

Plc Uutechnic Group Oyj

**CORPORATE GOVERNANCE STATEMENT**

**OF UUTECHNIC GROUP**

**FOR THE FINANCIAL YEAR 2016**



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## Applicable regulations

Corporate governance of Uutechnic Group is based on the Finnish legislation and the articles of Association of the Group's parent company, Plc Uutechnic Group Oyj.

The company follows the NASDAQ Helsinki Oy's corporate governance code 2015 for Finnish listed companies. Uutechnic Group deviates from the Finnish Corporate Governance Code Recommendation 8: Mikko Laakkonen has a specific but limited right to appoint a member of the Board of Directors as described below.

The governance 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 Web site via the address [www.cgfinland.fi](http://www.cgfinland.fi).

## Administration of Uutechnic Group

In accordance with the 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, IT, financial administration, financing and human resources management of the Group.

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

## Annual General Meeting

The company's highest decision-making body is the Annual General Meeting. An Extraordinary General Meeting is arranged when necessary. This is invited by the Board of Directors. Shareholders are invited to the Annual General Meeting through a meeting invitation published on the company's Web site. The invitation 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 to any other way 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 AGM makes decisions on the issues falling under its mandate as determined by the Companies Act, including the verification of the financial statements, the payment of dividends, the discharge from liability of the Board members and the CEO, and the selection and fees of the Board members and the auditors.

The Annual General Meeting is attended by the CEO and

a majority of the Board members. A person running for a position on the Board for the first time attends the AGM that decides on the selection.

## Board of Directors

### Activities of the Board

The Board of Directors of the parent company, which also acts as that 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 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 these should be necessary
- decide on significant investments as well as acquisitions and real-estate transactions
- handle and approve the half-year report, annual report, business reviews and other financial statements
- decide on the Group's financial policies and financing methods
- approve the dividend policy and make a proposal to the AGM concerning distribution of dividends
- be in charge of arrangement of the Group's risk management and internal monitoring
- 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 activities and work methods.

Issues are handled at Board meetings in accordance with an agenda prepared for each meeting. The Group's chief executive officer 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 2016 financial period, the Board met 36 times. There was 100 % attendance by the Board members.

The presenter at Board meetings is the company's CEO or one of the Group's personnel authorized 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 full 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 invitation to 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 AGM invitation are published separately. A person selected as a Board member must meet the qualifications for the position and have the opportunity to allocate enough time to handle the position.

During October 30, 2015 – April 28, 2016 the Board consisted of, elected in the Extraordinary General Meeting on 30 October 2015, Sami Alatalo, Jouko Peräaho and Timo Lindström. Jouko Peräaho acted as a chairman and Sami Alatalo acted as a vice-chairman.

The Annual General Meeting on 28 April 2016 confirmed that the Board shall have four members. Sami Alatalo and Jouko Peräaho were re-elected and Hannu Kottonen and Kristiina Lagerstedt were elected as new members for the Board. The Board elected Jouko Peräaho as a chairman and Sami Alatalo as a vice-chairman. The Board members, excluding Jouko Peräaho and Sami Alatalo, are independent in relation to the Company's major shareholders.

Related to the corporate arrangement announced on October 30, 2015 in the 2016 and 2017 General Meetings of Plc Uutechnic Group Oyj, Hannu Laakkonen, HML Finance Oy and the previous owners of Uutechnic Oy have committed to vote the person proposed by Mikko Laakkonen for the member of the Board of Directors. The obligation to vote is only if the persons committed to vote are present in the General Meeting and if Mikko Laakkonen owns over 10 % of the shares of Plc Uutechnic Group Oyj.

