

Uponor Corporation

Corporate governance statement 2018

1. Introduction

Uponor Corporation ("Company") complies with the Finnish Corporate Governance Code 2015, issued by the Securities Market Association. The Finnish Corporate Governance Code is available on the website www.cgfinland.fi. Company deviates from recommendations 13 and 15. According to recommendation 13 the Board of Directors should conduct an annual evaluation of its operations and working methods. During the year 2018 there were several changes in the Board of Directors and the Board concluded, that the evaluation shall be made at the beginning of 2019, when more meetings have been conducted with the new composition. Therefore there was no evaluation conducted in the year 2018, but annual evaluations will be conducted in future. According to recommendation 15 the committees should have at least three members each. The Personnel and Remuneration Committee has, however two members instead of three members as stated in the recommendation as resolved by the Board of Directors of the Company. Uponor considers that sufficient expertise for the Personnel and Remuneration Committee is secured with two members, and the Committee may also obtain views from outside of the Committee. The Committee acts as a preparatory and assisting body for the Board of Directors, and all essential matters relating to remuneration shall be dealt by the Board of Directors.

This corporate governance statement has been drawn up in accordance with the reporting section of the Finnish Corporate Governance Code 2015 issued by the Securities Market Association. This statement is presented as a separate report from the Review by the Board of Directors. The Company's Audit Committee has reviewed the statement in its meeting on 11 February 2019.

The Company has separately issued a Remuneration Statement on its website, in accordance with the reporting section of the Finnish Corporate Governance Code 2015.

2. Descriptions concerning corporate governance

2.1 The Board of Directors

2.1.1 Composition

Pursuant to the Articles of Association, the Board comprises a minimum of five and a maximum of seven members, elected for a one-year term starting at closing of the Annual General Meeting (AGM) at which they were elected and expiring at closing of the following AGM. Board members may be elected or removed only by a resolution adopted by the shareholders in a general meeting. The number of terms a Board member may serve is not limited, nor is there any defined retirement age. The AGM shall elect the Chair of the Board and the Board elects a Deputy Chair for one year at a time from amongst its members.

In March 2018, the AGM elected the following six members to the Board:

- Ms Pia Aaltonen-Forsell, born 1974, M. Soc. Sc.(Economics), MBA, CFO, Ahlstrom-Munksjö Oyj until end of February 2019 and CFO of Outokumpu Oyj as of 1 March 2019, member of the Uponor Board since 2017
- Mr Johan Falk, born 1971, M.Sc. (Eng.), MBA, CEO, OneMed Group, member of the Uponor Board since 2018
- Mr Markus Lengauer, born 1965, Master of Engineering, Doctorate in Mechanical Engineering, President and CEO, Oras Group until 31 December 2018 and member of the Board, Oras Group as of 1 January 2019, member of the Uponor Board since 2015
- Mr Casimir Lindholm, born 1971, M.Sc. (Econ.), MBA, President and CEO, Eltel AB, member of the Uponor Board since 2018
- Ms Eva Nygren, born 1955, Architect, member of the Uponor Board since 2011
- Ms Annika Paasikivi, born 1975, B.A, M.Sc. (Global politics), President and CEO, Oras Invest Ltd and CEO, Finow Ltd, member of the Uponor Board since 2014.

Ms Annika Paasikivi was elected Chair of the Board and Mr Markus Lengauer Deputy Chair of the Board. Based on the evaluation of the Board, all the current Board members are independent of the Company and all the current Board members, with the exception of Ms Annika Paasikivi and Mr Markus Lengauer, are independent of major

shareholders. According to Finnish legislation, all Board members are required to act in the best interest of the Company and its subsidiaries ("Group") as well as shareholders, and to disclose any potential conflicts of interest.

2.1.2 Duties

In accordance with the Finnish Companies Act, the Board of Directors is responsible for the management of the Company and the proper organisation of its activities. The Board's main duty is to direct the Group's strategy in such a way that enables, in the long run, the Group to meet the set financial targets and the return to shareholders is secured, while simultaneously taking the expectations of various stakeholders into account. In addition to the statutory duties, the Board takes decisions on all other significant issues.

