



Plc Uutechnic Group Oyj

**CORPORATE GOVERNANCE STATEMENT
OF UUTECHNIC GROUP
FOR THE FINANCIAL YEAR 2017**

UUTECHNIC GROUP'S CORPORATE GOVERNANCE STATEMENT FOR THE 2017 FINANCIAL YEAR

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1 INTRODUCTION

The corporate governance of Uutechnic Group is based on Finnish legislation and the Articles of Association of the Group's parent company, Plc Uutechnic Group Oyj. The Company adheres to the Finnish Corporate Governance Code 2015 for companies listed on Nasdaq Helsinki Ltd.

The Code issued by the Securities Market Association took effect on 1 January 2016, and it is publicly available, e.g., on the Securities Market Association's website on www.cgfinland.fi.

2 DESCRIPTIONS OF CORPORATE GOVERNANCE

In accordance with the Limited Liability Companies Act, the Group's business operations and administration are the responsibility of the following bodies: the Annual General Meeting, which elects the members of the Board of Directors of the parent company, and the CEO, appointed by the Board.

Plc Uutechnic Group Oyj's highest decision-making body is the Annual General Meeting, where the shareholders exercise their authority. The Board of Directors is responsible for the company's administration and appropriate operation. As the parent company of the Group, Plc Uutechnic Group Oyj is responsible for the management, strategic planning, financial administration, financing, IT and human resources management of the Group.

The Group's business operations are the responsibility of the Group's CEO, Management Team and Board of Directors.

Annual General Meeting

The company's highest decision-making body is the An-

nual General Meeting. An Extraordinary General Meeting is arranged when necessary. General meetings are convened by the Board of Directors. Shareholders are invited to the Annual General Meeting through a meeting invitation published on the company's website. The notice of the meeting provides the shareholders with the necessary information on the issues to be addressed at the meeting. The meeting notice is also published as a stock exchange release and in any other way as decided by the Board of Directors.

The Annual General Meeting must be held no more than six months after the end of the company's financial year. The Annual General Meeting makes decisions on the issues falling under its mandate as determined by the Limited Liability Companies Act, including the adoption of the financial statements, the payment of dividends, discharging the Board members and the CEO from liability, and the election and fees of Board members and auditors.

The Annual General Meeting is attended by the CEO, members of the Board and the auditor. A person running for a position on the Board for the first time attends the Annual General Meeting that decides on the election.

Board of Directors

Activities of the Board

The Board of Directors of the parent company, which also acts as the Board of the Group, is responsible for the Group's administration and appropriate operation, and it decides on issues that are highly significant in light of the scope and scale of the Group's operations.

Some of the key responsibilities of the Board are to:

- confirm the Group's strategy and objectives, monitor their implementation, and commence corrective measures if necessary
- decide on significant investments as well as acquisitions and real estate transactions
- handle and approve financial releases, half-yearly reviews and financial statements
- decide on the Group's financial policies and financing methods
- approve the dividend policy and make a proposal to the Annual General Meeting concerning the distribution of dividends
- be in charge of the arrangement of the Group's risk management and internal control
- appoint and relieve the CEO, and decide on the terms of the CEO's employment
- confirm the Group's strategy and decide on the central principles governing the Group's compensation system

The Board of Directors regularly evaluates its own activi-

ties and work methods.

Issues are handled at Board meetings in accordance with an agenda prepared for each meeting. The Group's CFO acts as secretary of the Board. The minutes of each Board meeting are commented upon and accepted at the next meeting.

The Board meets regularly, once a month, and at other times if necessary. During the 2017 financial period, the Board convened 24 times. The attendance rate of Board members was 100%.

The presenter at Board meetings is the company's CEO or one of the Group's personnel designated by the CEO. The CEO is responsible for providing the Board with sufficient information for assessing the Group's operations and financial situation. The CEO is also responsible for implementing the Board's decisions and reports on this to the Board.

