



Remuneration Policy 2020

CAVERION CORPORATION
PUBLIC

Caverion
Building Performance



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Introduction

This Remuneration Policy sets the framework for the remuneration of the Board of Directors and the Managing Director (President and CEO), the governing bodies of Caverion Corporation. The provisions of this Remuneration Policy regarding the President and CEO also apply to any statutory deputy of the Managing Director whom the Company may appoint.

The Human Resources Committee of the Board of Directors of Caverion Corporation (Human Resources Committee) is responsible for preparing the Remuneration Policy. The Remuneration Policy follows the Finnish Corporate Governance Code 2020 and the applicable legislation. The Remuneration Policy is approved by the Board of Directors and presented to Caverion's Annual General Meeting of Shareholders of the year 2020. It shall be applied until the Annual General Meeting of Shareholders of the year 2024 unless earlier replaced with a new or revised version.

The purpose of this Remuneration Policy is to set out Caverion's remuneration principles and to give our investors a clear picture on how remuneration of the governing bodies at Caverion is managed, and how the different remuneration elements relate to the company's strategy. This Remuneration Policy is designed to include flexibility to secure Caverion's competitiveness in attracting, engaging and retaining the governing bodies, and to boost top performance and the execution of the company's strategy.

The compensation paid to the Members of the Board of Directors should be competitive enough to attract and retain high caliber individuals qualified to serve as Board Members in Caverion. The objective of the remuneration for the President and CEO is to align the interests of the President and CEO with those of Caverion's shareholders and to promote shareholder value

creation in the long-term. The President and CEO's remuneration aims at promoting Caverion's long-term financial success and competitiveness and thereby rewards for the President and CEO's achievement in implementing the Company's strategy.

The Human Resources Committee is responsible for defining the overall Caverion Reward Strategy covering all Caverion employees with the guiding principle being Pay for Performance. The Reward Strategy was thoroughly updated in 2018. With regard to the remuneration of the President and CEO, this Remuneration Policy is aligned with the Reward Strategy having the same key remuneration structure and principles applicable to all employees with the appropriate additions relevant to the

President and CEO. The President and CEO's base salary and benefits are reviewed following the same principles and he/she is participating in the same short-term and long-term incentive plans applicable to a wider employee population. However, the performance based remuneration components are higher, following the general market practice, than for other employees and form a significant part of the President and CEO's total remuneration supporting the implementation of the company's strategy, financial success and alignment with the shareholder interests.

Remuneration paid to the governing bodies is reported annually in the Remuneration Report *.

Caverion Reward Strategy drives Pay for Performance to enhance business success and engagement

PRINCIPLES

Pay for Performance | Fair & Consistent | Harmonised | Competitive in local market | Cost efficient | Well communicated | Well governed



FOUNDATION

Job Architecture | Grading structure | Overall performance evaluation | Target setting | Market benchmark data

* 2019 reporting in Remuneration Statement

Description of the decision-making process

Caverion Corporation's Annual General Meeting decides on the remuneration of the Members of the Board of Directors. The Human Resources Committee is responsible for preparing the proposal for the remuneration of the Members of the Board of Directors to be presented to the Annual General Meeting.

The Human Resources Committee prepares the Remuneration Policy for the Board of Directors' approval before presentation to the Annual General Meeting. The Human Resources Committee also prepares general remuneration principles, short- and long-term incentive plans and the Caverion Reward Strategy to be approved by the Board of Directors.

The Board of Directors appoints the President and CEO and approves the terms and conditions of his/her service agreement and remuneration that are prepared by the Human Resources Committee within the principles of the Remuneration Policy. The Human Resources Committee reviews annually the President and CEO's total remuneration, prepares the performance criteria and earning opportunity of the variable performance based remuneration as well as evaluates the achievement of performance related targets and related short- and long-term incentive payments, which are subject to the approval of the Board of Directors.

The Board of Directors decides on share-based incentive schemes for the President and CEO as well as for other key employees. The actual payment of shares under a share-based incentive scheme is either based on a decision of the Annual General Meeting of Shareholders or an authorisation granted by it to the Board of Directors. The issuance of special rights entitling to shares of the Company, such as stock option rights, correspondingly either requires a decision of the Annual General Meeting of Shareholders or an authorisation granted by it to the Board of Directors.

