

# Remuneration Report 2020



## Letter from the Chairman of the HR Committee

Dear Shareholders,

I am pleased to present Caverion's Remuneration Report 2020 on behalf of our HR Committee and Board of Directors.

In the first quarter of the year 2020 we managed to take clear steps towards profitable growth. March brought an extraordinary situation in front of us. The whole world faced a common challenge in the fight against the corona outbreak. At that time nobody knew what will be ahead of us and what will be the impact of the virus for the health of our employees, and for our business and ways of working. We organised ourselves very fast for the challenge: we set up a "war room" on corporate level as well as in each division to secure a continuous monitoring of the situation and fast proactive decision-making. This activity has continued until now, enabling us to act according to the fast-changing environment and local regulations. A good example of actions is the decision to proactively streamline and adjust our operations at the end of the year that led to a leaner organisation with renewed processes and more clarity on roles.

The corona situation also required an unusually active role of the Board of Directors. I am grateful to my colleagues in the Board for being able to participate in several extra meetings and for everyone's contribution in managing this exceptional situation.

Our business was negatively impacted by the corona crisis but to a lesser extent than was expected at the outbreak. Country level lockdowns prevented us from completing some of the works in planned time, but the majority of our activities have continued. The impact on our results turned out to be smaller than in our worst scenarios made in the springtime. I have full trust that year 2021 will be better, also supported by above-mentioned cost-savings and productivity improvement actions.

In 2020, we have also published our sustainability targets, showing our focus and contribution on the well-being of our planet

and people. We believe that our impact on future of the world is unique through our offerings, having an extraordinary opportunity to support our customers to improve their business and sustainable outcome.

This Remuneration Report has been prepared according to the Corporate Governance Code 2020, has been approved by the Board of Directors and will be presented to the Annual General Meeting in March 2021. Our Reward Strategy that was renewed during 2018 continues to be a strong basis for our decision-making in rewards. Caverion Remuneration Policy was published for the first time on 7 February 2020 stating the remuneration principles for the Board of Directors and the President and CEO, giving our investors a clear picture on how the remuneration of the governing bodies is managed. The policy was selected the Best Remuneration Policy in Finland 2020 in the mid-cap company category.

Due to the corona situation, we decided to postpone the implementation of the Performance Share Plan 2020–2022 latest until the beginning of the year 2021. We still continued with our Restricted Share Plan since that serves as a great tool to engage and reward our key employees in special situations such as recruitment or extraordinary performance. The CEO and Group Management Team members lowered their salaries temporarily to contribute to the company's performance during this tough time. The CEO also voluntarily delayed his short-term incentive payout by 6 months.

Despite of the tough year 2020, I look positively to the future and see clear signs of success going forward.



Mats Paulsson,  
Chairman of the HR Committee



## Introduction: How remuneration relates to Caverion's performance

Caverion Remuneration Policy 2020 sets the framework for the remuneration of the Board of Directors and the President and CEO. It is available on Caverion's website

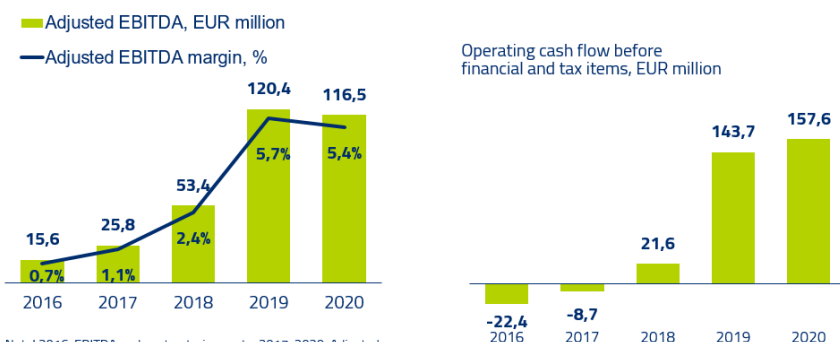
<https://www.caverion.com/investors/corporate-governance/remuneration/>.

