

# YIT CORPORATION'S CORPORATE GOVERNANCE STATEMENT FOR 2018

This Corporate Governance Statement by YIT Corporation has been prepared separately from the Board of Directors' report, pursuant to the Finnish Securities Markets Act and the Finnish Corporate Governance Code. The Statement is available on YIT Corporation's website at [www.yitgroup.com/corporategovernance](http://www.yitgroup.com/corporategovernance)

The administration of YIT Corporation complies with valid legislation, the company's Articles of Association and the rules and regulations of bodies that regulate and supervise the operations of Finnish listed companies. YIT complies with the recommendations of the Finnish Corporate Governance Code approved by the Securities Market Association in October 2015, which took effect on January 1, 2016. The Code is publicly available on the Securities Market Association's website at [www.cgfinland.fi/en](http://www.cgfinland.fi/en)

YIT Corporation's auditor PricewaterhouseCoopers Oy has reviewed the description of the main features of the internal control and risk management systems in relation to the financial reporting process in this Statement and found it to be consistent with the financial statements. The Audit Committee of the Board of Directors reviewed the statement in its meeting held on January 31, 2019.

## Annual General Meeting

The Annual General Meeting is YIT's highest decision-making body, where the shareholders participate in the supervision and control of the company and exercise their right to speak and vote. The Annual General Meeting is held each year by the end of June on a date determined by the Board of Directors. Extraordinary General Meetings can be held when the Board of Directors deems it necessary or when required by legislation.

The General Meeting makes decisions on matters falling within its scope of responsibilities by virtue of the Limited Liability Companies Act and the company's Articles of Association, such as:

- The approval of the financial statements
- The distribution of profits
- Discharging members of the Board of Directors and the President and CEO from liability
- The election of the Chairman of the Board of Directors, Vice Chairman and other

members, and the remuneration paid to them;

- The election of the auditors and the auditors' fees
- Amendments to the Articles of Association
- Decisions leading to changes in the share capital
- The purchase and transfer of company shares

The Chairman of the Board of Directors, the members of the Board of Directors, the President and CEO and the external auditor are all present at the General Meeting. Persons nominated to seats on the Board of Directors must always participate in the General Meeting deciding on their election.

## Annual General Meeting 2018

The Annual General Meeting was held on March 16, 2018, in Helsinki. A total of 554 shareholders participated in the meeting personally or by proxy, representing 105,223,191 shares and voting rights, which was approximately 49.85 per cent of the company's shares and voting rights. The members of the Board of Directors, the President and CEO and the auditor were present at the meeting.

## Board of Directors

The Board of Directors supervises and controls the management and operations of the company. The duty of the Board is to promote the interests of all shareholders and the Group by seeing to the administration and proper organisation of operations.

The Board of Directors comprises the Chairman and the Vice Chairman and 3–7 members elected by the general meeting of shareholders for one year at a time. The Articles of Association have no special provisions on the members of the Board of Directors. The majority of the members must be independent of the company. In addition, it is required that at least two of these members are independent of the major shareholders of the company. The President and CEO cannot be elected as the Chairman of the Board. Both genders must be represented on the Board of Directors.

The Board of Directors convenes regularly as summoned by the Chairman. A quorum is

established when more than half of its members are present. An opinion supported by more than half of the members present becomes the decision. When the votes are even, the Chairman has the casting vote. The CEO as referendary and the Corporate General Counsel as secretary of the Board are present at Board meetings. Other Group Management Team members and heads of business units and functions attend the meetings when necessary. The President and CEO and the secretary of the Board prepare the meetings with the Chairman of the Board and draw up the agendas. The President and CEO ensures that the Board is provided with sufficient information on matters such as the structure, operations, markets and competitive situation of the company in order to carry out its tasks. The meeting agendas and materials are sent to Board members in good time before the meeting.