The decision-making procedure of Caverion in remuneration related matters follows principles aimed at ensuring the prevention and the management of conflicts of interest. The underlying principle is that the corporate body which appoints the respective corporate body also decides on its remuneration. Additionally, corporate bodies or individuals may not decide on remuneration payable to themselves or decide on remuneration in a situation where their own interest is otherwise in conflict with the company's interest. Caverion has its own Code of Conduct guidelines and it observes the Finnish Companies Act and the Finnish Corporate Governance Code which regulate governance procedures for the avoidance of conflicts of interest. The decision-making process described above aims at securing that decisions are fair and unbiased.

Remuneration of the Board of Directors

Caverion Corporation's Annual General Meeting decides on the remuneration of the Board of Directors in accordance with the Articles of the Company. The Human Resources Committee is responsible for preparing a proposal of the annual remuneration to be presented to the Annual General Meeting. The Board fees are regularly benchmarked against relevant companies of similar market cap, size and complexity to ensure Caverion's ability to attract the skills and experience able to maximize the shareholder value.

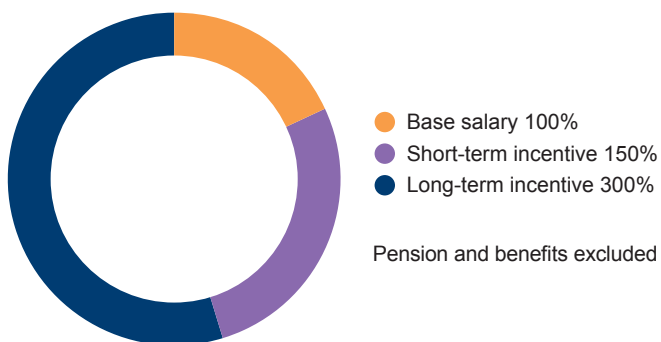
Non-executive directors remuneration may consist for example of a fixed annual or monthly fee which can be paid either in cash or in combination of the company's shares and cash, separate fixed fees for additional responsibilities (such as roles in Board's committees), meeting fees and reimbursement of travel expenses. In case company's shares consist part of remuneration, a share ownership requirement may be set. Members of the Board of Directors are not eligible to participate in Caverion's incentive, benefit or pension plans.

Remuneration of the President and CEO

The Board of Directors approves the President and CEO's service agreement, including base salary and other elements of the remuneration. The remuneration consists of fixed and variable performance based remuneration elements. Performance based remuneration elements form a minimum of 50% of the President and CEO's annual remuneration at target level. The earning opportunity of the long-term incentive is higher than the earning opportunity of the short-term incentive at both target and maximum level.

The remuneration elements are described in pages 6-7.

President and CEO Remuneration:
maximum earning opportunity with focus on variable elements



Purpose and link to strategy Operation
Opportunity
Base salary

Fixed remuneration set to a sufficient level to attract and retain most suitable individuals considering the scale and complexity of the role

Base salary takes into account the individual performance, competencies and contribution to the business, being competitive within the relevant market. When setting the base salary level, salaries in similar roles in other relevant stock listed companies of similar size, complexity and geographic spread in the country of employment will be considered. Base salary is typically reviewed annually by the Board of Directors in line with all Caverion employees.

Base salary is set based on the role and the individual. No maximum level is determined, however it is always aligned with the relevant external market. Any potential base salary increase will reflect company and individual performance and normally be in context with the employee salary increases in the same country, unless there is a specific strong reason considered necessary and relevant by the Board of Directors, such as significant change in level of responsibility.

Short-term incentives

Variable remuneration rewarding performance and the delivery of business strategy on an annual basis

Based on the achievement of pre-defined targets that are set annually by the Board of Directors and designed to deliver the company strategy on an annual basis. Targets are typically linked to the company's financial and other critical strategic measures such as, but not limited to, operational, sustainability and safety measures, such as Adjusted EBITA (EUR) and Adjusted Operational Cash Flow.

The annual earning opportunity is defined at target and maximum level, with the range starting at 0%. The maximum opportunity that can be awarded is 150% of annual base salary, with the requirements for achieving the maximum level being particularly demanding and corresponding with exceptional company performance. Target level is typically half of the maximum level.

Targets are set to be challenging and drive both top performance and continuous improvement. The earning period is one year. The performance against the pre-set targets is evaluated after closing the financial result of the company. Besides the actual performance targets the short-term incentive structure may include threshold measures which form a precondition for the payment of any reward. The potential payment is approved by the Board of Directors.

Long-term incentives

Variable remuneration rewarding sustainable long-term performance and to align interests with the company's shareholders

Long-term incentive plans may include one or several plan structures such as, but not limited to, performance share plan structures, structures requiring the President and CEO's own investment in the Company's shares (typically matching share plans structures) and other structures as determined by the Board of Directors.

