



Remuneration Statement 2019

CAVERION CORPORATION
PUBLIC

Caverion
Building Performance

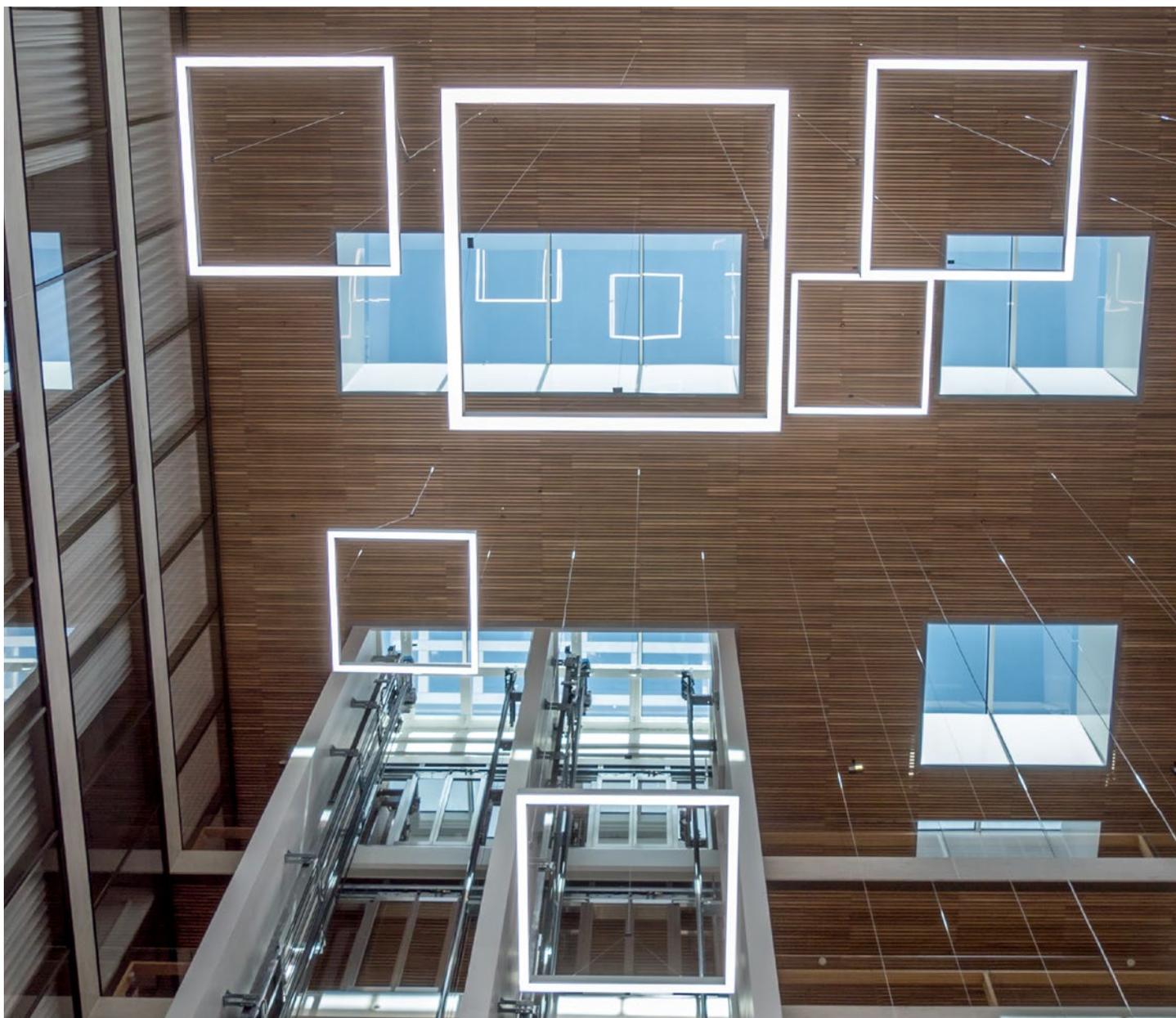


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Letter from the Chairman of the HR Committee

Dear Stakeholders,

Year 2019 has been the year of a turnaround for Caverion. We have been able to make the needed changes and take the critical steps according to our Fit for Growth strategy. Many of our divisions are already fit. We still have work to be done to secure sustainable fit-status for few of our divisions, especially in the Projects business. Germany and Denmark show clear positive progress so I am confident that our efforts there will pay off. We will pay special attention to Germany, Sweden and Norway project business during 2020. We took the first big concrete steps in our growth path by acquiring Maintpartner and Huurre, both of them building our future service portfolio according to our strategy. The positive development has also resulted to the payout from our Matching Share Plan, according to our Reward Strategy and Pay for Performance philosophy. 2019 was the first year in Caverion history that there was a Long-term Incentive Plan payout.