The Board of Directors and its committees have ratified standing orders. The members of the Board evaluate the operation of the Board and its committees each year, and the results are taken into account in the Board's work and its development.

#### Key tasks of the Board of Directors

Among other duties, the Board of Directors:

- ensures that the supervision of accounting and asset management is organised appropriately
- reviews and approves the company's Financial Statements and the Board of Directors' report as well as interim reports and half-yearly reports
- supervises and controls operating management
- elects and dismisses the CEO and his deputy, decides on their salaries and fees and agrees on the other terms of their employment
- convenes the Annual General Meeting and makes proposals on matters to be included on the agenda
- specifies the dividend policy and makes a proposal to the General Meeting on the dividend to be paid annually
- approves the Group's strategy, strategic goals and risk management principles
- approves budgets and action plans and oversees their implementation
- approves significant acquisitions and other investments
- confirms the Group's functional structure
- ensures the functioning of management systems

- ratifies the Group's values and management principles
- monitors and evaluates the Group's financial reporting system as well as the effectiveness of internal control, internal auditing and risk management
- monitors the Group's audit and monitors and evaluates the auditor's independence and the provision of non-audit services by the auditor
- prepares a proposal for the election of the auditor

#### Diversity of the Board of Directors

The diversity principles ratified by YIT Corporation's Board of Directors refer to the different backgrounds of the Board members, such as age, gender, international experience, education, expertise and competencies. The aim of the diversity of the Board of Directors is to ensure that the Board of Directors is broad-based, versatile, has customer insight and stakeholder insight, and is creative and future-oriented. A sufficiently diverse Board of Directors supports the company's business and its development, promotes open discussion and independent decision making and is better equipped to support and challenge the operating management.

The members of the Board of Directors having different backgrounds, experiences and views supports the achievement of YIT Corporation's strategic objectives. Persons elected to the Board of Directors must be qualified for the position, taking into account the requirements and development stages of the company's business as well as the areas of expertise required by the Board of Directors and its committees. Persons elected as members of the Board of Directors must have the capacity to allocate sufficient time to managing their duties.

The long-term diversity objective is that the process of selecting and evaluating candidates for Board membership involves representatives of both genders to facilitate a balanced gender distribution on the Board of Directors.

#### Members of the Board of Directors and Board meetings in 2018

The members of YIT Corporation's Board of Directors between January 1 and February 1, 2018, were Matti Vuoria as Chairman, Juhani Pitkääkoski as Vice Chairman and Satu Huber, Erkki Järvinen, Inka Mero and Tiina Tuomela as members.

In accordance with the resolution of the Extraordinary General Meeting held on September 12, 2017, Matti Vuoria (Chairman) Berndt Brunow (Vice Chairman), Inka Mero, Tiina Tuomela, Erkki Järvinen, Juhani Mäkinen, Kristina Pentti-von Walzel and Harri-Pekka Kaukonen were elected to YIT Corporation's Board of Directors for a term of office commencing on the registration date of the merger of YIT Corporation and Lemminkäinen Corporation, February 1, 2018, and ending at the conclusion of YIT's next Annual General Meeting on March 16, 2018.

The Annual General Meeting held on March 16, 2018, elected five (5) ordinary members to YIT's Board of Directors in addition to the Chairman and the Vice Chairman. **Harri-Pekka Kaukonen**, born 1963, Ph.D. (Computational material physics), M.Sc. (Eng.), was elected as the Chairman of the Board, with **Eero Heliövaara**, born 1956, M.Sc. (Eng.), M.Sc. (Econ.), elected Vice Chairman, and the following as ordinary members: **Erkki Järvinen**, born 1960, M.Sc. (Econ.), Oy Snellman Ab Group CEO and President; **Olli-Petteri Lehtinen**, born 1960, Master of Economics; **Inka Mero**, born 1976, Master of Economics, Partner and Chairman of the Board of Industryhack Oy; **Kristina Pentti-von Walzel**, born 1978, M.Sc. (Econ.), M.Sc. (Pol.Sc.); and **Tiina Tuomela**, born 1966, M.Sc. (Eng.),

Executive Vice President, Generation Division, Fortum.

