

## YIT CORPORATION'S CORPORATE GOVERNANCE STATEMENT FOR 2015

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. In this Statement, YIT Corporation complies with the recommendations of the Finnish Corporate Governance Code approved by the Securities Market Association in June 2010, which took effect on October 1, 2010. The Code is publicly available on the Internet at [www.cgfinland.fi](http://www.cgfinland.fi).

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 4, 2016.

### 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 March 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 Annual 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
- Decisions on share options and share-based remuneration

### 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 three to five 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 CFO as secretary of the Board are present at Board meetings. Other Management Board members and heads of business units and functions attend the meetings when necessary. The CEO and the secretary of the Board prepare the meetings with the Chairman of the Board and draw up the agendas. They also ensure 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 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
- Supervises and controls operating management
- Appoints and discharges the President and CEO and his deputy, decides on their salary and agrees on the other terms of their service contracts
- 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 Annual 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 leadership principles

#### *Members of the Board of Directors and Board meetings in 2015*

In 2015, the Board of Directors of YIT Corporation comprised four (4) ordinary members in addition to the Chairman and the Vice Chairman. The Chairman was **Reino Hanhinen**, born 1943, M.Sc. (Eng.), D.Sc. (Tech.) h.c.; the Vice Chairman was **Kim Gran**, born 1954, B.Sc. (Econ.); and the ordinary members were **Satu Huber**, born 1958, M.Sc. (Econ.), Chief Executive Officer of Elo Mutual Pension Insurance Company; **Erkki Järvinen**, born 1960, M.Sc. (Econ.), President and CEO of Tikkurila; **Juhani Pitkälkoski**, born 1958, LL.M., Executive Vice President & CEO, Division Industrial Solutions, Caverion Corporation; and **Teuvo Salminen**, born 1954, M.Sc. (Econ.).

In 2015, all of the members of the Board of Directors were independent of YIT and its major shareholders, except Juhani Pitkälkoski, who is not independent of the company due to having worked as the President and CEO of YIT Corporation within the three years preceding the start of his membership of the Board of Directors. The Board of Directors convened 10 times during 2015. The members' total attendance rate was 97 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.

The Board's work focused on selecting strategic priorities, assessing the effects of changes in the operating environment and supervising the implementation of measures. Other focus areas in the Board's work in 2015 included monitoring the capital release programme, ensuring cash flow, and matters related to financing. Timo Lehtinen, the CFO of the Group, served as the secretary of the Board.

#### **Committees to the Board of Directors**

The Board of Directors has two committees: the Personnel Committee and the Audit 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. All 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 in matters 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 a minimum of three and a maximum of five members, who all have knowledge of our business operations and business segments as well as HR and reward-related matters. We require that the members of the Committee are independent of the company as stated in the Finnish Corporate Governance Code. The Senior Vice President, Human Resources, serves as the Committee's secretary.

### *Personnel Committee in 2015*

The members of the Personnel Committee of the Board of Directors of YIT Corporation in 2015 were Reino Hanhinen as the Chairman and Kim Gran and Erkki Järvinen as members. The Committee convened a total of five times in 2015. The members' total attendance rate was 100 per cent. Pii Raulo, Senior Vice President, Human Resources, served as the Committee's secretary.

The main tasks of the Personnel Committee in 2015 were to prepare rules for performance-based bonuses and the annual targets, key personnel categories and key personnel allocation of the long-term incentive scheme. The Personnel Committee also followed the implementation of the HR plan in accordance with the strategy, 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.

### *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 and Interim Reports and monitors auditing. It evaluates compliance with laws and regulations and follows the Group's financial position.

The Committee convenes five times per year and more often if necessary. It comprises three members independent of the company. In addition, it is required that at least one of the members is independent of major shareholders. Persons who have extensive knowledge of the Group's business operations and business segments and sufficient knowledge of accounting and accounting principles are elected as members. The Group's CFO acts as the secretary of the Audit Committee.

### *Audit Committee in 2015*

The members of the Audit Committee between January 1 and March 18, 2015, were Satu Huber as the Chairman and Juhani Pitkääkoski and Teuvo Salminen as members. At its organisational meeting on March 18, 2015, the Board of Directors elected Teuvo Salminen as the Chairman and Satu Huber and Juhani Pitkääkoski as members of the Audit Committee.

In 2015, Recommendation 26 (Independence of the members of the audit committee) of the Finnish Corporate Governance Code was deviated from in the election of the members of the company's Audit Committee, when Juhani Pitkääkoski, who is not independent of the company, was elected as a member of the Audit Committee. Mr. Pitkääkoski was elected as a member of the Audit Committee due to his extensive knowledge of the company's business and finances as well as management, supervision and control systems as the company's former CEO.

