

## CAVERION CORPORATION'S CORPORATE GOVERNANCE STATEMENT 2014

This Caverion Corporation's Corporate Governance Statement has been prepared pursuant to the Securities Market Act and recommendation 54 of the Finnish Corporate Governance Code as an independent document from the Report of the Board of Directors. This statement is published on Caverion Corporation's website [http://www.caverion.com/investors/Corporate\\_Governance](http://www.caverion.com/investors/Corporate_Governance).

The administration of Caverion 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. Caverion Corporation also complies with all recommendations of the Finnish Corporate Governance Code issued by the Securities Market Association. The Code took effect on 1 October 2010 and is publicly available on the website [www.cgfinland.fi](http://www.cgfinland.fi).

The Audit Committee of the Board of Directors reviewed the Statement in its meeting on 28 January 2015 and on the same day the Board of Directors approved it.

Caverion Corporation's statutory auditor, PricewaterhouseCoopers Oy, has checked that this Statement and that the description of the main features of the internal control and risk management systems related to the financial reporting process included in this Statement are consistent with the Financial Statements.

### Annual General Meeting

Caverion Corporation's highest decision-making body is the Annual General Meeting of the Shareholders. The matters to be handled at the General Meeting are determined on the basis of the Articles of Association of Caverion Corporation and the Finnish Limited Liability Companies Act.

The Annual General Meeting makes decisions on adopting the financial statements, the payment of dividends, discharging the members of the Board of Directors and the President and CEO from liability, the election of the members of the Board of Directors and auditor and their remuneration and other matters presented to and requiring resolutions by the Annual General Meeting under the Limited Liability Companies Act.

The Annual General Meeting is convened at least once a year. The Annual General Meeting is held annually by the end of March and it is convened by the Board of Directors.

### Board of Directors

According to the Articles of Association, the Board of Directors of Caverion Corporation consists of the Chairman, Vice Chairman and three to five (3–5) members elected by the Annual General Meeting.

The Board of Directors is responsible for the administration and the proper organization of the operations of the company as well as for the appropriate arrangements of bookkeeping and financial administration. The Board of Directors has an approved charter, which was updated along with Board Committee charters in April 2014.

According to its charter, the Board of Directors oversees the management and organization of operations of the entire Caverion Group. In addition, the Board guides and supervises Caverion Corporation's President and CEO, approves the company's strategic goals and the principles of risk management and governance, and ensures the functionality of the management system.

In particular, the following duties are handled and decided on by the Board of Directors:

- Appointment and dismissal of the President and CEO and his/her optional deputy and senior management and the terms of their employment;
- The Group's strategy and long-term objectives;
- Group budget and business plan and overseeing their implementation;
- Approving the financial statements and interim reports;
- Significant acquisitions and divestments with a value equal to or more than 10 million euros and investments with a value of equal to or more than 5 million euros;
- Tenders and agreements with a value equal to or more than 100 million euros;
- Key operational policies on, for example, risk management, business conduct, treasury, disclosure;

- Organization of the Group.

The Board of Directors convenes approximately once a month according to a pre-determined schedule, or whenever it deems it necessary. The Board of Directors assesses its working principles annually.

According to the articles of association, the Annual General Meeting of Caverion Corporation elects the Chairman and Vice Chairman and three to five (3–5) members to the Board of Directors. The term of office of the Board members is the time period between the end of the Annual General Meeting in which the member is elected and the end of the next Annual General Meeting.

#### *Board members and meetings in 2014*

The members of Caverion Corporation's Board of Directors during the financial year that ended 31 December 2014, were:

**Henrik Ehrnrooth** (Chairman), born 1954, M.Sc. Forest Economics, B.B.A.

**Ari Lehtoranta** born 1963, M.Sc. (Eng.), President and CEO of Nokian Tyres Plc (vice chairman as of 17.3.2014)

**Michael Rosenlew**, born 1959, M.Sc. (Econ), Managing Director of Mikaros AB (vice chairman until 17.3.2014)

**Anna Hyvönen** born 1968, Tech. Lic., Executive Vice President of Finland and Baltics, Ramirent Plc.

**Eva Lindqvist** born 1958, M.Sc. (Eng.)

All board members were independent of Caverion Corporation and, excluding Henrik Ehrnrooth, also of its major shareholders. Henrik Ehrnrooth along with his brothers Georg Ehrnrooth and Carl-Gustaf Ehrnrooth, indirectly holds a controlling interest in Structor S.A., which is the largest shareholder in Caverion Corporation with an ownership of 14.2 per cent of all shares (31.12.2014).