All of the members of the Board of Directors were independent of YIT and its major shareholders. The Board of Directors convened 20 times during 2018. The members' total attendance rate was 99.6 per cent. The Board of Directors conducted a self-evaluation during the year, assessing matters such as the efficiency of its work, the quality of information and materials submitted to the Board, the focus areas of its work and the targets set for management. The results of the evaluation are to be used in developing the Board's work.

A significant part of the Board's work in 2018 consisted of overseeing the merger and integration of YIT Corporation and Lemminkäinen Corporation as well as related decision-making. The Board's other key focus areas included monitoring financial performance and cash flow, measures to improve the segments' performance and establishing the merged company's strategy and common operating methods.

Corporate General Counsel Juha Jauhiainen served as the secretary of the Board of Directors.

*Share ownership of the members of the Board of Directors on December 31, 2018.*

Name	Position	Book-entry security type	Ownership
Kaukonen Harri-Pekka	Chairman of the Board of Directors	share	15,409
Heliövaara Eero	Vice Chairman of the Board of Directors	share	7,637
Järvinen Erkki	Member of the Board of Directors	share	18,335
Lehtinen Olli-Petteri	Member of the Board of Directors	share	3,527
Mero Inka	Member of the Board of Directors	share	6,094
Pentti-von Walzel Kristina	Member of the Board of Directors	share	2,753,074
Tuomela Tiina	Member of the Board of Directors	share	6,094

## Committees for the Board of Directors

The Board of Directors had two committees in 2018: The Personnel Committee and the Audit Committee.

On December 19, 2018, the Board of Directors decided to establish an Investment and Project Committee effective from January 1, 2019. The newly established committee will prepare significant tenders, projects and investments for the Board to decide on as well as monitor portfolio development, reporting and risk management.

Following the establishment of the Investment and Project Committee, YIT's Board of Directors has three committees: The Personnel Committee, the Audit Committee and the Investment and Project Committee.

The Board of Directors elects the members and Chairmen of the committees from among its members at its constitutional meeting following the Annual General Meeting. The committees have written standing orders ratified by the Board of Directors. The committees report to the Board of Directors on the matters dealt with by

them and the required actions on a regular basis at the Board meeting following each committee meeting.

### Personnel Committee

The task of the Personnel Committee is to assist the Board of Directors in issues related to appointing and rewarding key personnel. Among other things, the Personnel Committee prepares proposals for the development of the Group's corporate culture and HR policy, remuneration and incentive schemes, the rules for performance-based bonuses, and the performance-based bonuses paid to the management. In addition, identifying talents, the development of key personnel, and planning for management successors fall under the preparation responsibility of the Committee.

The Committee convenes as necessary and as summoned by the Chairman. It has 3–5 members, who all have knowledge of the Group's business operations and business segments, as well as HR and remuneration-related matters. The majority of the members of the Personnel Committee must be independent of the company. The President and CEO and other members of the company's executive management cannot be members of the Personnel Committee. The Executive Vice President, Human Resources, acts as the secretary to the committee.

### Personnel Committee in 2018

Between January 1 and February 1, 2018, the members of the Personnel Committee were Matti Vuoria as Chairman and Satu Huber and Inka Mero as members. No members were appointed to the Personnel Committee for the period between February 1 and March 16, 2018, with the Board of Directors in its entirety handling the Committee's duties instead. At its organisational meeting on March 16, 2018, the Board of Directors elected Harri-Pekka Kaukonen as the Chairman and Inka Mero and Tiina Tuomela as members of the Personnel Committee. The Committee convened a total of five times in 2018. The members' total attendance rate was 100 per cent. Pii Raulo, Executive Vice President, Human Resources, served as the Committee's secretary.