According to the charter of the Board of the Directors, the Board shall, among other things:

- a) annually review and determine the rules of procedure of the Board and the Executive Committee ('ExCom');
- b) approve the Group's values and monitor their implementation;
- c) approve the Group's basic strategy and monitor its implementation and updating;
- d) determine the dividend policy;
- e) make a proposal to the general meeting of shareholders on the payment of the dividend, including the amount and time of payment;
- f) approve the annual operational plan and budget based on the strategy, as well as monitor their implementation;
- g) annually approve the total amount of investments as well as any investments that exceed the approved total annual investment limit;
- h) approve investments and leasing arrangements whose net present value exceeds the limit specified in the Signing and Authorisation Policy;
- i) approve acquisitions, joint ventures, partnerships, licensing arrangements and asset divestments that exceed the limits specified in the Signing and Authorisation Policy;
- j) approve the Group's general organisational structure;
- k) appoint and dismiss the President and CEO and determine the terms of his/her service contract;
- l) prepare and approve the President and CEO's annual compensation;
- m) approve the appointment and dismissal of members of ExCom;
- n) approve annual compensation for the members of ExCom;
- o) prepare and approve a succession plan for the President and CEO;
- p) approve succession plans for members of ExCom;
- q) approve the interim reports, the half year financial report, the annual report and the annual financial statements;
- r) meet the external auditor at least once a year in a closed session without the management;
- s) prepare the proposals for general meetings of shareholders;
- t) annually evaluate the performance of the President and CEO and members of the Board as well as that of the Chair;
- u) approve key Group operational policies, such as compensation policy;
- v) deal with other issues raised by the Chair or the President and CEO.

In 2018, in addition to the normal duties based on regulations and the Board charter, the Board of Directors focused on the following topics: (1) value creation, and how technology changes and digitalisation impact it, as well as how the transformation programmes have been executed and are supporting profitable growth; investment programmes especially in North America supporting demand growth and Uponor's ability to tap that opportunity; (2) restructuring of the European operations of our joint venture company Uponor Infra and divestment of its operations outside of Europe, and (3) talent management – what is our leadership and competence base, and securing we have succession plans for all relevant key positions, including the CEO.

2.1.3 Meetings and decision-making

The Board meets on average 10 times a year. Some meetings may be held as teleconferences. Two of the meetings should take place at a business unit, a different one each time. The Board may also meet at any time without the presence of the management and make decisions without holding a meeting. Minutes of a meeting are taken in English for each meeting.

During 2018, the Board held nine meetings in total, two at a business unit and two in the form of teleconference meetings. One non-attendance was recorded (Casimir Lindholm) and two partial non-attendances (Pia Aaltonen-Forsell one and Johan Falk one). Further, the Board made three decisions without having a meeting.

2.1.4 Board diversity principles

When designing the composition of the Board of Directors, the Nomination Board of the company assesses the Board composition from the viewpoint of the company's current and future business needs, while taking into account the diversity of the Board.

The diversity of the Board of Directors will be assessed from various viewpoints. The members of Uponor's Board of Directors shall have sufficient and complementary experience and expertise in the key industries and markets relevant to Uponor's business. In addition, an essential element is the personal characteristics of the members and their diversity.

Expertise	Personal characteristics
<ul style="list-style-type: none"> • Knowledge on the company's value creation drivers • Industry • Relevant markets and technologies • Accounting and finance • Governance 	<ul style="list-style-type: none"> • Professional experience • Education • Gender • Age • Personality

Objective:

The company's aim is that the Board of Directors represents diverse expertise in different industries and markets, diverse professional and educational background, diverse age distribution and both genders. Concerning gender diversity the objective is that both genders are represented in the Board by at least two members. The objective was well achieved in 2018.

The realisation of the diversity principles is monitored and reported in the company's Corporate Governance Statement.

2.2 Board Committees

2.2.1 Audit Committee

The Board decided to re-establish the Audit Committee on 13 March 2018, with the same charter as earlier. The members of the Audit Committee are Pia Aaltonen-Forsell, Annika Paasikivi and Markus Lengauer, with Pia Aaltonen-Forsell acting as the committee chair.