The Board of Directors convened eleven (11) times in 2014. The secretary to the Board was the Corporate General Counsel.

The Board appointed a new President and CEO in its meeting in January 2014. In addition, focus areas of the Board's work in 2014 included the approval of Group's revised strategy wording, and monitoring the following areas: strengthening and development of the project business processes and maintenance business efficiency, the improvement of cash flow, and measures taken to decrease operating capital. The Board also focused on occupational safety matters.

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

In accordance with its charter, the Board of Directors formed two committees in its meeting on 17 March 2014: the Audit Committee and the Personnel Committee. In connection with the update of the Board and its Committee charters in April 2014, the Personnel Committee was renamed the Human Resources Committee.

#### *Audit Committee in 2014*

The Audit Committee assists the Board of Directors in its oversight responsibilities related to the financial reporting process, internal control system and risk management of the Caverion Group as well as external auditing and internal audit.

The Audit Committee consists of three members. The Board annually appoints the Chairman and the members. The committee convenes at least four times per calendar year as stated in its charter, prior to approval of each interim report and the financial statements.

The members of the Audit Committee of Caverion Corporation in 2014 were Michael Rosenlew (Chairman), Anna Hyvönen and Eva Lindqvist. The Audit Committee convened seven times during 2014. The secretary to the committee was the Group Chief Financial Officer.

The Audit Committee discussed, for example, its updated charter, development of internal and external reporting, efficiency of capital management, financing, monitoring and ensuring proper risk management, litigation and claim processes.

*Human Resources Committee in 2014*

The Human Resources Committee assists the Board of Directors in matters related to the nomination and remuneration of key personnel. In addition, the Human Resources Committee evaluates, monitors and guides the situation and development of personnel issues which are important in terms of corporate culture and strategy.

The Human Resources Committee carries out the tasks of the Nomination Committee and the Remuneration Committee as stated in the Finnish Corporate Governance Code. The committee consists of three to five members. The Board of Directors decides on the number of committee members and appoints the Chairman and the members annually.

The members of Caverion Corporation's Human Resources Committee in 2014 were Henrik Ehrnrooth (Chairman), Ari Lehtoranta and Michael Rosenlew. The secretary to the committee was the Group Senior Vice President, Human Resources.

The Human Resources Committee convened in 2014 three times and reviewed the talent management practices and talent review status of key executives and experts, guided design of the rewarding principles and the long and short term incentive programmes and reviewed the strategic focus area Excellent Leadership project portfolio 2014–2016. In addition, the Human Resources Committee gave its support in the preparation of a proposal for the candidates of the Board of Directors and their remuneration to be approved in the Annual General Meeting.

*Attendance of the Board members in the meetings held 2014*

	<b>Board of Directors</b>	<b>Audit Committee</b>	<b>Human Resources Committee</b>
Henrik Ehrnrooth	11/11		3/3
Michael Rosenlew	11/11	7/7	3/3
Anna Hyvönen	10/11	7/7	
Ari Lehtoranta	10/11		3/3
Eva Lindqvist	10/11	7/7	
Average attendance rate, %	95	100	100

**President and CEO**

The President and CEO is in charge of the day-to-day management of the company in accordance with the instructions laid down by the Board of Directors. He also ensures that the company's accounting practices comply with the law and that financial matters are handled in a reliable manner. The President and CEO is also the Chairman of the Group Management Board and acts as a primary presenter for matters considered in the meetings of the Board of Directors.

The Board of Directors decides on the President and CEO's remuneration and other terms of employment.

The President and CEO of Caverion Corporation until the end of March 2014 was Juhani Pitkääkoski (born 1958). The Board of Directors appointed Fredrik Strand (born 1964) as President and CEO as of 1 April 2014.