Due to the ongoing integration process, the Personnel Committee focused particularly on monitoring the development of a common corporate culture, the updating of the Group's values and leadership principles, the progress of the harmonisation of HR strategy and personnel-related issues as well as the personnel's ability to cope with

the high workload. The Personnel Committee also monitored the remuneration levels of senior management and, in conjunction with organisational changes, presented appointments of key personnel for confirmation by the Board of Directors. During the year, the Committee also prepared rules for performance-based bonuses and the annual targets, key personnel categories and key personnel allocation of the long-term incentive scheme.

### Audit Committee

The Audit Committee assists the Board of Directors in the supervision of the Group's reporting and accounting processes. Its tasks include overseeing the financial reporting process of the company, the effectiveness of internal control, internal audit and risk management systems, as well as monitoring and assessing the audit. The Committee participates in the preparation of the Group's financing policy, financing plan and financing arrangements. The Committee reviews the company's Financial Statements, Interim Reports and Half-Year Reports and monitors auditing. It evaluates compliance with laws and regulations and follows the Group's financial position. The Committee convenes at least four times per year and more often if necessary. The Committee comprises 3–5 members, the majority of whom must be independent of the company, and at least one of the members must be independent of major shareholders. Persons with extensive knowledge of the Group's business operations and business segments and who possess the qualifications required by the Committee's sphere of duties. The Corporate General Counsel acts as the secretary of the Audit Committee.

### Audit Committee in 2018

Between January 1 and February 1, 2018, the members of the Audit Committee were Erkki Järvinen as Chairman and Juhani Pitkäkoski and Tiina Tuomela as members. No members were appointed to the Audit Committee for the period between February 1 and March 16, 2018, with the Board of Directors in its entirety handling the Committee's duties instead. At its organisational meeting on March 16, 2018, the Board of Directors elected Erkki Järvinen as Chairman and Eero Heliövaara, Olli-Petteri Lehtinen and Kristina Penttinen-Walzel as members of the Audit Committee.

The Audit Committee convened seven times in 2018. The members' total attendance rate was 100 per cent. Corporate General Counsel Juha Jauhiainen served as the Committee's secretary. The company's President and CEO Kari Kauniskangas, the Internal Audit Directors Ari

Ladvelin, Thomas Forsten and, starting from December 1, 2018, Markus Vuorimaa, and, as the company's chief auditor, Juha Wahlroos (PricewaterhouseCoopers) also participated in the Committee's meetings, as did members of the company's management and experts, depending on the matters dealt with by the meeting.

During the financial period, in addition to its main tasks, the Audit Committee regularly discussed, among other things, preparations pertaining to the implementation of the IFRS 16 standard. The monitoring of the implementation of the merger of

YIT Corporation and Lemminkäinen Corporation, the subsequent integration, the Group's balance sheet position, the development of cash flow and the monitoring of major projects played a significant role in the Audit Committee's work. The Audit Committee also discussed changes in the operating environment in Russia and risk management, evaluated the harmonisation of the Group's policies, principles and decision-making authorisations, and monitored the progress of disputes and legal proceedings.

#### *Meeting attendance of the Board of Directors and its committees in 2018*

<b>Name</b>	<b>Board of Directors</b>	<b>Personnel Committee</b>	<b>Audit Committee</b>	<b>Term of office</b>
Vuoria Matti	6/6	1/1		Jan 1–Mar 16, 2018
Pitkäkoski Juhani	3/3		1/1	Jan 1–Feb 1, 2018
Kaukonen Harri-Pekka	17/17	4/4		Feb 1–Dec 31, 2018
Brunow Berndt	3/3			Feb 1–Dec 31, 2018
Heliövaara Eero	14/14		6/6	Mar 16–Dec 31, 2018
Huber Satu	3/3	1/1		Jan 1–Feb 1, 2018
Järvinen Erkki	19/20		7/7	Jan 1–Dec 31, 2018
Lehtinen Olli-Petteri	14/14		6/6	Mar 16–Dec 31, 2018
Mero Inka	20/20	5/5		Jan 1–Dec 31, 2018
Mäkinen Juhani	3/3			Feb 1–Mar 16, 2018
Pentti-von Walzel Kristina	17/17		6/6	Feb 1–Dec 31, 2018
Tuomela Tiina	20/20	4/4	1/1	Jan 1–Dec 31, 2018
Board members' average attendance rate	99.6%	100%	100%	

