

# YIT CORPORATION'S CORPORATE GOVERNANCE STATEMENT FOR 2019

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 September 2019, which took effect on January 1, 2020. 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 February 6, 2020.

## 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 2019

The Annual General Meeting was held on March 12, 2019, in Helsinki. A total of 500 shareholders participated in the meeting personally or by proxy, representing 115,604,313 shares and voting rights, which was approximately 54.76 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 their 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 support 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 2019

The members of YIT Corporation's Board of Directors between January 1 and March 12, 2019, were Harri-Pekka Kaukonen as Chairman, Eero Heliövaara as Vice Chairman and Erkki Järvinen, Olli-Petteri Lehtinen, Inka Mero, Kristina Pentti-von Walzel and Tiina Tuomela as members.

The Annual General Meeting held on March 12, 2019, elected six (6) 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 Chairman of the Board, with **Eero Heliövaara**, born 1956, M.Sc. (Eng.), M.Sc. (Econ.), elected Vice Chairman, and the following as ordinary members: **Olli-Petteri Lehtinen**, born 1960, Master of Economics; **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; and as new members **Alexander Ehrnrooth**, born 1974, M.Sc.(Econ), MBA, President and CEO of Virala Corporation; **Frank Hyldmar**, born 1966, M.Sc.(Econ.) and **Barbara Topolska**, born 1966, MBA, CPI Property Group, General Director, Poland.

All of the members of the Board of Directors were independent of YIT and its major shareholders, except Alexander Ehrnrooth, who was not independent of significant shareholders.

The Board of Directors convened 13 times during 2019. The members' total attendance rate was 97 per cent. The Board of Directors conducted the yearly self-evaluation, based on interviews and questionnaires to board members and top management, facilitated by an external consultant. The Board evaluation was focused to identify the development areas related to board strategic impact and performance as well as co-operation with the CEO for further development.

A significant part of the Board's work in 2019 consisted of preparations and decision making as well as monitoring the pre-completion actions of the sale of the paving and mineral aggregates transaction between of YIT Corporation and Peab AB. The other emphasised focus areas were monitoring of company's financial performance, balance sheet position and cash flow development, follow-up of measures to improve the segments' performance as well as progress of the strategic alignments and development programmes.

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, 2019.*

Name	Position	Share	Total
Kaukonen Harri-Pekka	Chairman of the Board	32,845	32,845
Heliövaara Eero	Vice Chairman of the Board	22,842	22,842
Ehrnrooth Alexander	Member of the Board	3,718	24,503,718
Tercero Invest AB <i>Shares held by organisation in which the person exercises influence (substantial economic interest, no control)</i>		24,500,000	
Hyldmar Frank	Member of the Board	3,718	3,718
Lehtinen Olli-Petteri	Member of the Board	8,723	8,723
Pentti-von Walzel Kristina	Member of the Board	2,756,792	2,756,792
Topolska Barbara	Member of the Board	3,718	3,718
Tuomela Tiina	Member of the Board	9,812	9,812

## Committees for the Board of Directors

The Board of Directors had three committees in 2019: 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 2019

Between January 1 and March 12, 2019, the members of the Personnel Committee were Harri-Pekka Kaukonen as Chairman and Inka Mero and Tiina Tuomela as members. At its organisational meeting on March 12, 2019, the Board of Directors elected Harri-Pekka Kaukonen as the Chairman and Eero Heliövaara and Tiina Tuomela as members of the Personnel Committee. The Committee convened a total of six times in 2019. The members' total attendance rate was 100 per cent. Pii Raulo, Executive Vice President, Human Resources, served as the Committee's secretary.

The Personnel Committee has followed the development of corporate culture, values, management and leadership especially in the areas of work safety, well-being and personnel commitment. The Committee has prepared a remuneration policy, and new short- and long-term incentive plans including structure, cost frame, key performance indicators, targets and participant categories. CEO and management compensation levels and practices have also been renewed by the approval of the Board. People strategy implementation has been followed. Development and performance of key personnel has been discussed as well as appointments and organisation changes prepared for the Board.

#### 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. Members are 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 2019

Between January 1 and March 12, 2019, the members of the Audit Committee were Erkki Järvinen as Chairman and Kristina Pentti-von Walzel, Eero Heliövaara and Olli-Petteri Lehtinen as members. At its organisational meeting on March 12, 2019, the Board of Directors elected Olli-Petteri Lehtinen as Chairman and Alexander Ehrnrooth, Frank Hyldmar and Kristina Pentti-von Walzel as members of the Audit Committee.

The Audit Committee convened five times in 2019. 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 Director Markus Vuorimaa, and, as the company's chief auditors, Juha Wahlroos and Markku Katajisto (PricewaterhouseCoopers) starting from March 12, 2019 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.

The Audit Committee, among its main tasks, regularly handled the IFRS standards and their applicability to company's business operations. In addition, monitoring of group's finance and balance sheet position, cash flow and regular monitoring of company's major projects were in significant role in the Audit Committee's work during the period.

#### Investment and Project Committee

The main function of the Investment and Project Committee is to assist the Board of Directors of YIT Corporation by discussing and preparing, in accordance with the internal decision-making

authorisations approved by the Board of Directors, significant contract tenders, property development projects, plot and area development project investments and divestments, acquisitions, disposals and equity investments as well as monitor the development, financial reporting and risk management of the respective portfolios.