The Board members are obliged to provide the Board with sufficient information for assessment of their qualifications and level of independence and to report any changes to this information.

Composition of the Board

According to the Articles of Association, the Board of Directors has a minimum of three and a maximum of six members, whose term of office ends at the end of the first Annual General Meeting following the election. The Board members are selected by the Annual General Meeting. The chairman and vice-chairman of the Board are selected by the Board from among its members.

The names of candidates proposed for Board positions are published in the notice of the Annual General Meeting where the candidate is supported by shareholders holding a minimum of 10% of the votes as determined by the number of shares and if the candidate has accepted the candidacy. Names of candidates nominated after publication of the notice of the general meeting are published separately. A person selected as a Board member must meet the qualifications for the position and be able to allocate enough time to handle the position.

The principles of diversity of the Board of Directors are followed by considering the age and gender distribution of the members, educational and professional background of the members and experience and personal characteristics significant to the position.

The Annual General Meeting on 30 March 2017 confirmed that the Board shall have four members. Sami Alatalo, Hannu Kottonen, Kristiina Lagerstedt and Jouko Peräaho were re-elected as members of the Board. Jouko Peräaho served as the Chairman of the Board until 8 March 2017, followed by Sami Alatalo thereafter. The Board members are independent of the company and its major shareholders apart from Jouko Peräaho and Sami Alatalo.

Information about Board Members

Chairman **Sami-Jussi Alatalo**, born 1971, Master of Laws member of the Board of Directors since 19 June 2012
Saola Invest Oy, entrepreneur
Mergertum Oy, partner

Previous work experience:

Ultivista Group, CEO

Ultivista Group, CFO

Nordea Group, managerial and specialist positions in Corporate Banking

Hannu Kottonen, born 1957, M.Sc. (Econ.)

member of the Board of Directors since 28 April 2016

Previous work experience:

HKScan Oyj, CEO 3/2012 – 1/2016

Metsä Tissue Oyj, CEO 10/2006 – 2/2012

M-Real Plc, EVP Consumer Packaging 1/2004 – 10/2006

Huhtamäki Group, several senior management positions 1983 – 2003

Key positions of trust:

Polarica Holding AB, Chairman of the Board of Directors

Kinttuviisas Oy, Chairman of the Board of Directors

Hannu Kottonen is independent of the Company and its major shareholders.

Kristiina Lagerstedt, born 1973, M.Sc. (Econ.)

member of the Board of Directors since 28 April 2016

Sanoma Group, VP Audit & Assurance 2014 –

Previous work experience:

Nokia Group, Head of Internal Audit and Mergers & Acquisitions team member 2004 – 2014

EY and Deloitte, diverse audit and consultant positions 1997 – 2004

Key positions of trust:

European Confederation of Institutes of Internal Auditing (ECIIA), board member 2015 -

Kristiina Lagerstedt is independent of the Company and its major shareholders.

Jouko Peräaho, born 1962, Engineer

member of the Board of Directors since 30 October 2015

Plc Uutechnic Group Oyj, CEO 9 March 2017 –

AP-Tela Oy and Japrotek Oy Ab, Managing Director 1 November 2017 –

Uutechnic Oy, member of the Board of Directors 1993 –

AP-Tela Oy and Japrotek Oy Ab, member of the Board of Directors 2015 –

Previous work experience:

Uutechnic Oy, CEO 1993 – 2013

Key positions of trust:

FC TPS Turku Oy, Chairman of the Board of Directors

Turku Chamber of Commerce, member of the council

Board committees

The Board has no committees.

Supervisory Board

The Company has no Supervisory Board.

CEO

The Board appoints the parent company's CEO, who acts

as the Group's president. The CEO is responsible for day-to-day management of the Group in accordance with the Finnish Limited Liability Companies Act, the Articles of Association, and instructions from the Board of Directors. The CEO is neither chairman nor vice-chairman of the Board.