## Shareholders' Nomination Board

The 2016 Annual General Meeting of YIT Corporation resolved to establish a Shareholders' Nomination Board for the company to prepare proposals on the election and remuneration of the members of the Board of Directors for the Annual General Meeting and confirmed the proposal for the standing order of the Nomination Board.

The Shareholders' Nomination Board is a body comprised of the company's shareholders or their representatives, the duty of which is to prepare, in accordance with the Board's diversity principles, proposals on the election and remuneration of the members of the Board of Directors for the Annual General Meeting and, where necessary, for the Extraordinary General Meeting. The primary purpose of the Nomination Board is to ensure that the Board of Directors and its members have sufficient expertise, competence and experience in view of the company's needs, and to prepare

proposals, with justifications, on the election and remuneration of members of the Board of Directors to the General Meeting for this purpose.

The Nomination Board comprises the company's three major shareholders or the representatives nominated by these shareholders. The right to nominate members to represent shareholders in accordance with the Standing Order rests with three shareholders who are registered in the shareholders' register maintained by Euroclear Finland Ltd or another operator on the last weekday of August in the year preceding the General Meeting, and who hold the largest number of votes conferred by shares according to the shareholder register.

The Nomination Board has been established to serve until further notice. The term of office of the Nomination Board members ends at the appointment of new members every year.

The Nomination Board shall submit its proposal to YIT's Board of Directors every year, by the last

weekday of January preceding the next Annual General Meeting. The proposals of the Nomination Board are published in a stock exchange release and included in the notice of meeting. Furthermore, the Nomination Board shall present and justify its proposals and give an account of its operations to the Annual General Meeting.

### Shareholders' Nomination Board 2018

In the Extraordinary General Meeting of YIT Corporation held on September 12, 2017, it was decided to make a one-time exception to the standing order of the Shareholders' Nomination Board of YIT.

Pursuant to the one-time exceptional decision, the right to nominate members to the Nomination Board, which prepares proposals for General Meetings to be held during 2018 shall rest, in accordance with the standing order, with the three largest shareholders who are registered in the shareholders' register on the registration date of the execution of the merger of YIT Corporation and Lemminkäinen or, if not a business day, on the first business day following such registration date.

Further, it was resolved that the Nomination Board shall have a reasonable time to prepare its proposals before the Annual General Meeting 2018 instead of having time until the end of January 2018 and that the Nomination Board shall in such case publish its proposals as soon as practically possible. In all other respects, the Nomination Board shall follow the current Standing Order.

Between January 1 and February 1, 2018, the Nomination Board (elected in 2017) comprised **Risto Murto**, CEO of Varma Mutual Pension Insurance Company, **Kalle Saariaho**, CEO of OP Fund Management Company Ltd., and **Antti Herlin**. The Chairman of YIT Corporation's Board of Directors, Matti Vuoria, served as an expert member on the Nomination Board, and Risto Murto served as Chairman of the Nomination Board.

Starting from February 1, 2018, the members of the Nomination Board were **Juhani Mäkinen**, Counsellor of Law, **Risto Murto**, President and CEO of Varma Mutual Pension Insurance Company and **Maarit Toivanen-Koivisto**, Chair of the Board of Directors of Onvest Oy. The Chairman of YIT Corporation's Board of Directors, Matti Vuoria, served as an expert member on the Nomination Board, and Risto Murto served as Chairman of the Nomination Board.