According to the charter of the Audit Committee it shall have the following duties:

- to monitor the reporting process of financial statements and assuring that the reporting process generates correct information, to deal with any exceptional and material items and their handling and to approve important accounting principles;
- to review and oversee the quality and integrity of the annual report and the annual financial statements as well as the interim reports and the half year financial report;
- to monitor the financial and liquidity position of the company and prepare matters and proposals to the Board on a need-to-know basis;
- to monitor the efficiency, plans and processes of the Group's internal control, internal audit and risk management systems;
- to review the Company's corporate governance statement including the description of the main features of the internal control and risk management systems pertaining to the financial reporting process;
- to approve the annual plan and budget, to issue instructions on and to review and monitor the operations, plans and reports of the internal audit function, to receive status reports of the internal audit function in every meeting and to meet with the internal auditor at least twice a year;
- to review the external audit plan and to monitor the statutory audit of the financial statements and consolidated financial statements, to approve the budget of the external audit as well as new assignment above the limit set by the Audit Committee;

- to meet with the external auditor quarterly and to review all material reports from the auditor;
- to evaluate the independence of the statutory auditor or audit firm, particularly the provision of related services to the company to be audited;
- to prepare the proposal for a resolution on the election of the auditor;
- to monitor the Company's compliance with legal and regulatory requirements, including the performance of its ethics and compliance programme and
- to meet with the management of the company, particularly the President and CEO and the CFO, but also others responsible for internal control and risk management.

The invitation and materials of the Audit Committee meetings shall be sent to the Board members, who all have the right to attend the meetings.

During 2018, the Committee held four meetings, one of which was a teleconference meeting. No non-attendances were recorded.

2.2.2 Personnel and Remuneration Committee

The Board decided to re-establish the Personnel and Remuneration Committee on 13 March 2018, with the same charter as earlier. The members of the Personnel and Remuneration Committee are Annika Paasikivi (chair) and Casimir Lindholm.

According to the charter of the Personnel and Remuneration Committee, it shall have the following duties:

- preparing the appointments of the President and CEO and the members of the Executive Committee, and the terms and conditions of their employment
- preparing matters to be brought to the Board relating to personnel, evaluation of top management and succession planning as needed
- to prepare matters pertaining to the remuneration and other financial benefits of the managing director and other executives ;
- to prepare matters pertaining to the remuneration schemes of the company;
- to evaluate the remuneration of the managing director and the other executives as well as to see that the remuneration schemes are appropriate;
- to review the remuneration statement;
- to answer questions related to the remuneration statement at the general meeting.

The Personnel and Remuneration Committee held six meetings in 2018, with zero non-attendances.

2.3 Nomination Board

In March 2012, the AGM established a permanent Nomination Board, comprising shareholders or representatives of shareholders, for the preparation of proposals for the election and remuneration of members of the Board of Directors. Its members nominated in September 2018 are Jari Paasikivi (Oras Invest Oy), Henrika Vikman (Nordea Funds Oy) and Reima Rytsölä (Varma Mutual Pension Insurance Company) as well as Chair of the Board Annika Paasikivi (expert member), who in turn elected Jari Paasikivi as Chair of the Nomination Board.

The duties of the Nomination Board shall be:

- to prepare the proposal for the appointment of members of the Board of Directors, for presentation to the general meeting;
- to prepare the proposal to the general meeting on matters pertaining to the remuneration of members of the Board of Directors;
- to seek prospective successors to members of the Board of Directors;
- to present the proposal on members of the Board of Directors and members' remuneration to the general meeting.

The Nomination Board shall comprise the three largest shareholders or shareholders' representatives. In addition, the chair of the Board of Directors shall act as an expert member. The right to appoint members representing shareholders lay with the three shareholders who on 31 August 2018 were registered in the shareholders' register of the corporation, held by Euroclear Finland Ltd, and who, according to the shareholders' register, held the greatest share of votes appertaining to all shares. The holdings of a shareholder, held in several funds or registers, who according to the Securities Market Act has an obligation to disclose changes in ownership (notified shareholdings), will be calculated together when counting the voting rights, if the shareholder so requests in writing to the Board of Directors, at the latest on 30 August preceding the general meeting. The Nomination Board is deemed a quorate when the majority of members are present.

The Nomination Board is for the first time convened by the chair of the Board of Directors. Members of the Nomination Board elect a chair from amongst themselves.

The Nomination Board held two meetings in 2018. No non-attendances were recorded. Further, the Nomination Board made one decision without having a meeting.

2.4 Chief Executive Officer

Mr Jyri Luomakoski, MBA, born 1967, acted as President and CEO of the Company during 2018.

Assisted by the ExCom, the President and CEO is in charge of the Group's day-to-day management in accordance with the orders and instructions issued by the Board. It is the President and CEO's duty to ensure that the Group's accounting procedures comply with the applicable legislation and that the financial management is conducted in a reliable manner.

