU Commission launched a public consultation on the new electricity market design and a separate sector inquiry assessing capacity mechanisms in use in various member states.

Fortum responded to the consultation highlighting the energy only market as the main principle for further development of the electricity market

design and further market developing and the need for a pan-European, competitive internal energy market with robust transmission connections and market-driven renewable energy integrated into the market.

EU climate policy

Preparations for the international climate negotiations dominated the discussion in climate policy. The EU was among the first parties to submit its commitment and, at the same time, continued preparation of its own legislation. The EU carbon market continued to suffer from huge oversupply and low prices. Legislation for the Market Stability Reserve was approved and the Commission gave a proposal for the revision of the Emissions Trading Directive.

Fortum welcomed the measures to improve the functioning of emissions trading, but emphasised the need to remove the overlapping policies and measures that lead to inefficient and costly carbon reduction and create market distortions.

Taxation

The taxation environment in our key operating countries continued to develop negatively.

In Finland, the new Government decided to increase the real-estate tax rate of power plants, which already have a higher rate than other industrial real estate. The tax puts a heavier tax burden on hydro and nuclear power plants in particular. In addition, the Government decided to increase the CO2 tax on CHP generation from 2017 onwards; the final decision, however, is still pending.

In Sweden, the new Government decided to increase the capacity tax on nuclear by 17% from mid-August. Combined with the significant investments resulting from post-Fukushima requirements and the current electricity market situation, this has led to a decision of early decommissioning of four reactors so far. Taxation of hydropower was also broadly debated. The tax rate applicable to hydro plants is manifold compared to the tax rate applicable to other energy sources, both fossil and renewable.

Fortum calls for a level playing field in taxation. For example, all non-emitting energy technology should be treated similarly in order to provide for a fair competition.

Circular economy

The EU Commission's revised Circular Economy Package together with the legislative proposals for waste were topics for wide discussion. The package enhances recycling and re-use of all waste with the aim of substantially reducing the landfilling of municipal waste. Fortum continued highlighting the essential role of energy recovery of non-recyclable waste as one of most cost-optimal solutions to reduce landfilling; in our opinion, energy recovery of waste should always be preferred to landfilling.

National energy policies

In Sweden, the Energy Commission started its work to propose a long-term broad political agreement on energy issues with focus on 2025 and onwards, including taxes and subsidies. The politicians have been under increased pressure to come to an agreement, as companies have already decided to close down four nuclear reactors and further shutdowns are being discussed. This has led to an intense debate about the taxation of nuclear, and the industry is requesting the capacity tax to be abolished before the decisions on the required safety investments (so-called Fukushima investments) can be made.

The discussion on hydropower as part of the renewable energy system was intensified and politicians have started to articulate more positively on hydropower as investments in intermittent renewables, especially wind, are increasing. The national strategy for hydropower and the amendment of environmental legislation were debated in dialogue meetings between authorities, several NGOs and hydropower companies. Fortum highlighted hydropower as an indispensable part of a low-carbon energy system.

In Finland, Posiva (a company co-owned by Teollisuuden Voima and Fortum) was granted a construction licence for the final repository of spent nuclear fuel – the first licence of its kind in the world. Fortum's announcement to participate in Fennovoima's project and the Russian ownership in Fennovoima were subject to intense debate.

National parliamentary elections were held in 2015 in two of Fortum's operating countries: Finland and Poland. The new Finnish non-socialist Government of three political parties aims at replacing imported fossil energy with domestic energy and raised the bioeconomy as one of its policy priorities. In Poland, the new Government formed by the conservative PiS (Law and Justice) party highlights the competitiveness of the domestic coal industry, preserving coal as a base fuel for energy production.

Heating costs for end-customers was a significant issue in all Baltic countries. We focused on questions concerning the competitiveness and liberalisation of district heating as well as on energy subsidies and waste management issues.

In Russia, Fortum brought up views on the ongoing heat reform. Fortum introduced the ‘alternative heat only boiler’ model that is currently considered within the government’s roadmap towards the heating sector reform. We were also an active participant in the discussions on the long-term development of municipal heating plans in our key operating areas in Russia. Our aim is to ensure efficient and economically sensible heat supply to our customers in Chelyabinsk and Tyumen areas.

Transparent lobbying

In April 2015, Fortum updated the company’s information in the Transparency Register maintained jointly by the European Parliament and European Commission. The register offers information about organisations that aim to influence EU decision making. We follow the Code of Conduct of the Transparency Register in all our lobbying activities.

Fortum’s Corporate Relations function reports to the President and CEO, who is responsible for all public affairs activities. The Group does not use third parties for lobbying purposes. We publish our position papers and commentaries on our web pages.

Related

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Media

The media actively follow Fortum's operations particularly in the Nordic countries, because we are one of the major listed companies in Finland and one of the biggest energy-sector players also in Sweden. In Finland, the State's majority ownership increases the media's and the general public's interest in the company.

Laws and regulations governing the communications of publicly listed companies set the framework for our communications. As a company listed on the Nasdaq Helsinki, we follow the rules and recommendations of the Helsinki stock exchange. Furthermore, we follow the regulations set forth in the Finnish Companies Act, the Finnish Securities Markets Act and other relevant laws as well as the regulations and guidelines of the Financial Supervision Authority (FSA) in Finland. Fortum also observes the European union's recommendations set forth for publicly listed companies.

We communicate openly, equally and proactively to ensure that also through the media our stakeholder groups receive sufficient information about decisions and factors that can, for instance, materially impact Fortum's share price. By communicating actively and consistently we also want to increase knowledge about the company's strategy and business.

We engage in a continuous dialogue with the media at the press conferences, press visits, other visits, and by giving interviews and responding to daily media contacts.

In 2015, we continued strengthening our crisis communication preparedness, and in December we participated in the Loviisa nuclear power plant's annual emergency exercise. We continued developing our social media channels. We organized local media events in all countries where we operate.

Related

[➤ Media room](#)

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Non-governmental organisations

We follow the activities of non-governmental organisations and engage in a dialogue with them. In addition, we carry out most of our sponsorships in collaboration with organisations.

We engage in collaboration with environmental organisations regarding the eco-labelling of electricity products in Finland and Sweden. We also participate in projects related to local environmental protection or maintaining biodiversity. Part of the funding for the environmental projects comes from the sales of eco-labelled electricity.

Since 2006 Fortum has been a supporter of the John Nurminen Foundation's [Clean Baltic Sea project](#), which is mitigating eutrophication of the Baltic Sea and offering maritime solutions in an effort to prevent oil spills in the Gulf of Finland.

We participate in the [Bettercoal](#) initiative promoting sustainability in coal mining.

In Estonia Fortum has been a long-term partner to Estonian Heat and Power Association (EPHA) and Estonian Renewable Energy Association (EREA). Both NGOs have been played active role in 2015 to change Estonian energy sector.

Since 2013, Fortum has been a member of [FIBS Corporate Responsibility Network](#) in Finland. We are a strategic partner of the Responsible Business Forum (RBF) in Poland. Both FIBS and RBF promote responsible business that considers the impacts on the economy, society and environment.

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Local communities

We collaborate closely with local communities in the municipalities where we have power plants. We are an important employer and significant tax payer in our operating areas. In addition, our investments improve the local infrastructure.

We take local communities into account in power plant maintenance, improvement and environmental work, and we meet with local residents at, e.g., power plant open-house events.

Related

➤ [Examples of our activities with local communities 2015](#)

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