To strengthen our capability to accelerate the growth, we established a new role in the Group Management Board, Head of Transformation and Supply Operations. The purpose of this role is to lead the transformation related projects that will ensure the company will have the right operating model for the next phase in our strategy. We also nominated one of the Group Management Board members to take stronger role in driving the growth strategy, with special attention to Smart Technologies and Brand. As a natural consequence of our growth in Industrial Solutions division, we nominated a new leader to take the responsibility for leading the integration and building of the common growth strategy. After these changes I am confident that our Group Management Board is able to drive the Caverion strategy and make the expected results to materialise.

We have prepared the Remuneration Policy according to the New Corporate Governance Code 2020 and it will be presented for the Annual General Meeting to be held on 23 March 2020. Our Reward Strategy that was renewed during 2018 continues to be a strong guide in our decision making on reward. The Matching Share Plan launched in 2018 continues to engage a small number of our key leaders through high own investment in the company. This aligns the interests of the shareholders and the top management.

Approximately 60 key employees were invited to participate a new Performance Share Plan 2019-2021 engaging them with and rewarding for the long-term success of Caverion. According to our Reward Strategy we invited fewer individuals to this plan making the earning opportunity for key contributors slightly higher in the case of top performance. The measures used are the relative TSR and EPS which align the share reward strongly with shareholder interests. We also continued with our Restricted Share Plan that serves as a great tool to engage and reward our key employees in special situations such as recruitment or extraordinary performance. We have also continuously increased the number of participants in our short-term incentive plans and the use of achievement awards and spot bonuses in line with our Pay for Performance principle.

Mats Paulsson,
Chairman of the HR Committee



Introduction

The aim of Caverion's remuneration strategy is to drive top performance at every level, to attract, develop and retain the best talent and to align shareholder and employee interest in the long run.

Decision-making procedures concerning remuneration

Caverion Corporation's Annual General Meeting decides on the remuneration of the Board of Directors. The Human Resources Committee of the Board of Directors is responsible for preparing a proposal for the remuneration of the Board of Directors to be presented to the Annual General Meeting. The Human Resources Committee also prepares general remuneration principles, short- and long-term incentive schemes, the Reward Strategy and the Remuneration Policy of Caverion Group, which the Board of Directors approves. The Remuneration Policy is presented to Caverion's Annual General Meeting to be held on 23 March 2020.

The Board of Directors appoints the President and CEO and approves his/her terms of employment and remuneration. The Board of Directors also appoints the members of the Group Management Board. According to Caverion Guidelines, all individual remuneration decisions have to be approved by the manager's manager. The Board approves the remuneration of the Group Management Board members.

Main principles of the remuneration at Caverion

Short-term incentive schemes

The basis of remuneration at Caverion is a fixed base salary. In addition, the Group's management and most of the salaried employees are included in a performance based short-term incentive plan. The aim of the annual short-term incentive plans is to reward the management and employees based on the achievement of pre-defined and measurable key financial and strategy driven targets. The Board of Directors approves the terms of the short-term incentive plans every year, according to which possible incentives are paid. Performance of the Group, the President and CEO as well as Group Management Board members are evaluated by the Board of Directors. Potential incentive payment is approved by the Board of Directors and paid out after the financial statements have been prepared and released.

Potential incentive payment is based on the achievement of the set financial targets, such as the Group's and/or division's/unit's financial result, strategic targets and/or individual/team objectives set separately. Individual target and maximum incentive opportunity are defined based on job requirements. Possible incentive payments can vary from zero payment to the pre-defined maximum incentive payment based on the achievement of set targets.

Performance and development discussions are an essential part of the annual incentive plan and performance management process at Caverion. Individual targets, their relative weighting and achievement of the previously agreed targets are set and reviewed in these discussions.