The Audit Committee convened five times in 2015. The members' total attendance rate was 100 per cent. Group CFO Timo Lehtinen served as the secretary of the Committee. President and CEO Kari Kauniskangas also

participated in the meetings of the Committee. In addition, Ari Ladvelin, head of internal audit, also participated in the meetings. During the period from January 1 to March 18, 2015, the chief auditor, Heikki Lassila (PricewaterhouseCoopers), participated in the meetings. From March 18, 2015, onwards, the new chief auditor, Juha Wahlroos (PricewaterhouseCoopers), participated in the meetings, as did members of the company's management and experts, depending on the matters dealt with by the meeting.

During the financial period, the Audit Committee focused on areas such as monitoring the capital release programme and the use of capital, the preparation of financing arrangements, risk management and matters related to information systems and IT. In conjunction with discussing Interim Reports, the Audit Committee expressed its views on management estimates, monitored the progress of disputes and legal proceedings. The Audit Committee also discussed the Group's decision-making authorisations.

#### *Board members' participation in meetings in 2015*

	Board of Directors	Personnel Committee	Audit Committee
Kim Gran	10/10	5/5	
Reino Hanhinen	10/10	5/5	
Satu Huber	8/10		5/5
Erkki Järvinen	10/10	5/5	
Juhani Pitkääkoski	10/10		5/5
Teuvo Salminen	10/10		5/5
Board members' average attendance rate	97%	100%	100%

#### **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. The President and CEO serves as the Chairman of the Group's Management Board.

Since July 2013, YIT Corporation's President and CEO has been Kari Kauniskangas, M.Sc. (Eng.), B.Sc. (Econ.) (born 1974), with Tero Kiviniemi, M.Sc. (Eng.), EMBA (born 1971) acting as his deputy.

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

##### *Control environment*

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

YIT Corporation's financial reporting and supervision are based on budgets drafted and ratified every six months as well as on monthly performance reporting. The Groups' 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 (POC) in accordance with the degree of completion and sales, for example. Accurate information on the degree of completion and sale of the project and the final cost estimate are essential for the reliability of financial data in project business.

The aim of the internal control and risk management systems 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 standing orders of the Group and its business segments. The standing orders describe the key tasks, operations and responsibilities of the different administrative bodies. The Group's business reporting process has been decentralised to the segments that are responsible for business results, thus making internal control also a part of the segments' operations.

Group accounting, which works under the supervision of the Group's CFO, defines and communicates the principles related to financial reporting, maintains the tools required for accounting and reporting and prepares the official financial statements published by the Group. The financial management of the business segments are responsible for ensuring that reporting within segments is carried out according to instructions. The Group's financing, IT administration, investor relations and insurance matters as well as the preparation of its most significant corporate acquisitions are centralised.

#### *Identification and assessment of risks related to financial reporting*

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 continuously. The application of the uniform method for the identification and assessment of financial reporting risks was continued in 2015, on the level of both the Group and its business segments. Risks are assessed annually. These assessments are used as a basis for the further development of supervision and control measures and the control points of reporting, to prevent the materialisation of risks.

The most significant reporting risks were considered to be resource issues in financial administration, issues related to the valuation of slow-moving assets, the underutilisation of the group accounting system, the assessment of sales risk, and the potential failure to identify key controls.

#### *Management of risks related to financial reporting*

Risks related to financial reporting are managed with the help of the Group's accounting manual, financing policy, investment guideline, acquisition instructions and internal audit.

In 2015, the Group continued to revise and harmonise its accounting and reporting systems, and a significant information system was deployed in the planning and reporting of Finnish business operations. In Russia, the harmonisation of systems continued. Group financing controls were developed and verified further.

#### *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. The instructions pertaining to financial reporting are available to personnel on YIT's intranet.

#### *Monitoring*

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 board convenes on a monthly basis. It is composed of the segments' chief financial officers as well as representatives from Group accounting, Group financing and IT administration. The Group's Corporate General Counsel, Tax Director and the head of internal audit can also participate in meetings of the financial management board. The financial management board addresses all 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 focus of the work of the internal audit is on operational auditing, with a particular emphasis on project risk management and international operations. The work is coordinated with auditing and other Group functions. The internal audit also works closely together with the Group's corporate security organisation. The Group's internal audit reports to the Board of Directors' Audit Committee and administratively to the President and CEO of YIT Corporation.

### **Board of Directors' report**

The Board of Directors issued its report for 2015 on February 4, 2016. 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).