**Main features of the internal control and risk management systems in relation to the financial reporting process****Goal**

The goal of the internal control and risk management systems is to provide assurance regarding the achievement of Caverion's strategic targets, reliability and integrity of financial and operational information, efficiency and transparency of operations, and compliance with applicable laws, regulations and internal policies and guidelines.

## Control environment

The Board of Directors approves Group-level policies, including the Code of Conduct, the Risk Management Policy, the Treasury Policy, and the Disclosure Policy.

The Audit Committee assists the Board in fulfilling its oversight responsibilities by monitoring the efficiency, adequacy and appropriate functioning of Caverion Group's internal control and risk management systems. In addition, it supervises the financial reporting and consolidated financial statement process.

The President and CEO is responsible for defining the strategies, processes and focus areas for risk management and internal control systems.

The Group Internal Audit reports frequently to the Audit Committee and to the President and CEO. The purpose, authority and responsibility of the Group Internal Audit is defined in a charter approved by the Board. The Audit Committee confirms the internal audit plan periodically.

Group Finance defines and communicates the principles related to financial reporting, maintains the common tools for accounting and reporting, and prepares the financial information to be disclosed. The financial management of subsidiaries is responsible for ensuring that reporting is carried out in accordance with the Group's policies, guidelines and instructions.

The main internal control components at Caverion in relation to the financial reporting process include the Code of Conduct, approval policies, accounting manual, treasury policy as well as central application of accounting principles, centrally managed budgeting and monthly reporting process, common chart of account, common accounting tool (SAP) and reasonably automated interfaces between different systems in the monthly reporting process. Treasury, Information technology and systems and mergers and acquisitions (M&A) are centralized functions in the Group.

Caverion's Code of Conduct defines the behavioural manner in which Caverion people act at business occasions and in relationships with other stakeholders. Each employee is expected to comply with the principles laid down in the Code of Conduct in their daily duties.

There is a channel in place to report breaches of Caverion's Code of Conduct. Any person who notices such breaches may, if necessary, also confidentially report them as indicated in the Code of Conduct document through a web-based reporting channel. The Group's compliance and ethics management team manages the investigation process for such cases.

In 2014, Group-wide development and harmonising of internal processes has also covered their internal control systems including, for example, more detailed policies for delegation of authority.

## Risk assessment

In accordance with Group Risk Management Policy, Financial management on Group and Division levels is responsible for identifying and assessing risks related to financial reporting and reporting them to Group management.

In late 2014, Caverion initiated a development programme to enhance the risk management framework, including processes for risk identification, assessment, analysis, mitigation and reporting throughout the Group.

## Internal information and communication

Information related to the main internal control components, i.e. accounting manual, treasury policy, code of conduct, approval policies, and operating instructions for common tools and practices are available on Caverion intranet. Group Finance & Control is responsible for the development and maintenance of this information.

Group Finance & Control has scheduled meetings with the financial management of divisions in order to share the information and communicate the development in group policies and instructions. Group management as well

as Group Internal Audit visit regularly the business units and share knowledge concerning the Group's best practices.

## Monitoring

The management of Caverion Group's Divisions is responsible for the accuracy of financial information reported to the Group.

The President and CEO and Group Finance & Control are responsible for the accuracy, extent, compliance and timely readiness of consolidated, external and internal, financial information prepared.

The Group's financial controllers supervise and monitor the consistency of the reporting from divisions.

Caverion Group's financial performance is monitored monthly using a common planning and reporting system.

The CEO, CFO and the Group's financial management analyse monthly the performance of the subsidiaries, and deviations from the previous month's forecasts. The monthly performance review practice between Group and Division managements represents the key monitoring procedure and it focuses on both the management and financial reporting

The Group Internal Audit assesses the adequacy and efficiency of risk management, internal control systems and governance regarding the audit area under review. In addition, Group Internal Audit promotes developments in those areas. The scope of the Group Internal Audit covers all organisational levels and businesses.

## The Report of the Board of Directors

The Board of Directors has approved the report on 2014 at its meeting on 28 January 2015. The Board of Directors' report, the Corporate Governance Statement and the Remuneration Statement will be published on the company's website [www.caverion.com/investors](http://www.caverion.com/investors) at the latest in week 8 of 2015.