The President and CEO is also the Chair of the ExCom.

2.5 Executive Committee ("ExCom")

The ExCom comprises of the President and CEO and the following executives determined by the Board:

- Ms Minna Blomqvist, born 1969, M. Sc. (Eng), Executive Vice President, Human Resources
- Mr Sebastian Bondestam, born 1962, M.Sc. (Eng.), President, Uponor Infra
- Mr Bill Gray, born 1965, B. Com. (Finance and marketing) & B.A., President, Uponor North America
- Mr Fernando Roses, born 1970, M.Sc. (Marketing), eMBA, B.Sc. (Eng.) (Ingeniero Técnico en Química Industrial), Executive Vice President, Technology and Corporate Development until 13 April 2018
- Ms Maija Strandberg, born 1969, M. Sc. (Econ), CFO
- Mr Jan Peter Tewes, born 1968, M.Sc. (Bus.) (Diplom-Kaufmann), MBA, President, Building Solutions – Europe until 30 September 2018.

In 2018 the Company announced the appointments of Mr Richard Windischhofer as EVP, Corporate Development and Technology as of 1 January 2019 and Mr Karsten Hoppe as President, Building Solutions – Europe as of 1 February 2019.

The ExCom is mainly responsible for formulating and implementing the Group's strategy. It also discusses and decides on significant operational issues, while each of its members is responsible for the Group's day-to-day management with respect to his/her field of responsibility.

The ExCom shall, among other things, attend to the following:

- a) the Group's strategy and its implementation throughout the Group;
- b) budgets, business plans and their implementation;
- c) significant organisational changes and any changes in employment conditions affecting large numbers of employees such as:
 - the composition of area/regional management teams,
 - major structural changes within the organisation,
 - all major redundancy programmes,
- d) the appointment or removal of Senior Officers and Unit Managers belonging to the reporting chain of any ExCom member;
- e) annual salary and incentive structures of the management (excluding those of ExCom members);

- f) investments and leasing arrangements with net present value of leases being in the limits specified in the Signing and Authorisation Policy of the Group;
- g) acquisitions, joint ventures, partnerships and licensing arrangements and, should these exceed the limit specified in the Signing and Authorisation Policy of the Group, the ExCom shall submit a proposal to the Board;
- h) incorporation or dissolution of legal entities;
- i) asset divestments - including real estate, legal units and shares in the limits specified in the Signing and Authorisation Policy of the Group;
- j) performance by region/unit including analysis of market trends and the competitive environment, as well as significant corrective actions (to be discussed in each meeting);
- k) R&D and new business development priorities and resources;
- l) items related to the Group's brand architecture;
- m) legal disputes and claims of a significant nature including matters at regional/unit level;
- n) other matters, upon the Board's request.

ExCom prepares proposals to the Board on matters which require a resolution of the Board.

The ExCom meets 8-12 times a year, with informal records being kept of its meetings. In 2018, the ExCom held ten meetings.

The target is to achieve a unanimous view among the members of the ExCom on the issues under discussion. The decisions shall be confirmed by the Chair.

2.6 Shares of each Board member, President and CEO and ExCom member and corporations over which he/ she exercises control

Shares held by management in 2018

The Board of Directors

<i>Name</i>	<i>Position</i>	<i>Date</i>	<i>Shares</i>
Eloranta, Jorma	Chair of the Board (until 13 March)	1 Jan	37 455
		13 March	37 455
Aaltonen-Forsell, Pia	Board member	1 Jan	1 060
		31 Dec	2 476
Falk, Johan	Board member from 13 March	1 Jan	0
		31 Dec	1 277
Lindholm Casimir	Board member from 13 March	1 Jan	0
		31 Dec	1 277
Lengauer, Markus	Board member	1 Jan	3 412
		31 Dec	4 828
Nygren, Eva	Board member	1 Jan	8 324
		31 Dec	10 661
Paasikivi, Annika	Chair of the Board (from 13 March)	1 Jan	39 377
		31 Dec	41 875
Rosendal, Jari	Board member (until 13 March)	1 Jan	8 053
		13 March	8 053