Starting from August 31, 2018, the members of the Nomination Board were **Juhani Mäkinen**, Counsellor of Law, **Alexander Ehrnrooth**, President and CEO of Tercero Invest AB and **Risto Murto**, President and CEO of Varma Mutual Pension Insurance Company. The Chairman of YIT Corporation's Board of Directors, Harri-Pekka Kaukonen, served as an expert member on the Nomination Board, and Juhani Mäkinen served as Chairman of the Nomination Board.

The Nomination Board convened four times in 2018. Between meetings, the Nomination Board prepared its proposals under the leadership of its Chairman. The members' total attendance rate was 100 per cent.

### President and CEO and his deputy

The President and CEO attends to the day-to-day administration of the company in accordance with the instructions and regulations laid down by the Board of Directors. The Board of Directors appoints and discharges the CEO and supervises his operation. The Board of Directors also decides on the CEO's salary and fees and other terms of the service contract. The CEO ensures that the company's accounting is lawful and asset management is organised reliably. YIT's President and CEO serves as Chairman of the Group Management Team.

Since July 2013, YIT Corporation's President and CEO has been Kari Kauniskangas, M.Sc. (Eng.), B.Sc. (Econ.) (born 1974), with Esa Neuvonen, M.Sc. (Econ.) (born 1967) acting as his deputy until February 1, 2018 and Ilkka Salonen, M.Sc. (Econ.) (born 1965) acting as his deputy since February 1, 2018.

### Group Management Team

YIT's Group Management Team is the highest operational decision-making body and is responsible for allocating resources to the business segments. The Group Management Team is also responsible for assessing the performance of the business segments.

The President and CEO and other members appointed by the Board of Directors make up the Group Management Team. The President and CEO appoints the Group Management Team's secretary. The Group Management Team, which meets on a regular basis, approximately once a month, assists the Group CEO with operational planning and management and prepares matters that are to be processed by the Board of Directors. Among other

duties, the Group Management Team formulates and co-ordinates the Group's strategic and annual planning, supervises the implementation of plans and financial reporting and prepares significant investments, mergers and acquisitions. The development of the Group's internal co-operation and the promotion of joint development projects are

among the Group Management Team's key duties. The President and CEO is responsible for the decisions made by the Group Management Team. The task of the members of the Group Management Team is to implement the decisions in their respective areas of responsibility.

#### Group Management Team on December 31, 2018

Name	Year of birth	Position and duties	Education	Share ownership
Kari Kauniskangas	1974	President and CEO Chairman of the Group Management Team	M.Sc. (Eng.), B.Sc. (Econ.)	79,374
Ilkka Salonen	1965	Chief Financial Officer Deputy to the President and CEO	M.Sc. (Econ.)	50,315
Teemu Helppolainen	1962	Executive Vice President, Housing Russia segment	M.Sc. (Econ.)	23,795 (2,600 shares held by a controlled corporation)
Antti Inkilä	1969	Executive Vice President, Housing Finland and CEE segment	M.Sc. (Tech.)	16,697
Harri Kailasalo	1969	Executive Vice President, Infrastructure projects segment	M.Sc. (Eng.), eMBA	16,415
Juha Kostainen	1965	Executive Vice President, Urban Development	M.Sc. (Tech.), D.Sc. (Adm.)	3,500
Esa Neuvonen	1967	Executive Vice President, Business premises segment and Partnership properties segment	M.Sc. (Econ.)	0
Juhani Nummi	1967	Executive Vice President, Strategy and development, Integration	M.Sc. (Eng.)	15,559
Pii Raulo	1967	Executive Vice President, Human Resources	M.Sc. (Econ.)	18,800
Heikki Vuorenmaa	1981	Executive Vice President, Paving segment	M.Sc. (Econ.)	2,334