Plc Uutechnic Group Oyj's CEO has been Jouko Peräaho since 9 March 2017. During 1 January 2015–8 March 2017, the CEO was Martti Heikkilä.

Information about the CEO

Jouko Peräaho, born 1962, Engineer
member of the Board of Directors since 30 October 2015
Plc Uutechnic Group Oyj, CEO 9 March 2017 –
AP-Tela Oy and Japrotek Oy Ab, Managing Director
1 November 2017 –
Uutechnic Oy, member of the Board of Directors 1993 –
AP-Tela Oy and Japrotek Oy Ab, member of the Board of
Directors 2015 –

Previous work experience:
Uutechnic Oy, Managing Director 1993 – 2013
Key positions of trust:
FC TPS Turku Oy, Chairman of the Board of Directors
Turku Chamber of Commerce, member of the council

CEO part of the financial year:

Martti Heikkilä, born 1960, M.Sc. (Eng.)
Plc Uutechnic Group Oyj, CEO 1 December 2015 –
8 March 2017
Plc Uutechnic Group Oyj, Development director
9 March 2017 –
AP-Tela Oy, Japrotek Oy Ab and Uutechnic Oy, member of
the Board of Directors 2015–

Previous work experience:
AP-Tela Oy and Japrotek Oy Ab, Managing Director
1 December 2015 – 1 November 2017
Uutechnic Oy, Managing Director 2013 – 15 March 2017
Kumera Drives Oy, Managing Director 2005 – 2013
Sulzer Pumps Finland Oy, diverse management positions
2000–2005
A. Ahlstöm Oy, Salon sekoitintehdas, diverse
management positions 1988–2000

Business organisation

The Group's business operations are the responsibility of the Board of Directors, the Group's CEO, the Management Team and managing directors of the subsidiaries.

Managing Directors of subsidiaries:

Christian Kessen, born 1963, M.Sc. (Eng.)
Stelzer Rührtechnik International GmbH, Managing Director 2007 –

Jouko Peräaho, born 1962
Plc Uutechnic Group Oyj, CEO
Japrotek Oy Ab and AP-Tela Oy, Managing Director

Group Management Team:

Jouko Peräaho, born 1962
Plc Uutechnic Group Oyj, CEO
Japrotek Oy Ab and AP-Tela Oy, Managing Director

Martti Heikkilä, born 1960
Plc Uutechnic Group Oyj, Development director

Leena Junninen, born 1962
Plc Uutechnic Group Oyj, CFO

Harri Tuomela, born 1964
Japrotek Oy Ab, Plant Director

Jarmo Vanha-aho, born 1965
AP-Tela Oy, Plant Director

Jussi Vaarno, born 1970
Vice President, Mixing Technology business line
Uutechnic Oy, Managing Director

SHAREHOLDINGS OF THE MANAGEMENT	Shares		Votes	
	qty	%	qty	%
According to the book-entry securities system, 31 December 2017				
Board of Directors and CEO				
Lagerstedt Kristiina	54 000	0,10	54 000	0,10
Kottonen Hannu	50 000	0,09	50 000	0,09
Peräaho Jouko, CEO, Board member	8 690 000	15,38	8 690 000	15,38
Saola Oy*	130 000	0,23	130 000	0,23
*Chairman of the Board Sami Alatalo has control over Saola Oy				
Group Management Team				
Heikkilä Martti, Development director	130 000	0,23	130 000	0,23
Junninen Leena, CFO	40 000	0,07	40 000	0,07
Vaarno Jussi, VP	280 000	0,50	280 000	0,50

Jouko Peräaho holds 36% of UuCap Oy, which holds 4,805,000 shares (8.50% of all shares).