The Executive Committee

<i>Name</i>	<i>Position</i>	<i>Date</i>	<i>Shares</i>
Blomqvist, Minna	ExCom member	1 Jan	0
		31 Dec	2 000
Bondestam, Sebastian	ExCom member	1 Jan	16 889
		31 Dec	18 301
Gray, Bill	ExCom member	1 Jan	19 317
		31 Dec	21 259
Luomakoski, Jyri	President and CEO	1 Jan	35 547
		31 Dec	38 685
Roses, Fernando	ExCom member (until 13 April)	1 Jan	17 788
		13 Apr	19 381
Strandberg , Maija	ExCom member	1 Jan	0
		31 Dec	0
Tewes, Jan Peter	ExCom member (until 30 Sept)	1 Jan	13 519
		30 Sept	15 575

3. Descriptions of internal control procedures and the main features of risk management systems

3.1 Overview of the internal control

The Board is responsible for the principles of internal control policy in the Group. Group's internal control is defined as a process influenced by the Board, the management and all the individual employees of the Group. The objective of internal control is to ensure that:

- the management has a reasonable assurance that the Group's operations are effective, efficient and aligned with the strategy;
- the financial reporting and management information is reliable, comprehensive and timely; and
- the Group complies with applicable laws and regulations.

The Group's internal control framework strives to balance the business needs and the control perspective. The aim of the internal control framework is thus to:

- focus on the most business-relevant risks and issues from the strategic alignment and operational effectiveness point of view;
- promote good business ethics, good corporate governance and reliable risk management practices;
- ensure a compliance with laws, regulations and Group's internal policies; and
- ensure reliable financial reporting to support internal decision-making and to serve the needs of external stakeholders.

Internal control over the financial reporting process is part of the overall internal control system in the Group. The objective of internal control over financial reporting is to ensure that the financial reporting information is reliable, comprehensive and timely, and that the financial statements are prepared in accordance with applicable laws and regulations, generally accepted accounting principles and other requirements for listed companies.

The Company's consolidated financial statements are presented in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Community. The financial statements also include additional information as required by the Finnish Accounting Act and the Companies Act. The Company's financial statements have been prepared according to generally accepted accounting principles in Finland.

3.1.1 Control environment

The control environment builds upon the Group's Code of Conduct and its values. It serves as the foundation for all other components of internal control, providing discipline and structure.

Group level policies that serve as binding guidelines for operating units include also policies which define the accounting and reporting rules, risk management policies and internal control principles over financial reporting.

The Group Accounting and Reporting function co-ordinates the business units and functions in setting up adequate control activities in financial reporting in co-operation with the business controllers in the business units. It also provides special reports required by management and regulatory authorities and co-ordinates process level internal control implementation and follow-up in Group reporting process. The Group Accounting and Reporting function is also responsible of the interpretation and application of accounting standards in the Group.

The Audit Committee's duties include monitoring and supervising the financial reporting process and the efficiency, plans and processes of the internal control, internal audit and risk management systems. Furthermore the Audit Committee shall review and oversee the quality and integrity of the financial statements, annual report, the half year financial report and interim reports and monitors the financial position of the company. The Audit Committee also monitors the statutory audits of the financial statements and consolidated financial statements, evaluates the independence of the statutory auditor or audit firm, and prepares the proposal for resolution on the election of the auditor. Audit Committee additionally reviews and monitors the operations, plans and reports of the internal audit function and meets with the internal auditor, the external auditor and the management of the company on agreed intervals.

The President and CEO's duty is to ensure that the Group's accounting procedures comply with the applicable legislation and that the financial management is conducted in a reliable manner.

The CFO is responsible for the monitoring of the process-level internal control implementation and follow-up of the financial processes.

Internal Audit is an integrated part of the Group's internal control framework. It supports the Board and the management in following up the effectiveness of internal control and corporate governance. It carries out independent audits of business units and subsidiaries, process reviews, and targeted audits on specific areas to ensure compliance with internal company policies, guidelines and laws and regulations.

3.1.2 Control activities

The Group's aim is to embed control in the daily operations. Effective internal control requires that duties are properly segregated to different employees and potential conflicts of interest are identified and eliminated. Examples of existing control mechanisms include Group policies, defined control points in financial reporting, accounting and reporting instructions and regular management business review meetings.

3.1.3 Information and communication

The Group's Finance Manual sets the standards for financial reporting and describes the accounting policies to be applied within the Group. The purpose of the manual is to ensure the relevance and reliability of each entity's financial statements, the comparability of those statements over time and with the financial statements of other entities.