Performance-based long-term incentive plans are typically based on pre-defined strategic targets set by the Board of Directors for each annually commencing plan. Targets are set to be challenging and aim at driving company's long-term financial success and shareholder value. Measures may include Total Shareholder Return, financial and other strategic measures, such as Earning per Share. Each plan has normally a 3 year earning period. Performance against the pre-set targets is evaluated after the performance period has ended. The potential payment is approved by the Board of Directors.

Long-term incentive payments are normally settled in shares of Caverion but may also be paid in cash. Share payments are approved by the Board of Directors based on the authorization of the Annual General of Meeting of Shareholders.

Long-term incentive earning opportunity is defined at threshold, target and maximum level. For the President and CEO, the maximum annual share allocation that can be awarded is 300% of the annual base salary. The maximum earning per annual plan is capped at 250% of the share price increase, i.e. any share value increase in excess of 250% will not be included in the earning. The earning opportunity is defined as a gross earning, i.e. applicable taxes are deducted from the earned shares.

Purpose and link to strategy	Operation	Opportunity
Restricted Share Plan		
<p>May be granted in specific circumstances, such as in recruitment of President and CEO to compensate for a forfeiture of remuneration or other employment terms from previous employment</p>	<p>Restricted shares do not typically have performance measures as they are normally granted as a compensation for the loss of remuneration from previous employment. In specific circumstances the Board of Directors may set specific individual performance measures and targets. No reward will be paid if service with the Company ends or is terminated, agreement on its termination is made or a notice regarding its termination is delivered. Continued service is a mandatory condition for the vesting of restricted shares.</p>	<p>Board of Directors may in specific situations grant the President and CEO Restricted Shares that may or may not include a performance condition. The grant of restricted shares is carefully considered by the Board of Directors and is set to a level that reflects the individual circumstances and is not more than considered necessary to attract the right candidate. Details of such grant would be provided in the next remuneration report.</p>
Benefits		
<p>Benefits sufficient to attract and retain most suitable individuals considering the scale and complexity of the role</p>	<p>The President and CEO is entitled to the employee benefits available to other employees in the country of employment, such as private health care, car benefit and mobile phone benefit. The President and CEO may receive other benefits that may include (but are not limited to): insurance benefits, company car, relocation support, assistance with tax return preparation. Benefits are not pensionable income, however the Board of Directors may decide to cover potential tax charges arising on certain benefits where appropriate.</p>	<p>Benefits are set to be competitive in the local market in the country of employment. No maximum level is determined, however the benefits are aligned with the relevant external market and judged to be appropriate for the role and individual situation by the Board of Directors.</p>
Pension		
<p>Supplementary pension may be provided to attract and retain most suitable individuals considering the scale and complexity of the role</p>	<p>Supplementary pension is defined as a percentage of base salary to a level that is competitive in the local market in the country of employment. Pension may be paid into a contribution benefit based pension scheme or equivalent or provided as cash allowance in lieu of suitable scheme in the country of employment.</p> <p>According to local legislation, the President and CEO may also participate in the local statutory pension plan. If the company is making statutory employer defined contributions, the amounts are disclosed annually in the Remuneration Report.</p>	<p>No maximum opportunity is set for the supplementary pension. The Board of Directors will review any new supplementary pension provision in relation to the local market and pension legislation, individual circumstances and the individual's total remuneration, however it will not exceed the relevant local market practice. Pension is not directly linked to company or individual performance, however the monetary amount will increase in line with the base salary that is reviewed based on performance.</p>

Share ownership recommendation

Caverion expects the President and CEO to own company shares to ensure the alignment with shareholder interest. The share ownership requirement may correspond to a maximum of 100% of annual base salary, with the expectation to retain at least 50% of any net payment from company's long-term incentive plans until the expected level is reached either through long-term incentive schemes or shares acquired otherwise. The shares are expected to be retained until the end of the service agreement.

Previously agreed or granted awards

The Board of Directors reserves the right to make any remuneration payments and/or payments in case of termination (including the exercise of any discretion available to it) notwithstanding that the payment may not be in line with the Remuneration Policy set out above in cases where the terms of the payment were agreed prior to the presentation of this Remuneration Policy to the Annual General Meeting of Shareholders.