## Information about Board Members

**Chairman Jouko Peräaho**, b. 1962, Engineer  
Member of the board of directors since October 30, 2015  
Member of Uutechnic Oy board of directors since 1993  
Most significant positions of trust:  
FC TPS Oy, chairman of the board of directors  
Chamber of commerce in Turku, member of the council

**Vice-Chairman Sami-Jussi Alatalo**, b. 1971, Master of Laws  
Member of the board of directors since June 19, 2012  
Saola Invest Oy, entrepreneur  
Mergertum Teollisuus Oy, partner  
Previous work experience:  
Ultivista Group, CEO  
Ultivista Group, CFO  
Nordea Group, managerial and specialist positions in Corporate Banking

**Hannu Kottonen**, s. 1957, M.SC.(Econ.)  
Member of the Board of Directors since April 28, 2016

Previous work experience:

HKScan Oyj, CEO 3/2012 – 1/2016  
Metsä Tissue Oyj, CEO 10/2006 – 2/2012  
M-Real Plc, leader of the Consumer Packaging Division 2004 – 2006  
Huhtamäki Group, several senior management positions 1983 – 2003

Most significant positions of trust:

Polarica Holdings AB, chairman of the board of directors  
Kinttuviisas Oy, chairman of the board of directors  
Kristiina Lagerstedt is independent of the Company and its significant shareholders

**Kristiina Lagerstedt**, b. 1973, M.SC.(Econ.)

Member of the Board of Directors since April 28, 2016  
Sanoma Group, Vice President, Audit & Assurance, 2014 –

Previous work experience:

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

EY and Deloitte, diverse positions 1997 – 2004

Most significant positions of trust:

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

Kristiina Lagerstedt is independent of the Company and its significant shareholders

## Finished memberships in 2016

**Timo Lindström**, s. 1961, Engineer

Member of the board of directors 30.10.2015 – 28.4.2016

Member of Uutechnic Oy board of directors 2013 –

Member of AP-Tela Oy and Japrotek Oy Ab board of directors 2015 –

Previous work experience:

Uutechnic Oy, technical manager 1993 – 2015

Most significant positions of trust:

Linemarine Oy, member board of directors

Vakka-Suomen Puhelin Oy, member of Supervisory board

## Compensation of Board members

The compensation for Board members is determined each year by the Annual General Meeting. The Board members have not received shares in the company as compensation. The company currently has no stock option plan.

The Annual General Meeting of 28 April 2016, decided to pay Board members the following attendance fees as annual compensation amounts: 36,000 euros to the chairman and to the vice-chairman and 22,000 euros to each of the members.

In addition, Board members are entitled to a per diem and travel allowance in accordance with the Group's general travel regulations. No attendance fees are paid to persons employed by Uutechnic Group for membership of a subsidiary's board of directors.

Fees paid to Board members in the 2016 financial year for Board duties

	euros
Alatalo Sami vice- chairman	34.000,00
Kottonen Hannu	14.666,68
Lagerstedt Kristiina	14.666,68
Lindström Timo	7.333,32
Peräaho Jouko, chairman	12.000,00

In addition, Jouko Peräaho has been paid 153 520 euros salary based on his full-time vacancy as the chairman of the Board.

## 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 Companies Act, the Articles of Association, and instructions from the Board of Directors. The CEO is neither chairman nor vice-chairman of the Board.

Martti Heikkilä has served as CEO of Plc Uutechnic Group Oyj.

## Information about the CEO

**Martti Heikkilä**, b. 1960, M.Sc.(Tech.)

CEO of Plc Uutechnic Group Oyj since December 1, 2015  
Managing director of Japrotek Oy Ab, AP-Tela Oy since December 1, 2015

Managing director of Uutechnic Oy 2013-  
Board member of Uutechnic Oy, Japrotek Oy Ab and AP-Tela since December 1, 2015

Previous work experience:

Kumera Drives Oy, managing director. 2005-2013  
Sulzer Pumps Finland Oy, different management positions 2000-2005

Ahlstöm Oy, Salon sekoiintehdas, different management positions 1988-2000

## Business organization

**Martti Heikkilä**, b. 1960, M.Sc. (Tech.)

Plc Uutechnic Group Oyj, CEO 1.12.2015 –  
AP-Tela Oy and Japrotek Oy, Managing Director Ab 1.12.2015 –  
Uutechnic Oy, Managing Director 2013 –