The Remuneration Report 2020 follows the Finnish Corporate Governance Code 2020 and the applicable legislation. The actual remuneration paid in 2020 and reported here fully complies with the framework and principles set forth in the Remuneration Policy 2020. No deviations to the Remuneration Policy have been made.

Caverion's remuneration has a guiding principle of Pay for Performance. This guides the short- and long-term incentive plans which is apt to support Caverion's long-term financial success and the achievement of its strategic goals. Caverion's strategic mid-term financial targets are based on the performance in Adjusted EBITA and Adjusted Cash Flow, both of which are well aligned with Caverion's Fit for Growth strategy.

The President and CEO's actual paid remuneration is well aligned with the company's performance development as visualised in the graphs below.

### Caverion performance 2016-2020



Note! 2016: EBITDA excl. restructuring costs; 2017-2020: Adjusted EBITDA. The same figures have been used for the presentation of the respective margins. Comparative figures for 2018 (or prior periods) have not been restated according to IFRS 16.

The current President and CEO Ari Lehtoranta started in this position on January 1, 2017 and his fixed remuneration has remained unchanged during these four years. No short-term incentives were paid during 2017-2018 due to EBITDA and Cash Flow performance not meeting the pre-defined minimum target levels, whereas the 2018 achievement resulted in between minimum and target level payment of EUR 151,668 in 2019 and slightly above target level payment of EUR 389,730 for 2019 achievement in 2020.

In 2019 the President and CEO received two share reward payments from Caverion's long-term incentive programmes. Share reward from Restricted Share Plan 2016-2018 was granted at recruitment for the loss of remuneration from previous employment and the subsequent reward payment made in 2019 had a gross value of EUR 256,790.

The President and CEO participates in Caverion Corporation's Matching Share Plan 2018-2022 including a prerequisite of a significant own investment in Caverion shares in 2018. The first reward instalment from the Matching Share Plan 2018-2022 had a gross value of EUR 1,419,778 based on achievement of the yield requirement of Caverion share for the first matching period ending February 28, 2019. The yield requirement for the second matching period ending February 28, 2020 was not reached and subsequently the second reward instalment was not paid in 2020.

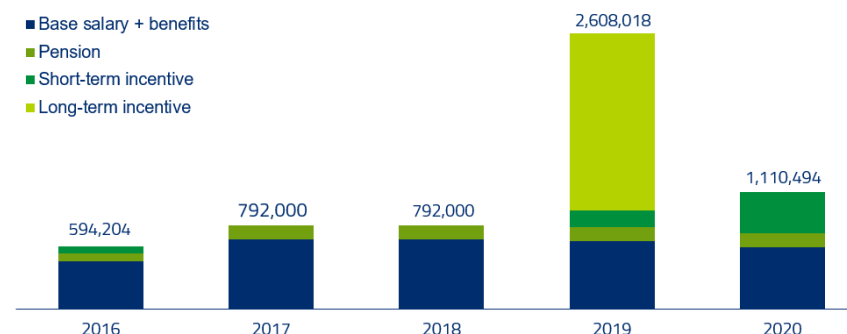
The share rewards from the Matching Share Plan 2018-2022 are subject to fulfilment of the share ownership prerequisite until all four potential reward instalments have been made and are subject to restriction periods as defined in the Plan Terms & Conditions.

Remuneration development 2016 - 2020 (EUR)	2016	2017	2018	2019	2020
Board of Directors, Chairman annual fee	79,200	79,200	79,200	79,200	79,200
Board of Directors, Vice Chairman annual fee	60,000	60,000	60,000	60,000	60,000
Board of Directors, member annual fee	46,800	46,800	46,800	46,800	46,800
Board of Directors, total fees paid	375,900	454,930	494,436	444,543	429,300
President and CEO total remuneration *	594,204	792,000	792,000	2,608,018	1,110,494
Caverion employee average **	44,181	44,467	45,435	47,298	46,242
Adjusted EBITDA, EUR million	15,6	25,8	53,4	120,4	116,5

\* 2016 CEO remuneration is the total for the two CEO's in this period

\*\* Calculated from total personnel expenses excl. social costs / average number of employees.