Long-term incentive schemes

Long-term incentive schemes at Caverion are determined by the Board of Directors and they are part of the remuneration of the management and key personnel of Caverion Group. The aim is to align the interests of the shareholders and the executives in order to promote shareholder value creation and to support Caverion in being a leading service company and a selective master of projects by covering the whole life cycle of buildings, industries and infrastructure. In addition, the aim is to commit the executives and key personnel to the company and its strategic targets and to offer them a competitive reward plan based on the ownership of the company's shares.

Share-based long-term incentive plan 2016-2018

Caverion's Board of Directors approved a share-based long-term incentive plan 2016-2018 in its December 2015 meeting. The plan consists of a Performance Share Plan (PSP) as the main structure supported by a Restricted Share Plan (RSP) as a complementary structure for specific situations. Both plans consist of annually commencing individual plans, each with a three-year period. The commencement of each new plan is subject to a separate decision of the Board.

The Performance Share Plan 2016-2018 consists of a one-year operative financial performance period (2016), followed by a two-year vesting period. The targets set for the Performance Share Plan 2016-2018 were not met and therefore no rewards were paid to the participants of the plan.

In the directed share issues without consideration, 23,622 Caverion Corporation shares held by the company were on 28 February 2019 conveyed to the President and CEO who is a participant to the Restricted Share Plan 2016-2018 that was used for special situations.

Share-based long-term incentive plan 2017-2019

Caverion's Board of Directors decided to continue the share based long-term incentive plan for the senior management of the Group in its December 2016 meeting. The share based incentive plan consists of a Performance Share Plan (PSP) as the main structure supported by a Restricted Share Plan as a complementary structure for specific situations. The plan is based on the rolling long-term incentive structure approved by the Board of Directors on December 2015.

Performance Share Plan 2017-2019 may include a maximum of approximately 120 members of senior management and key employees. The three-year plan period consists of a one-year operative financial performance period (2017), followed by a two-year vesting period. The targets set for the Performance Share Plan 2017-2019 were not met and therefore no rewards will be paid to the participants of the plan.

Share-based long-term incentive plan 2018-2020

Caverion's Board of Directors decided to continue the share based long-term incentive plan for the senior management of the Group in its December 2017 meeting. The share based incentive plan consists of a Performance Share Plan (PSP) as the main structure supported by a Restricted Share Plan as a complementary structure for specific situations. The plan is based on the rolling long-term incentive structure approved by the Board of Directors on December 2015.

Performance Share Plan 2018-2020 may include a maximum of approximately 120 members of senior management and key employees. However, the individuals who currently participate in Caverion's top management Matching Share Plan, including the members of Caverion's Group Management Board, are not included in this plan. The three-year plan period consists of a one-year operative financial performance period (2018), followed by a two-year vesting period. The potential share

reward is based on the targets set for the year 2018 for Earnings per share and Operating Cash Flow from Operations before interests and taxes.

The targets set for the Performance Share Plan 2018-2020 were partially met and estimated share rewards comprising approximately a total value corresponding to 84,000 shares (gross before the deduction of applicable payroll tax) will be paid in February 2021.

Share-based long-term incentive plan "Matching Share Plan 2018-2022"

Caverion's Board of Directors resolved to implement a new share-based long-term incentive plan "Matching Share Plan 2018-2022" in its February 2018 meeting. The aim of the plan is to align the objectives of the shareholders and the key employees in order to increase the value of the company in the long-term, to encourage the key employees to personally invest in the company's shares, to retain them at the company, and to offer them a competitive reward plan that is based on acquiring, receiving and holding the company's shares.

The prerequisite for participating in the Plan is that a key employee shall acquire company shares up to the number and in the manner determined by the Board of Directors. The plan participant may not participate in the Performance Share Plan 2018-2020 simultaneously with participating in the Matching Share Plan. The Plan includes four matching periods, all beginning on 1 March 2018 and ending on 28 February 2019, 29 February 2020, 28 February 2021 or 28 February 2022. The rewards from the plan will be paid in four instalments, one instalment each in 2019, 2020, 2021 and 2022. However, the reward payment will be deferred, if a yield of the share has not reached the pre-set minimum yield level by the end of the matching period in question. If the pre-set minimum yield level has not been reached by the end of reward instalment specific grace periods ending in 2021-2022, no reward from a matching period in question will be paid.