**Ismo Haaparanta**, b. 1967, Engineer, MBA

Plc Uutechnic Group Oyj, Deputy CEO 18.1.2016 –

**Christian Kessen**, b. 1963, M.Sc. (Tech.)

Stelzer Rührtechnik International GmbH, Managing Director 2007 –

**Timo Lindström**, b. 1961, Engineer

Plc Uutechnic Group Oyj, Technical Manager 1.1.2016 –

**Jouni Laine**, b. 1964, Engineer

Uutechnic Oy, Sales Director 1.2.1994 –

**Leena Junninen**, b. 1962, Commercial college graduate

Plc Uutechnic Group Oyj, Finance Manager 1.3.2014 –

SHARE HOLDINGS OF THE MANAGEMENT According to the book-entry security system, on 31 December 2016	Shares		Votes	
	no.	%	no.	%
<b>Board of directors and CEO</b>				
Peräaho Jouko, chairman of board	8 690 000	15,38	8 690 000	15,38
Alatalo Sami, vice chairman of board	50 000	0,88	50 000	0,88
Lagerstedt Kristiina, member of board	54 000	0,10	54 000	0,10
Kottonen Hannu, member of board	50 000	0,09	50 000	0,09
Martti Heikkilä, CEO	130 000	0,23	130 000	0,23
<b>Group Management</b>				
Ismo Haaparanta, deputy CEO	12 000	0,02	12 000	0,02
Lindström Timo, technology manager	8 790 000	15,56	8 790 000	15,56
Laine Jouni, sales director	106 000	0,19	106 000	0,19
Junninen Leena, finance manager	40 000	0,07	40 000	0,07
Kessen Christian, Stelzer md	2 000	0,00	2 000	0,00

Timo Lindström and Jouko Peräaho are 36 % owners of UuCap Oy, which owns 8.50 % of Plc Uutechnic Group Oyj's shares.

Samu Alatalo is in control of a company which owns 80 000 shares of Plc Uutechnic Group Oyj.

## Compensation of the CEO and other members of the company's management

The CEO's salary and other financial benefits are decided by the Board. Compensation for other members of the management is decided upon by the CEO and the chairman of the Board. The Group currently has no stock option plan.

No special conditions for retirement or pension benefits have been specified for the members of the Group's management. According to the employment contract of CEO Martti Heikkilä and Vice CEO Ismo Haaparanta, the notice period of the contract is three months for both sides. If the company terminates the contract, the CEO and the Vice CEO will receive 100,000.00 euros deducted of the sum paid for the termination period. In 2016, in addition to the monthly salary the CEO and the Vice CEO will receive a bonus that is 1,25 % of the Group's EBIT from the financial year.

During the financial year 2016 CEO Martti Heikkilä has been paid 151.656,00 euros as salary and the other Group's management team has been paid 548.000,00 euros.

## Body responsible for the duties of the audit committee

The company has no audit committee; instead, the duties of the audit committee are attended to by the Board of Directors of the company.

## Internal monitoring, risk management and internal audit

### Internal monitoring:

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 center 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 auditing:

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

## Insider administration

Plc Uutechnic Group Oyj follows the NASDAQ Helsinki Oy's Insider Guidelines that has been completed with company's insider instructions approved by the Board. Based on the Market Abuse Regulation, Uutechnic Group's management consist of members of the Board, the CEO, other Group management team and managing directors and plant managers 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 follow a closed period instructed by the company. The permanent insiders list is not public. Furthermore, Plc Uutechnic Group Oyj has insider registers specific to a project. Members of the register are prohibited from dealing in company's shares as the project is running.

## Audit

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

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

The Annual General Meeting of 28 April 2016, selected public auditing firm Ernst & Young Oy as the company's auditor, with Osmo Valovirta, APA, as chief auditor.

Auditors' fees from the Group in the 2016 financial period totaled 173,000.00 euros, of which audit fees accounted for 110,000.00 euros, with consulting and other fees accounting for the remaining 63,000.00 euros.

## Information

Each year, the company publishes an annual report, a half year report and two business reviews in both Finnish and English.

The review of financial statements and half-year report will be published as a stock release. The annual report, half-year report and business reviews are published on the company's Web site [www.uutechnicgroup.fi](http://www.uutechnicgroup.fi). The company's other releases are also available on the Website.