

# Fortum's Annual Report 2014

*Fortum is an energy company highly committed to sustainability. We strive to respond to the needs of our customers by generating, selling and distributing low-carbon electricity and heat and by offering energy-sector expert services.*

## 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 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

**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

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