The participants were required to take an individual risk via high own investment in the company with relatively high earning potential. The company provided the participants a possibility to finance the acquisition of the company's shares through an interest-bearing loan from the company, which some of the participants utilised. By the end of December 2019 the total outstanding amount of these loans amounted approximately to EUR 4.5 million. The loans will be repaid in full on 31 December 2023, at the latest. Company shares have been pledged as a security for the loans.

In the directed share issues without consideration, 293,540 and 97,929 Caverion Corporation shares held by the company were conveyed to key employees included in the Matching Share Plan 2018-2022 on 14 May 2019 and on 18 December 2019, respectively. 93,498 shares of the 18 December 2019 share issue were conveyed to the President and CEO.

Share-based long-term incentive plan 2019-2021

Caverion's Board of Directors approved the establishment of a new share-based long-term incentive plan for key employees of the Group in its December 2018 meeting. The new plan is based on a performance share plan (PSP) structure. The Board approved at the same time the commencement of a new plan period 2019-2021 in the Restricted Share Plan (RSP) structure, a complementary share-based incentive structure for specific situations.

The first plan (PSP 2019-2021) within the new PSP structure commenced in the beginning of 2019 and the potential share rewards thereunder will be paid in the spring 2022 provided that the performance targets set by the Board are achieved. PSP 2019-2021 may include a maximum of approximately 75 key employees of Caverion Group. However, the individuals who currently participate in Caverion's top management Matching Share Plan, including the members of Caverion's Group Management Board, are not included in this plan. The performance target measures are the relative total shareholder

return of the Company's share and earnings per share. If all targets will be met, the share rewards based on PSP 2019-2021 will comprise a maximum of approximately 1.3 million Caverion shares (gross before the deduction of applicable taxes).

Share-based long-term incentive plan 2020-2022

Caverion's Board of Directors approved the commencement of a new plan period 2020-2022 in the share-based long-term incentive scheme in its December 2019 meeting. The scheme is based on a performance share plan (PSP) structure targeted to Caverion's management and selected key employees. The Board approved at the same time the commencement of a new plan period 2020-2022 in the Restricted Share Plan (RSP) structure, which is a complementary share-based incentive structure for specific situations.

PSP 2020-2022 may include a maximum of approximately 90 key employees of Caverion Group. The performance targets, based on which the potential share rewards under PSP 2020-2022 will be paid, are the relative total shareholder return of the Company's share and earnings per share. Any potential share rewards based on PSP 2020-2022 and RSP 2020-2022 will be delivered in the spring 2023.

Share ownership recommendation policy

Caverion applies a share ownership recommendation policy for the members of the Group Management Board, according to which the members should retain at least 50 per cent of the share rewards received (net shares after the deduction of applicable payroll tax) under the share based incentive plans until the share ownership of these individuals in Caverion amounts to at least his/her annual gross base salary.

More information on the long-term incentive plans was released in stock exchange releases on 18 December 2015, 21 December 2016, 21 December 2017, 18 December 2018 and 18 December 2019.

More information on the Matching Share Plan 2018-2022 and the related share issues and transfers was released in stock exchange releases on 7 February 2018, 19 February 2018, 1 March 2018, 8 March 2018, 14 May 2019 and 18 December 2019.

More information on the Matching Share Plan 2018-2022 and the related share issues and transfers was released in stock exchange releases on 7 February 2018, 19 February 2018, 1 March 2018 and 8 March 2018.

Remuneration report

Remuneration of the Board of Directors

Based on the decisions of the Caverion Corporation's Annual General Meeting on 25 March 2019, the members of the Board of Directors are entitled to the following fees:

- Chairman of the Board of Directors: EUR 6,600 per month (EUR 79,200 per year)
- Vice Chairman of the Board of Directors: EUR 5,000 per month (EUR 60,000 per year)
- Members of the Board of Directors: EUR 3,900 per month (EUR 46,800 per year)

A meeting fee of EUR 550 is paid for each Board and Committee meeting attended in addition to travel costs associated.

The remuneration paid to the members of the Board of Directors for calendar year 2019 totalled EUR 444,543 (EUR 494,436 in 2018). None of the Board members have an employment relationship or service contract with Caverion Group and they are not covered by any of Caverion Group's short- or long-term incentive schemes or pension plans.

