

IVO ENERGY LIMITED (Company No. 02346970)

For and on behalf of its subsidiaries

FORTUM ENERGY LIMITED (Company No. 02668478)

FORTUM CARLISLE LIMITED (Company No. 10098089)

FORTUM GLASGOW LIMITED (Company No. 10359853)

FORTUM O&M (UK) LIMITED (Company No. 02564354)

England and Wales

As part of the Fortum Group (the Group)

MODERN SLAVERY ACT TRANSPARENCY STATEMENT 2018

INTRODUCTION FROM THE SENIOR MANAGEMENT

Fortum is a leading clean-energy company that provides its customers with electricity, heating and cooling, as well as smart solutions to improve resource efficiency. Further details can be found at <https://www.fortum.com/>.

Sustainability is an integral part of Fortum's strategy. Business and responsibility are interconnected, underlining the role of sustainable solutions as a competitive advantage. In our operations, we give balanced consideration to economic, social and environmental responsibility. We assess our impacts and address sustainability throughout the value chain.

Our commitment runs through the entire Group, encompassing both top level management and our employee base globally. Sustainability management is based on the company's values, the Code of Conduct, the Supplier Code of Conduct, the Sustainability Policy and other policies and their specifying instructions defined at the Group level. We continuously develop standards and processes to ensure inhumane practices such as modern slavery do not occur within the Group or in our supply chains.

The Fortum Group is a signatory to the UN Global Compact initiative as of 30 June 2010. We are also a supporter of the Sustainable Development Goals adopted by the United Nations in 2015 (SDGs).

Our senior management fully subscribes to the values embodied in the Modern Slavery Act 2015 and condemns any occurrences of practices contravening the Act.

ORGANISATION'S STRUCTURE

The Fortum Group had four divisions in 2018; Generation, City Solutions, Consumer Solutions and Russia. In addition, there were two development units; M&A and Solar & Wind Development and Technology and New Ventures. In November 2018, the wind operations became a business area within the Generation division and the solar operations a business area within the City Solutions division. The Russian wind and solar operations continue as a part of the Russia division.

The Ultimate Parent company is Fortum Oyj, registered in Espoo, Finland. Fortum Oyj is listed on the NASDAQ OMX Helsinki stock exchange. Globally, the Group had annual sales of EUR 5,242 million in 2018.

With core operations in 10 countries, Fortum employs a diverse team of more than 8,000 energy-sector professionals. Our key markets are the Nordic and Baltic countries, Russia, Poland and India.

In the UK, we have five subsidiaries as follows:

- IVO Energy Limited (no. 02346970)
- Fortum Energy Limited (no. 02668478)
- Fortum Carlisle Limited (no. 10098089)
- Fortum Glasgow Limited (no. 10359853)
- Fortum O&M (UK) Limited (no. 02564354)

All our UK subsidiaries explicitly subscribe to this Modern Slavery Act as authorised by the respective Boards and signed for by the Board of IVO Energy Limited on behalf of its subsidiaries.

OUR BUSINESS

Fortum is the third largest power generator and the largest electricity retailer in the Nordic countries. Globally, we are one of the leading heat producers. We also offer waste-to-energy and circular economy solutions, as well as energy-sector expert services and various consumer solutions. Fortum has 124 hydro power plants, 27 CHP (combined heat and power), condensing, and nuclear power plants as well as three wind power parks and three solar power plants. Globally, the company supplies heat in 23 cities and towns and has five main waste treatment facilities.

OUR SUPPLY CHAINS

Fortum is a significant purchaser of goods and services. Fortum's total purchasing volume in 2018 was EUR 3.7 billion. Electricity purchased from the Nordic wholesale electricity market for retail sales, investments, and fuel purchases accounted for the majority of Fortum's purchases. Of our purchases, EUR 579 million targeted various investments. Fortum's fuel purchases from international and local suppliers in 2018 totalled EUR 561 million. The rest of our purchases, EUR 2.6 billion, consist of other goods and services.