The Committee convenes regularly, at least twice a year and, if necessary in view of the matters discussed by the committee, more frequently by a separate invitation from the chairman.

The committee has 3 to 5 members, who all have extensive knowledge of the Group's business operations and business segments and the competence required by the position. The majority of the members of the Investment and Project Committee must be independent of the company and at least one of the members must be independent of significant shareholders. The Corporate General Counsel acts as the secretary of the Investment and Project Committee.

#### Investment and Project Committee in 2019

Between January 1 and March 12, 2019, the members of the Investment and Project Committee

were Eero Heliövaara as Chairman and Harri-Pekka Kaukonen and Kristina Pentti-von Walzel as members. At its organisational meeting on March 12, 2019, the Board of Directors elected Eero Heliövaara as the Chairman and Alexander Ehrnrooth, Harri-Pekka Kaukonen and Barbara Topolska as members of the Investment and Project Committee. The Committee convened a total of eleven times in 2019. The members' total attendance rate was 100 per cent. Juha Jauhiainen, Corporate General Counsel, served as the Committee's secretary.

During its first year of operation, the Investment and Project Committee focused on preparing and reviewing the proposals for the Board of Directors decision-making concerning significant project tenders, real estate development projects, investments and divestments as well as mergers and acquisitions. In addition, the Committee focused its work on establishing monitoring and reporting practices concerning the key strategic development projects and investments.

#### Meeting attendance of the Board of Directors and its committees in 2019

Name	Board of Directors	Personnel Committee	Audit Committee	Investment and Project Committee	Term of office
Kaukonen Harri-Pekka	13/13	6/6		11/11	Jan 1–Dec 31, 2019
Heliövaara Eero	13/13	5/5	1/1	11/11	Jan 1–Dec 31, 2019
Ehrnrooth Alexander	12/12		4/4	8/8	Mar 12–Dec 31, 2019
Hyldmar Frank	10/12		4/4		Mar 12–Dec 31, 2019
Järvinen Erkki	1/1		1/1		Jan 1–Mar 12, 2019
Lehtinen Olli-Petteri	13/13		4/4		Jan 1–Dec 31, 2019
Mero Inka	1/1	1/1			Jan 1–Mar 12, 2019
Pentti-von Walzel Kristina	13/13		5/5	3/3	Jan 1–Dec 31, 2019
Topolska Barbara	11/12			8/8	Mar 12–Dec 31, 2019
Tuomela Tiina	13/13	6/6			Jan 1–Dec 31, 2019
Board members' average attendance rate	97%	100%	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 2019

Between January 1 and August 31, 2019, the Nomination Board (elected in 2018) comprised **Juhani Mäkinen**, Counsellor of Law, **Alexander Ehrnrooth**, CEO, Tercero Invest AB and **Risto Murto**, 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, **Juhani Mäkinen** served as Chairman of the Nomination Board and YIT's Corporate General Counsel **Juha Jauhiainen** served as Secretary of the Nomination Board.

Starting from September 1, 2019, 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, **Juhani Mäkinen** served as Chairman of the Nomination Board and YIT's

General Counsel **Juha Jauhiainen** served as Secretary of the Nomination Board.

The Nomination Board convened five times in 2019. 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) and **Ilkka Salonen**, M.Sc. (Econ.) (born 1965) acting as his deputy.

## 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, 2019*

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.)	100,000
Ilkka Salonen	1965	Chief Financial Officer Deputy to the President and CEO	M.Sc. (Econ.)	59,484
Teemu Helppolainen	1962	Executive Vice President, Housing Russia segment	M.Sc. (Econ.)	28,755 (2,600 shares held by a controlled corporation)
Antti Inkilä	1969	Executive Vice President, Housing Finland and CEE segment	M.Sc. (Tech.)	21,675
Harri Kailasalo	1969	Executive Vice President, Infrastructure projects segment	M.Sc. (Eng.), eMBA	20,584
Juha Kostiainen	1965	Executive Vice President, Urban Development	M.Sc. (Tech), D.Sc. (Adm.)	4,740
Esa Neuvonen	1967	Executive Vice President, Business premises segment and Partnership properties segment	M.Sc. (Econ.)	620
Juhani Nummi	1967	Executive Vice President, Strategy and development, Integration	M.Sc. (Eng.)	19,279
Pii Raulo	1967	Executive Vice President, Human Resources	M.Sc. (Econ.)	22,520
Heikki Vuorenmaa	1981	Executive Vice President, Paving segment	M.Sc. (Econ.)	3,668

## 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

The company maintains a list of its related parties as well as monitors, evaluates and handles related party transactions on a regular basis in accordance with regulative principles. The members of the board of directors and group management team members as well as their respective family members and entities are obliged to notify any possible related party transactions to the company. Any possible related party transactions are reported in connection with the company's consolidated financial statements. During the financial year 2019, the company did not have any material-related party transactions that deviated from the company's normal business operations or were not implemented on arms-length terms.

## 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 them 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 Markku Katajisto as the chief auditor.

### Audit fees in 2019

EUR, million	2019	2018
Audit	1.2	1.0
Tax services	0.2	0.1
Other services	0.5	0.4
<b>Total</b>	<b>1.9</b>	<b>1.5</b>

## Board of Directors' report

The Board of Directors issued its report for 2019 on February 6, 2020. 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)