Clawback and deferral

Both the short-term and long-term incentives contain a clawback clause to cover situations of misconduct or material breach by the President and CEO to secure the company's and shareholders' interests. The Board of Directors is entitled to recover some or all of an incentive, defer or reduce an incentive payment or deny the right for an incentive in such exceptional circumstances. The clawback clause is applicable irrespective of the time of the breach or the time of discovery.

Grounds for determining variable remuneration components

The Board of Directors determines annually the performance criteria, i.e. the measures, weightings and target levels for the annually commencing performance based short- and long-term remuneration plans. Challenging measurable targets are set for both short- and long-term incentives with careful consideration of the company's current business situation and external operating environment, in order to optimally drive the company's strategic goals, short- and long-term financial success and shareholder value. Particularly ambitious criteria requiring outstanding performance are set for the maximum level earning opportunity. In case the minimum performance criteria is not reached, no incentive payment will be made following to the incentive plan's terms & conditions applicable to wider employee population. The Board of Directors evaluates the achievement and approves the potential payment of all short- and long-term incentive plans.

Other key terms applicable to service agreement

The service agreement of the President and CEO is typically valid until further notice. The President and CEO's notice period for both parties may be at maximum six months. The Board of Directors has the right to dismiss the President and CEO with immediate effect. The severance pay may be up to 12 months' base salary payable either as monthly instalments until the end of notice period or as a lump sum payment in lieu of notice. If the President and CEO terminate the service agreement, no severance will be paid unless there are circumstances that may be considered as a justified and legitimate reason entitling for severance payment. In the unlikely event that the service agreement would be terminated due to substantial misconduct, the Board of Directors has the right to decline the right for notice and severance payments. Non-competition and non-solicitation conditions continue for a period of 12 months after the end of term to secure the company's interests.

The President and CEO's eligibility for receiving outstanding short- and long-term incentives for the financial year when the termination occurs is determined in the terms and conditions of each incentive plan, applicable for wider employee population. The Board of Directors is entitled to deviate from the terms and conditions in their sole discretion. Any deviation will be reported and reasons explained in the next Remuneration Report.

The President and CEO's service agreement will expire without separate notice on the contractually agreed retirement age or latest by the President and CEO's statutory retirement age with no entitlement for severance pay. In case the severance period would coincide with the retirement age, severance will be paid only for the period preceding the contractually agreed retirement age or statutory retirement age.

Requirements for temporary deviation

The Board of Directors has the right for temporary deviation of this Remuneration Policy to secure the long-term interests of the company and its shareholders in exceptional circumstances. Reasons for temporary deviation may include, but are not limited to:

- change in the composition of the Board of Directors or change of the President and CEO;
- structural change such as a significant change in the business or the group, a corporate arrangement or a material change in the company's ownership structure;
- other exceptional or unexpected event or change or materially changed circumstances in the company or in its business or operating environment or a material change in the company's strategy or business plan;
- material change in the company's financial position or outlook;
- changes in legislation or taxation; or
- other exceptional situation or other change or circumstances not specified above,

if it is after careful consideration deemed that a deviation is necessary or advisable, taking into account the consideration aspects referred to below.

Reasons for the temporary deviation will be carefully considered and prepared by the Human Resources Committee taking into account, but not limited to, the company's long-term interests such as the company's long-term financial success, competitiveness and shareholder value development as well as the continuity of its management, following an approval by the Board of Directors. Deviation may consider any part or several parts of the Remuneration Policy as deemed necessary and appropriate in the given circumstances. Any such deviations will be reported and reasons explained in the next Remuneration Report.

The procedure to be followed in the deviation from this Remuneration Policy shall be the same as the decision-making procedure for the implementation of this Remuneration Policy described above. If the deviation concerns remuneration of the Board of Directors, the decision-making may involve an annual or extraordinary shareholder meeting as applicable in the individual circumstances.

In exceptional circumstances where specific personal advisory services of a Member of the Board of Directors are deemed justified and in the best interests of the Company, the Board of Directors may decide to engage a Board member as a consultant to the Company on a temporary basis. Such advisory services are not part of the duties or the remuneration of the Board member and a separate remuneration can be paid to the Board member for such advisory services. A Board member may not participate in the preparations and decision-making of the Board of Directors concerning his/her consultancy assignment or remuneration related thereto. The regulations on related party transactions and the Company's Related Party Transactions Policy shall be observed.

Minor changes

Minor changes to the Remuneration Policy, that are not deemed material, can be made without separate presentation to the Annual General Meeting. Such changes may be, but not limited to, changing remuneration terminology or change in legislation.

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