Fees of the members of the Board of Directors in 2019 (EUR):

Member of the Board of Directors	Board membership	Audit Committee meetings	Human Resources Committee meetings	Board meetings	Total 2019	Total 2018	Total 2017
Jussi Aho	46 800		2 200	4 950	53 950	53 950	44 115
Markus Ehrnrooth	60 000	2 750		4 950	67 700	69 900	69 326
Joachim Hallengren	46 800	2 200	550	4 400	53 950	55 050	43 565
Antti Herlin	46 800		2 200	4 950	53 950	54 500	37 809
Thomas Hinnerskov	46 800	2 200		4 950	53 950	56 700	45 215
Anna Hyvönen	46 800		2 200	4 950	53 950	55 600	55 600
Mats Paulsson	79 200	550	1 650	4 950	86 350	43 543	-
Michael Rosenlew	18 543	550	550	1 100	20 743	-	12,035
Previous Board members total						13 343	69 835
Total	391 743	8 250	9 350	35 200	444 543*	494 436	454 930

*The above is Board of Directors remuneration allocated for calendar year 2019. Due to the transition to a share payment, the total payment processed in 2019 was 524,333 EUR covering the whole Board membership period from 26 March 2019 to 23 March 2020.

Remuneration of the CEO

The Board of Directors decides on the remuneration, benefits and other terms of the Managing Director agreement of the President and CEO. The remuneration of the President and CEO consists of a fixed base salary, fringe benefits, annual short-term incentive plan, long-term incentive plan and other possible benefits such as a defined contribution pension plan. The President and CEO's short-term target incentive opportunity was 50% and the maximum incentive opportunity was 100% of the annual fixed base salary. In 2019, 50% of the incentive opportunity was tied to Group's EBITDA percentage and 50% in Group's cash flow from operations. These measures are in line with Caverion's strategic targets.

President and CEO Ari Lehtoranta received a share payment of 23,622 Restricted Share Units on 28 February 2019, granted to him at recruitment, according to the terms and conditions of the Caverion's long-term incentive plan approved by the Board of Directors on 1 January 2017 as well as a share payment of 93,498 shares from the Matching Share Plan on 18 December 2019, according to the terms and conditions of the Caverion's long-term incentive plan approved by the Board of Directors on 6 February 2018.

President and CEO's pension, retirement age and termination compensation

The contractual retirement age of the President and CEO Ari Lehtoranta is 63 years. Ari Lehtoranta has a supplementary defined contribution pension plan, annual contribution being 20% of his base salary. During 1.1.2019-31.12.2019 the cost of his supplementary pension scheme was EUR 132,000. He is also eligible for the Finnish statutory pension system.

The President and CEO's notice period for both parties is six months. Severance pay (if the company terminates the agreement) is compensation amounting to 12 months' base salary as monthly payments after the termination date.

Remuneration paid to the President and CEO in 2019 (EUR):

EUR	Base salary	Fringe benefits	Paid short-term incentive	Paid long-term incentive	Supplementary pension	Total 2019	Total 2018	Total 2017
Ari Lehtoranta 1.1.-31.12.2019	647 542	240	151 668	1 676 567	132 000	2 608 018	792 000	792 000

Remuneration of the Group Management Board

The remuneration of the Group Management Board consists of a fixed base salary, fringe benefits, annual short-term incentive plan and long-term incentive plan. In 2019, the maximum short-term incentive opportunity for the members of the Group Management Board was 60-80% of the annual base salary. The targets of the short-term incentive plan were connected to the Group's and/or divisions' EBITDA percentage and cash flow.

In addition, some of the Group Management Board members are included in country specific group pension arrangements. Compensation based on termination of employment related agreements is a total of 304,127 euros.

A total of 233,882 shares were transferred to the Group Management Board from the Matching Share Plan according to the terms and conditions of the Caverion's long-term incentive plan approved by the Board of Directors on 6 February 2018.

Remuneration paid to the members of the Group Management Board in 2019 (EUR):

EUR	Base salary	Fringe benefits	Paid short-term incentive	Paid long-term incentive	Total 2019	Total 2018	Total 2017
Group Management Board 1.1.-31.12.2019	2 998 636	133 510	723 602	2 998 993	6 854 741	3 610 111	3 156 584

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Our Annual Reporting for 2019 consists of Annual Review (including Financial Statements and Board of Directors' Report), Sustainability Report, Corporate Governance Statement and Remuneration Statement. Reports are available at www.caverion.com/caverion-annual-review-2019.