The Group Accounting and Reporting function maintains a common chart of accounts which is applied in all units. A common enterprise resource planning (ERP) system supports harmonised processes and controls across the Group. The financial reports are reviewed and analysed in local accounting departments prior to their submission to the common Group consolidation system.

Internal control related topics are regularly reported to the Audit Committee. Findings, recommendations and conclusions of the Audit Committee are continuously reported to the Board of Directors.

3.1.4 Monitoring

Ongoing monitoring of the financial reporting process occurs locally in each organisational unit as part of the daily operations. On Group level, the responsibility lies within the Group Accounting and Reporting function.

Group level financial reports are reviewed and analysed by the Vice President, Group Accounting and Controlling and the CFO.

Whenever separate evaluations are needed, their scope and frequency will depend primarily on an assessment of related risks and the effectiveness of the monitoring procedures in place. Internal control deficiencies shall be reported upstream, with any serious matters to be reported to the ExCom and to the Board. Any separate evaluations are performed by the Internal Audit function, and they may be initiated by the Board or by the management.

3.2 Overview of the risk management systems

Risk management is a systematic way of protecting business assets and income against losses in order to achieve the Company's targets without unnecessary interruption. Risk management also includes risk-taking. That means utilisation of opportunities, taking into account the risk-reward ratio and expectations in each case.

The objective of risk management is to enable the Company to implement its strategy, to ensure it achieves its financial targets and to protect it from operative incidents, which might prevent it from achieving its targets. A further objective is to ensure the continuity of the operations even in an exceptional business environment.

The main risk areas of the Company have been identified and assessed. Group risk identification and assessment process is conducted twice a year, during second and fourth quarters. Each ExCom member has been allocated his/her own area of responsibility with regard to the identified risks, including the management and proper organisation of those risk areas throughout the Group.

Group Risk Management Team, comprising the CFO, President, Uponor Infra, EVP, Group Technology and Corporate Development, General Counsel and VP, Treasury and Risk Management, is responsible for the monitoring of Group-level risks and mitigation actions, and for informing the ExCom and the Board.

VP, Treasury and Risk Management is responsible for providing support to the ExCom in developing risk policies and guidelines, as well as for establishing assessment, monitoring and reporting procedures. He/she provides support to the Regions/areas, units and functions by providing assistance and training. He/she is also responsible for establishing and maintaining the company's global insurance programmes.

Assessment of risks regarding financial reporting is part of the Group's overall internal control and risk management framework. The risk assessment procedure which relates to the financial reporting process includes:

- a) ensuring, that objectives for financial reporting have been set up.
- b) identifying and mitigating risks that might hinder the achievement of set objectives.

The objectives are set both in the business units and in Group level operations. The risks are analysed in order to determine how the risks should be managed. The risk assessment process also considers the potential for material misstatement due to fraud.

3.3 Internal control and risk management in the financial reporting process in 2018

The Company has developed a common Group wide control framework for external financial reporting, management reporting and treasury processes. These key controls aim to address the risks related to the achievement of the financial reporting objectives. The control activities are designed to provide reasonable assurance of the accuracy, timeliness and completeness of the financial reporting information and they are applied at all levels of the organisation. These key controls include a variety of activities such as approvals, authorisations, verifications, reconciliations, reviews of operating performance, safeguarding of assets and segregation of duties.

In order to monitor the status of these matters, internal controls and risk management in the financial reporting process have been a focus area in the internal audit plans since the year 2010. In 2018, internal audit focused on group-wide process reviews. Furthermore Uponor's foreign subsidiaries were part of the audit scheme. The audits of subsidiaries concentrated on compliance with group policies, changes in business operations as well as review of business processes, risks and controls.

4. Other information

4.1 Internal audit

Internal auditing is an independent, objective assurance and consulting activity designed to add value to and improve Uponor's operations. Internal audit is an integrated part of Uponor's internal control framework.

The purpose of Uponor's internal audit is to support the Board and management in monitoring the effectiveness of internal control, risk management and corporate governance. Internal audit achieves the purpose by having a systematic, disciplined approach to evaluate and improve the aforementioned areas. The purpose of internal audit is also to find and share leading practices within Uponor. In addition to the existing channels within Uponor, internal audit will also serve as channel through which subsidiaries can notify Uponor's management about possible wrongdoing/fraud.