59% of the purchasing volume was purchased from suppliers operating in Europe, mostly in Finland, Sweden and Poland. This does not include electricity purchases from the Nordic wholesale market. 39% of Fortum's purchases were from countries we classify as "risk countries". The majority of these purchases were from Russia.

In 2018, we had about 14,000 suppliers of goods and services. About 1,400 of the suppliers were in risk countries. Excluding the Russia Division's local suppliers, there were about 300 suppliers in risk countries.

OUR CODES OF CONDUCT & POLICIES ON SLAVERY AND HUMAN TRAFFICKING

We are committed to ensuring that there is no modern slavery or human trafficking in our supply chains or in any part of our business. The Fortum Code of Conduct and Supplier Code of Conduct reflect our commitment to acting ethically and with integrity in all our operations and in business relationships. All UK Fortum Group subsidiaries subscribe to the Fortum Group policies and codes of conduct:

- **The Fortum Code of Conduct** forms the foundation for ethical business conduct and defines how we treat others, engage in business, and safeguard our corporate assets.
- The **Supplier Code of Conduct** includes the sustainability requirements for suppliers of services and goods. The Supplier Code of Conduct is based on the principles of the United Nations Global Compact initiative and is divided into four sections: anticorruption, human rights, labour standards, and the environment.

- Our goal is to operate **in compliance with the UN Guiding Principles on Business and Human Rights**, and to apply these principles to our own operations as well as to country and counterpart risk assessments and supplier audits.
- This is coupled with an **acknowledgment of and respect for internationally recognised human rights standards**, including but not limited to the right not to be subject to inhumane or degrading treatment, the prohibition of slavery and child labour, as well as economic and social human rights.

More details on our policies and values can be found in our [Sustainability Report](#).

DUE DILIGENCE PROCESSES FOR SLAVERY AND HUMAN TRAFFICKING

As part of our initiative to identify and mitigate risk we have in place internal reporting as well as supplier assessment processes to ensure our policies and codes of conduct are complied with. We pay special attention to suppliers operating in risk countries. Our risk-country classification is based on the ILO's Decent Work Agenda, the UN's Human Development index and Transparency International's Corruption Perceptions index.

We have in place systems to:

- **Identify and assess potential risk areas in our supply chains**
- **Monitor potential risk areas in our supply chains**
- **Mitigate the risk of slavery and human trafficking occurring in our supply chains**
- **Ensure reporting of potential misconduct and abuses**

SUPPLIER ADHERENCE TO OUR VALUES AND ETHICS

We have zero tolerance to slavery and human trafficking. We expect our business partners to act responsibly and to comply with the Fortum Code of Conduct and our Supplier Code of Conduct.

The Supplier Code of Conduct endorses, inter alia, our commitment to core labour standards. These include an undertaking not to use forced labour or child labour (capturing anyone below 15 years or exceptionally 14 years). If suppliers are employing young people, above the minimum age but under 18 years, suppliers shall not jeopardise their health, safety or morale. We further require that wages and working hours are agreed on fairly and comply with national minimum wages standards or industry standards, whichever is higher. We also require suppliers' employees to be allowed at least one day off per every seven-day period.

As regards the workplace, we require suppliers to ensure their employees operate in a safe and healthy working environment including, at the very minimum, access to drinking water, clean sanitary facilities, adequate ventilation, emergency exits, proper lighting and access to first aid supplies and related facilities.

Our Supplier Code of Conduct is included in purchase agreements with a contract value of EUR 50,000 or more. As per our contract clause, any Fortum contractor warrants that neither the contractor themselves nor any persons acting on their behalf are engaged in or using child labour or forced labour in the fulfilment of their Fortum contract. This clause includes a requirement to inform Fortum as soon as legally possible of any changes in relation to this matter. In addition, suppliers are required to have in place adequate policies to ensure no child labour or forced labour is used. Our standard

contracts authorise the carrying out of supplier audits to monitor compliance, and give Fortum a right to termination of the contract in case of non-compliance with the Supplier Code of Conduct.

