

## Remuneration

The Finnish Corporate Governance Code 2010 requires that Fortum Corporation issues a remuneration statement regarding the salaries and other remuneration paid by company. Furthermore, in September 2009, the Cabinet Committee on Economic Policy, representing the State owner, issued guidelines on remuneration and pension benefits of management in companies with State ownership. Fortum takes into account both the Code and the guidelines in its 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 the remuneration principles at the Group level and decides on the bonus targets and the remuneration of senior management. Remuneration of the members of the Board of Directors is

decided by the Annual General Meeting of Fortum Corporation.

Fortum offers a competitive compensation package for senior executives and other management. 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, other relevant benefits, challenging short-term incentives and long-term incentive schemes are also offered.

### Short-term incentives

Fortum's short-term incentive scheme, i.e. bonus system, supports

the realisation of the Group's financial performance 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 bonus system.

The Board of Directors decides on the bonus criteria for senior management (the President and CEO and other members of the Fortum Management Team). The amount of each senior executive's bonus is dependent on the Group's financial performance and on their own success in reaching personal targets. The maximum bonus for senior management is 40% of the executive's annual salary including fringe benefits.

The bonuses of the division heads, who are all members of the Fortum Management team, are determined on the basis of the division's performance and the Group's financial performance. During the annual performance discussion held at the beginning of the year,

the division head and his/her superior agree on the criteria used to assess the personal performance of the executive.

The Board of Directors assesses the performance of the President and CEO on an annual basis.

In 2011, the bonuses paid to the Fortum Management Team (FMT), including the President and CEO, amounted to EUR 1,087,190 (2010: 819,253), which is 0.29% (2010: 0.23%) of the total remuneration paid by the Fortum Group.

### Long-term incentives

The purpose of Fortum's long-term incentive system, 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 chooses the Fortum management members entitled to participate in the share bonus system. The Board of Directors can also exclude individual participants from the system. 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

### COMPENSATION FOR THE PRESIDENT AND CEO AND THE FORTUM MANAGEMENT TEAM

EUR	Salaries and fringe benefits 2011	Salaries and fringe benefits 2010	Performance bonuses 2011	Performance bonuses 2010	Total 2011	Total 2010
President and CEO <sup>1)</sup>	952,323	911,545	337,696	237,510	1,290,019	1,149,055
Other Management Team members <sup>1)</sup>	2,799,609	2,481,935	749,494	581,743	3,549,103	3,063,678

<sup>1)</sup> Additionally, the President and CEO had a calculatory gross income of EUR 886,467 from share deliveries of share plans (2005–2010 and 2008–2012) during spring 2011. The corresponding aggregated figure for the other members of the Fortum Management Team was EUR 1,590,643. The shares from share plan 2008–2012 cannot be transferred or sold before the end of the two-year lock-up period.

REMUNERATION AND TERMS OF EMPLOYMENT OF PRESIDENT AND CEO TAPIO KUULA

Salary and fringe benefits	Base salary EUR 74,283/month. Additionally free car benefit and mobile phone benefit 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. Annual salary = 12 times the salary paid in December of the year in question.
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/she 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.

SHARE RIGHTS DELIVERED OR TO BE DELIVERED TO THE MANAGEMENT

Name	2011	2012
Tapio Kuula	19,663	17,171
Anne Brunila	2,524	3,983
Alexander Chuvaev <sup>1)</sup>	12,960	18,749
Mikael Frisk	5,285	4,576
Timo Karttinen	6,053	5,213
Juha Laaksonen	6,620	6,840
Per Langer	4,273	3,966
Maria Paatero-Kaarnakari	3,118	2,856
Matti Ruotsala	6,219	7,283

<sup>1)</sup> Share rights will be paid in cash instead of shares after two years due to local legislation.

SHARE BONUS SYSTEMS

Plans	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
2006–2011	1	2	3	4	5	6					
2007–2012		1	2	3	4	5	6				
2008–2012			1	2	3	4	5				
2009–2013				1	2	3	4	5			
2010–2015					1	2	3	4	5	6	
2011–2016						1	2	3	4	5	6

year	Earning period
year	Lock-up period
	Share delivery

Directors are fulfilled. 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. The maximum value of shares (before taxation) to be delivered to a participant after the earning period cannot exceed the participant’s one-year salary.

Fortum’s current long-term incentive system fulfils the recommendations of State-owned companies and the Corporate Governance Code 2010 for listed companies.