*Ilkka Salonen, CFO and Deputy to the President and CEO; Harri Kailasalo, Executive Vice President, Infrastructure projects segment; and Heikki Vuorenmaa, Executive Vice President, Paving segment, have been members of the Group Management Team since February 1, 2018, and Jan Gustafsson, Executive Vice President, Strategy and Development, was a member of the Group Management Team between February 1 and October 31, 2018.*

## The main characteristics of the internal control and risk management systems connected with the financial reporting process

### Control environment

YIT's financial administration consists of the following functions that report to the Chief Financial Officer: Financial service centre, Group accounting and reporting, Group treasury, Group control, Taxes, Investments, segment-specific Business controlling functions. The Financial service centre manages the basic processes of financial administration for Finland, Sweden and Russia. The Group's subsidiaries in other countries have separate financial administration processes.

YIT Corporation's financial reporting and supervision are based on budgets drafted and ratified annually

as well as monthly performance reporting and forecasting. The Group's financial reporting is based on financial data on the profitability of business provided by each cost centre, combined with segment-level and Group-level data. YIT Corporation's business is characterised by project-type operations, due to which financial reporting applies the percentage of completion method or recognition of revenue at a point in time. Accurate information on the degree of completion of the project and the final cost estimate are essential for the reliability of financial data in project business. In addition, for projects where revenue is recognised at a point in time, it is essential to understand the project-specific degree of sale.

The aim of the internal control, control environment and risk management related to the financial reporting process is to ensure the harmonised and reliable reporting of the Group's financial results in a manner compliant with applicable laws and regulations and the reporting principles confirmed in

YIT Group. The responsibilities of risk management and internal control are defined in the Group's risk management policy as well as in the operating models of the Group functions and business segments. The operating models describe the key tasks, operations and responsibilities of the various administrative bodies. The Group's business reporting process produces information related to project monitoring together with the business controlling function that supports the business, which makes the internal control function part of segment-level operations.

The Group accounting and reporting function, which works under the supervision of the Group's CFO, defines and communicates the principles related to financial reporting, maintains the tools required for Group accounting and reporting and prepares the interim reports and official financial statements published by the Group. The Business controlling function is responsible for ensuring that reporting within the segments is carried out according to instructions. The Group treasury function issues instructions concerning the reporting of internal and external calculations related to financial transactions and monitors the accuracy of reporting. Based on long-term and short-term cash flow forecasts, the Group treasury function ensures adequate liquidity as well as appropriate and suitable financial instruments. Group treasury also supports the entire financial administration organisation in reporting on financing and the reconciliation of reporting. Group Controlling produces quantitative analyses for the management and prepares a monthly management report. The Taxes function produces the Group's tax guidelines and practices and ensures that tax-related matters are in compliance with the Group's corporate governance principles and internal tax policies.

The Investments function prepares and supports decision-making on projects and investments and is responsible for making preparations for the meetings of the Investment and Project Committee.

#### Identification and assessment of risks related to financial reporting and risk management

The Group's financial and financing management is responsible for identifying and assessing risks in relation to financial reporting. The processes and systems of financial reporting are developed and their effectiveness analysed continuously. Risks related to financial reporting are managed with the help of the Group's accounting manual, financing and tax policy, investment guideline, acquisition instructions, control environment and internal audit.

#### Communications

The Group's CFO and Investor Relations are responsible for the publication and release of financial information and for the fulfilment of disclosure obligations concerning a listed company. Investor Relations are also responsible for the planning and implementation of investor communications and for daily contact with investors and analysts.

The aim of the company's Investor Relations is to support the appropriate valuation of YIT shares by providing all market parties with all essential information concerning YIT in a continuous and consistent manner.

Corporate Communications maintain YIT's communications policy, published on the Group's website, as well as the internal guidelines for external and financial communications, which define YIT's practices in relation to the disclosure of financial information.

#### Follow-up

YIT's business segments are responsible for the accuracy of the segment data presented in interim reports and financial statements. The Group's accounting department is responsible for the accuracy and scope of the Group-level numerical data as well as their compliance with rules and regulations. The Audit Committee reviews information that is to be published and submits them for the Board of Directors' approval.