The Chief Financial Officer has overall administrative responsibility for the functioning of the internal audit function. Ernst & Young Oy has been selected to provide internal audit services for Uponor.

The operating principles for internal audit are:

- Internal audit plan is prepared for approval by the Audit Committee under supervision of the CFO. Internal audit plan is approved for the period of 12 months. The ExCom may make changes to the audit plan and is obliged to keep the Audit Committee informed of them.
- Written audit reports are issued for each individual audit project. These reports are delivered to the President and CEO and the CFO and, depending on audit target, to other ExCom members. Further, also executives and managers of audited Group companies or functions will receive a copy. A copy of a report will also be sent to external auditors.
- Summary reports are presented to the Audit Committee regarding most significant internal audit findings, related risks and management actions.
- Internal auditors meet the Audit Committee once a year in person with no Uponor management present.
- Internal audit work is coordinated with Uponor's external auditors. In practice, there are bi-annual meetings between internal and external auditors, in which the internal audit plans and results are discussed and shared.

4.2 Insider administration

Uponor Corporation complies with applicable EU regulations, especially the Market Abuse Regulation (596/2014, "MAR"), and any regulation and guidance given by the European Securities Markets Authority ("ESMA"). Further, the company observes Finnish legislation, especially the Securities Markets Act (746/2012, as amended) and the Finnish Penal Code (39/1889, as amended), including the insider and other guidelines of Nasdaq Helsinki Ltd. and the standards and guidance of the Finnish Financial Supervisory Authority ("FIN-FSA") and other authorities. Uponor also has its own insider policy.

Managers, as defined by MAR, include the members of the Board of Directors and senior executives in the following positions: the President and CEO, the CFO, and other members of the Executive Committee as determined by the President and CEO from time to time. As of 3 July 2016, such managers include the president of Building Solutions - Europe, the president of Building Solutions - North America, and the president of Uponor Infra. MAR requires that each manager and his/her closely associated persons notify the company and FIN-FSA of their transactions in the financial instruments of or linked to the company conducted on his/her own account. These notifications shall be made promptly and no later than three business days after the date of transaction (T+3). Uponor will issue stock exchange releases to disclose information on transactions by managers and their closely associated persons, as specified in MAR.

Since 3 July 2016, Uponor no longer maintains a list of permanent insiders. Instead, all persons involved with insider projects will be listed as project-specific insiders. Project-specific lists will be established and maintained for each project or event constituting inside information, based on a separate decision. All persons working for Uponor, representatives of external entities, shareholders and authorities who have information concerning an insider project or have access to project-specific inside information, as well as persons who are working for the implementation of an insider project, will be entered in a project-specific insider list.

Preparation of periodic disclosure (annual and half year financial statements, interim reports, financial statements bulletins) or regular access to unpublished financial information is not regarded as an insider project. However, due to the sensitive nature of unpublished information on the company's financial results, the persons determined by the company, based on their position or access rights, to have authorised access to unpublished financial result information are added to a list of Financial Information Recipients.

Uponor applies an absolute trading prohibition (a 'closed window' principle) during a period beginning 30 calendar days before the announcement of each of the periodic financial reports and the year-end report (the financial statements bulletin) and ending at the end of the trading day following the day of publication of such a report. At the minimum, a closed period commences at the end of the reporting period in question. The closed window principle applies to the managers (as defined by MAR) as well as the Financial Information Recipients.

Uponor's internal insider policy is published on the group intranet. All group employees are required to act in accordance with these rules.

4.3 External audit

Assisted by the Audit Committee, the Board prepares a proposal on the external auditor and presents it to the AGM for election. The external auditor must be a corporation of authorised public accountants accredited by the Central Chamber of Commerce of Finland. In co-operation with the auditor, the corporate management organises the audit of the Group's subsidiary companies, as required by applicable local legislation. Auditors of these subsidiary companies report directly to the legal unit they have audited, submitting a copy of each report to the Group's financial administration for inclusion in the Company's audit log.

The 2018 AGM appointed Deloitte Oy, a corporation of authorised public accountants accredited by the Central Chamber of Commerce in Finland, as the Company's auditor for the financial year 2018, with Jukka Vattulainen, Authorised Public Accountant, acting as the principal auditor.

Fees to the external auditor for the statutory audit services totalled €923,000 and for audit related and other services €38,000, in total €961,000 for the year 2018.