Internal reporting channels used for reporting any suspected misconduct relating to labour practices or human rights violations are defined in Fortum's Code of Conduct. In addition to internal reporting channels, Fortum has an external "Raise a concern" channel which is available to all stakeholders.

Our supply chain management tools consist of:

- **Supplier qualification process**

Our supplier qualification process applies to purchase agreements with a contract value of EUR 50,000 or more. This captures 97% of our supplier relationships. Supplier qualification is conducted upon entering into a contractual relationship as well as regularly thereafter in 3-year cycles.

In the qualification process, suppliers respond to a supplier questionnaire that we use to help determine, among other things, the supplier's possible operations in risk countries, certified management systems, and the occupational safety level of the contractors. If potential risks in the supplier's operations are identified through the questionnaire, a more extensive self-assessment questionnaire will be sent. Also, a supplier audit may be conducted. The extensive self-assessment questionnaire is always sent to fuel suppliers and the suppliers of Fortum India.

The extensive self-assessment questionnaire has a dedicated section on labour standards and inter alia requires reporting on child labour and forced labour, employment and working conditions and general compliance with labour laws.

The Russia Division uses their own supplier qualification process that is based on Russian procurement law.

- **Supplier audits**

In supplier audits, we assess the supplier's compliance with the requirements in Fortum's Supplier Code of Conduct. Audits are always done on-site, and they include production inspections, employee interviews, and reviews of documents. If non-compliances are found, the supplier makes a plan for corrective actions and we monitor implementation thereof.

Fortum uses an international service provider for conducting audits, especially in risk countries. In Fortum's own operating countries, the audits are performed mainly by our own personnel.

- **Bettercoal initiative**

We are a member of Bettercoal with an expressed vision to continuously improve corporate social responsibility, including social, environmental, and ethical practices in the coal supply chain. We use the Bettercoal Code and tools in assessing the sustainability of the coal supply chain. By 2020, we are committed to purchasing 70% of coal from suppliers whose mines have undergone a Bettercoal assessment. Bettercoal audits are always conducted by a third, approved party.

The Bettercoal Code specifically calls for adherence to internationally recognised human rights standards. Principle 6 requires that companies provide employees with documented information that is clear, understandable and in accordance with the law regarding, inter alia, rights related to hours of work, wages, overtime, compensation and benefits. It sets standards for remuneration, working hours and health & safety. It further provides for the prohibition of the use of child labour in accordance with the standards in the ILO Convention 138. Additionally, the Bettercoal Code requires those engaged in the coal supply chain not to participate in, or benefit from, any form of forced labour, including bonded

labour, forced prison labour, slavery, servitude, work performed under the menace of a penalty, or human trafficking. Workers will have freedom of movement during the course of their employment.

TRAINING

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, we provide training to our staff. The following form pillars of our approach to training:

- **Code of Conduct training**

We provide online training on the Code of Conduct as part of the induction programme for new Fortum employees. In 2018, the Code of Conduct online training was updated and more than 90% of Group employees worldwide completed the training. In addition, specific compliance training was provided to employees in the Consumer Solutions and New Business units in Norway, Sweden and Germany.

- **Supplier Code of Conduct training**

Training related to the Supplier Code of Conduct was arranged in 2018 for Fortum's Recycling and Waste Solutions personnel in Denmark and for Fortum Oslo Varme personnel in Norway.

This statement is made pursuant to section 54(1) of the Modern Slavery Act 2015 and constitutes our UK subsidiaries' slavery and human trafficking statement for the financial year ending 31st December 2018.



Reijo Salo
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For and on behalf of
Fortum Group's UK subsidiaries



Päivi Lehtinen
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For and on behalf of
Fortum Group's UK subsidiaries

Date: 29 May 2019