Board members, CEO, Deputy CEO or other members of the Group Management Team have no holdings or special rights based on the company's share-based incentive systems

3 DESCRIPTION OF THE PROCEDURES OF INTERNAL CONTROL AND MAIN FEATURES OF RISK MANAGEMENT SYSTEMS

Body responsible for the duties of the audit committee

The Group has no audit committee; instead, the duties of the audit committee are attended to by the Board of Directors of the company. The Board of Directors has specified the limits of the organisation's authorisations, and the CEO is responsible for overseeing the implementation of the risk management principles with regard to the entire Group and the managing directors or plant directors of the subsidiaries for their respective companies. The members of the Group Management Team are responsible for their

respective areas of responsibility across company boundaries. The CEO reports on significant risks to the Board of Directors on a regular basis.

Internal control, risk management and internal audit

Internal control:

The Group does not have a separate internal control organisation. The Group's business and administration are primarily monitored and controlled by means of the Group's management system. The Group has a financial reporting system whose purpose is to provide the Group and profit centre management with sufficient information for planning, control and monitoring of operations.

Risk management:

The objective of the Group's risk management process is to identify any risks that pose a threat to the business operations, evaluate them and develop the necessary risk management methods. Business-related risks of material, consequential and liability losses are covered by appropriate insurance policies.

Internal audit:

With regard to the nature and scope of its business operations, the Group has not deemed it appropriate to establish a separate internal audit organisation. Rather, its tasks are included in the duties of the business organisation.

4 OTHER DISCLOSURES

Insider administration

Plc Uutechnic Group Oyj follows Nasdaq Helsinki Ltd's Insider Guidelines supplemented by the company's internal insider instructions approved by the Board. Based on the Market Abuse Regulation, Uutechnic Group's management consists of members of the Board, the CEO, the Group Management Team and managing directors and plant directors of the subsidiaries. In addition, the company has a permanent insiders list of people who have access to insider information. Members of the permanent insiders list are committed to following a closed period instructed by the company. The permanent insiders list is not public. Furthermore, the company also has project-specific insider registers. Members of the register are prohibited from trading in the company's shares as the project is running. The Group's insider guidelines include additional instructions on how the persons under obligation to notify, as well as persons close to them, must notify the company of their transactions on the company's securities.

The prohibition of trading by persons under obligation to notify and permanent insiders commences at the end of each reporting period, however not later than 30 days before the publication of an interim or half-yearly report or financial statements, and ends once the corresponding stock exchange release has been published.

Related party transactions

Uutechnic Group's related parties include the Board of Directors, CEO and Management Team, as well as major

shareholders. In addition, related parties include the close family members of persons identified as related parties and all entities controlled or jointly controlled by a person identified as a related party.

The Board of Directors of the Group monitors and assesses transactions made with related parties and ensures that any conflicts of interest are appropriately considered.

Audit

In accordance with the Articles of Association, the company's statutory audit is performed by one or two auditors. They must be auditors or auditing firms certified by Finland's Central Chamber of Commerce. The auditors' term ends at the end of the first Annual General Meeting after the election.

The Board's proposal for auditor(s) is indicated in the notice of the Annual General Meeting, or, if an auditor candidate is not known to the Board at the time the notice is published, the name of the candidate(s) shall be published separately.

The Annual General Meeting of 30 March 2017 selected Ernst & Young Oy, Authorised Public Accountants, as the company's auditor, with Osmo Valovirta, APA, as chief auditor.

The fees paid by the Group for the 2017 financial period to the auditors amounted to EUR 75,092.00 for auditing and EUR 34,625.00 for consulting and other services, for a total of EUR 109,717.00.

Information

The Board of Directors of Uutechnic Group has confirmed the Group's communication policy that specifies the key principles and operating methods of the Group's communications. The primary communication method of the Group is stock exchange and press releases and the company's website. The company aims to avoid investor communication meetings during the closed period.

Each year, the company publishes an annual report, a half-yearly report and two business reviews from three and nine month periods in both Finnish and English.

The financial statements and half-yearly report as well as business reviews are published as stock exchange releases. The annual report and half-yearly report are also published on the company's website www.uutechnicgroup.fi as PDF versions. The company's other stock exchange releases are also available on the website.