[➤ Read more about the incentive plans in the Consolidated financial statements, Note 31 on page 85.](#)

Pensions

Fortum’s Finnish executives participate in the Finnish TyEL pension system, which provides for a retirement benefit based on years of service and earnings and in accordance with the prescribed statutory system. Under the Finnish pension system, earnings are defined as 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 without full-pension restrictions.

Fortum's executives outside Finland participate in pension systems based on collective agreements and market practise in their local countries.

Retirement age for Fortum's President and CEO is 63 and for other members of the Fortum Management Team 60–63. For the President and CEO and for some other executives, the maximum pension can be 60% of the salary, with the pension insured by an insurance company, and for some

executives the maximum is 66% of the salary, with the pension insured and paid by Fortum's Pension Fund. The Fortum Pension Fund was closed in 1991.

#### Remuneration of Supervisory Board

In Fortum's Annual General Meeting 2011, the State of Finland and the Finnish Shareholders Association (Osakesäästäjien keskusliitto) proposed to dissolve the Supervisory Board and accordingly to amend the Articles of Association of Fortum. The proposal was accepted and the changes to the Articles of Association entered into force on 4 April 2011. The table below presents the total compensation of

the Supervisory Board for the period 1 January to 4 April 2011.

#### Remuneration of the Board of Directors

Every member of the Board of Directors receives a fixed monthly fee and a meeting fee. The meeting fee is also paid for committee meetings and is paid in double to a member who lives outside Finland in Europe and triple to a member who lives outside Europe. The members are entitled to travel expense compensation in accordance with the company's travel policy.

Members of the Board of Directors are not paid a salary by Fortum and they are not given the opportunity to

participate in Fortum's bonus or share bonus schemes, nor does Fortum have a pension plan that they can opt to take part in. The compensation is not tied to the sustainability performance of the Group.

The Annual General Meeting on 31 March 2011 confirmed the following compensation for the members of the Board of Directors:

#### FEES OF THE BOARD OF DIRECTORS

EUR/year	2011	2010
Chairman	66,000	66,000
Deputy Chairman	49,200	49,200
Members	35,400	35,400
Meeting fee	600	600

#### TOTAL COMPENSATION FOR SUPERVISORY BOARD SERVICE

EUR	1 Jan – 4 April 2011 <sup>1)</sup>	2010
Markku Laukkanen, Chairman	3,200	13,000
Sanna Perkiö, Deputy Chairman	2,000	8,000
Martti Alakoski	1,700	7,000
Tarja Filatov	1,700	6,800
Sampsa Kataja	1,700	7,000
Kimmo Kiljunen	1,700	7,200
Katri Komi	1,700	6,800
Panu Laturi	1,700	7,200
Juha Mieto	1,700	7,000
Helena Pesola	1,700	7,200
Jukka Mäkelä <sup>2)</sup>	N/A	5,800

<sup>1)</sup> All members were present in the meeting held in February 2011.

<sup>2)</sup> Member until 19 October 2010.

## TOTAL COMPENSATION FOR BOARD OF DIRECTORS

EUR	Board service in 2011 <sup>1)</sup>	Total compensation in 2011	Board service in 2010 <sup>1)</sup>	Total compensation in 2010
Sari Baldauf, Chairman <sup>2)</sup>	1 Jan.–31 Dec.	70,261	1 Jan.–31 Dec.	58,800
Christian Ramm-Schmidt, Deputy Chairman <sup>3)</sup>	1 Jan.–31 Dec.	54,800	1 Jan.–31 Dec.	45,600
Esko Aho	1 Jan.–31 Dec.	43,800	1 Jan.–31 Dec.	45,000
Minoo Akhtarzand	31 March–31 Dec.	34,478	N/A	N/A
Heinz-Werner Binzel	31 March–31 Dec.	37,478	N/A	N/A
Ilona Ervasti-Vaintola	1 Jan.–31 Dec.	43,800	1 Jan.–31 Dec.	45,000
Joshua Larson	1 Jan.–31 Dec.	56,400	25 March–31 Dec.	46,391
Matti Lehti, former Chairman	1 Jan.–31 March	19,500	1 Jan.–31 Dec.	75,600
Birgitta Johansson-Hedberg	1 Jan.–31 March	11,250	1 Jan.–31 Dec.	52,800

<sup>1)</sup> Meeting attendance are presented on page 118.

<sup>2)</sup> Chairman from 31 March 2011, before that Deputy Chairman.

<sup>3)</sup> Deputy Chairman from 31 March 2011.