The Group's financial management team convenes on a monthly basis. It is composed of the Business controllers responsible for the business segments, the Group controller, group accounting and reporting, group treasury, the service centre, investments, the Corporate General Counsel and the Vice President, Investor Relations. The financial management team mainly discusses financial administration development projects as well as matters related to risk management and resource allocation.

The Group's operational financial management team meets weekly and is composed of the Business controllers responsible for the business segments, the Group controller, group accounting and reporting, group treasury and the service centre. The operational financial management team addresses all financial process and development issues concerning the business segments.

YIT Group's internal audit organisation supports the management in the development and supervision of risk management, internal control and good corporate governance. The internal audit reports to the Audit Committee of the Board of Directors and administratively to YIT's President and CEO. The targets of the internal audit are selected annually based on risk. The focus of the internal audit has typically been on project risk management, new geographic or functional operating areas and semi-annually defined risk areas.

The internal audit's work is co-ordinated with other Group functions and financial auditing. The internal audit also works closely together with the Group's corporate security organisation and, with respect to misconduct risks, participates in the work of the Ethics Committee.

## Related party transactions

During the financial year, YIT did not have material related party transactions that deviated from the company's normal business operations or were not made on market or market equivalent terms. The company maintains a list of related parties and potential related party transactions are reported in connection with the company's consolidated financial statements.

## Insider administration

At YIT, the insider administration is responsible for internal communication and training related to insider matters as well as drawing up and maintaining insider lists and submitting it to the Finnish Financial Supervisory Authority upon request.

The insider administration also ensures that trading restrictions and the obligation to notify transactions by managers and their closely associated persons are complied with. The insider administration is responsible for internal communication, training, supervision and monitoring regulatory changes in

matters pertaining to the trading restriction and notification obligation. It maintains a list of managers and their closely associated persons, informs managers of their obligations related to trading restrictions and the notification of transactions, is responsible for providing guidance to managers regarding the provision of information to their closely associated persons regarding the closely associated persons' notification obligation as well as the publication of transactions in stock exchange releases, the practical implementation of which is the responsibility of the Investor Relations (IR) function. The person in charge of insider matters at YIT Corporation is the Corporate General Counsel.

## Audit

YIT has one auditor, which must be an approved and registered auditing firm pursuant to the Auditing Act (1141/2015).

The Annual General Meeting elects the auditor based on the proposal of the Board of Directors. The Board's Audit Committee prepares the draft resolution concerning the election of the auditor. The auditor audits the company's accounting, financial statements and administration for the financial year. The parent company's auditor must also audit the consolidated financial statements. The auditor reports regularly to the Board of Directors and its Audit Committee and gives YIT's shareholders an Auditor's Report as required by law.

Pursuant to the decision of the Annual General Meeting, the auditor's fee is paid as per the invoice approved by the company. We comply with the provisions of the Finnish Accounting Act and the EU Audit Regulation regarding the maximum duration of the auditor's terms of office and, in electing the auditor, we also take into consideration that the duration of the chief auditor's consecutive terms of office may not exceed seven years.

YIT's auditor is the auditing firm PricewaterhouseCoopers Oy, with Authorised Public Accountant Juha Wahlroos as the chief auditor.

### Audit fees in 2018

EUR million	2018	2017
Audit	1,0	0.8
Statements	0,0	0.1
Tax services	0,1	0.0
Other services	0,4	0.8
<b>Total</b>	<b>1,5</b>	<b>1.7</b>

## Board of Directors' report

The Board of Directors issued its report for 2018 on January 31, 2019. The Board of Directors' report will be published simultaneously with the Corporate Governance Statement and the Remuneration Statement on the company's website at [www.yitgroup.com/corporategovernance](http://www.yitgroup.com/corporategovernance)