### Caverion CEO Remuneration 2016-2020, EUR





## Remuneration of the Board of Directors

Caverion Corporation's Annual General Meeting on May 25, 2020 decided that the following annual remuneration will be paid to the members of the Board of Directors (remains unchanged since 2014):

- > Chairman of the Board of Directors: EUR 79,200
- > Vice Chairman of the Board of Directors: EUR 60,000
- > Members of the Board of Directors: EUR 46,800

Approximately 50 % of the annual remuneration were paid in Caverion Corporation's shares. The shares were purchased directly at market price on behalf of the board members from a regulated market's public trading and are subject to a sale and transfer restriction until 31 July 2022. Should the membership in the Board of Directors terminate earlier, the transfer restriction will cease at the termination.

A meeting fee of EUR 550 is paid for each Board and Committee meeting held in the member's domicile or electronically and, effective from May 25, 2020, EUR 900 per meeting held outside

the member's domicile for their participation in meetings of the Board of Directors and its committees. Possible travel expenses are reimbursed in accordance with the principles related to remuneration of tax-exempt travel expenses approved by the Finnish Tax Administration. No other financial benefits were paid in relation to the Board membership.

The remuneration paid to the members of the Board of Directors followed the decision of the Annual General Meeting and totalled EUR 429,300.

In addition to his role as the Chairman of the Board and Chairman of the HR Committee, Mats Paulsson has acted as a consultant to the Company during 2020 based on a Consulting Agreement between a company solely owned by Mats Paulsson, and Caverion Corporation. The agreement is effective from June 1, 2020 to March 31, 2021. The fees under the agreement totalled EUR 70,000 during 2020. These services are not part of the duties of the Chairman of the Board or Chairman of the HR Committee and accordingly are not part of that remuneration.

Member of the Board of Directors (EUR)	Annual fee *	Number of shares paid ** (50% of annual fee)	Audit Committee meeting fee	HR Committee meeting fee	Board meeting fee	Total remuneration 2020 ***
Mats Paulsson (Chairman)	79,200	6,265		2,200	5,500	<b>86,900</b>
Markus Ehrnrooth (Vice Chairman)	60,000	4,746	2,750		5,500	<b>68,250</b>
Jussi Aho	46,800	3,702		2,200	5,500	<b>54,500</b>
Joachim Hallengren	46,800	3,702	2,750		5,500	<b>55,050</b>
Thomas Hinnerskov	46,800	3,702	2,750		5,500	<b>55,050</b>
Kristina Jahn	38,722	3,063	1,650		3,850	<b>44,222</b>
Jasmin Soravia	38,722	3,063		1,100	3,850	<b>43,672</b>
Antti Herlin	8,078	639		1,100	1,650	<b>10,828</b>
Anna Hyvönen	8,078	639		1,100	1,650	<b>10,828</b>
<b>Total</b>	<b>373,200</b>	<b>29,521</b>	<b>9,900</b>	<b>7,700</b>	<b>38,500</b>	<b>429,300</b>

\* 50% of annual fee paid in Caverion shares

\*\* purchased on 14.8.2020, share price EUR 6.3206

\*\*\* includes the value of shares

## Remuneration of the President and CEO

The President and CEO Ari Lehtoranta's fixed base salary remained unchanged at EUR 659,760 in 2020. However, the President and CEO decided to voluntarily lower his base salary by 20% for a six month period due to the increased uncertainty resulting from the corona pandemic. Accordingly, the actual paid salary in 2020 was EUR 588,524.

The President and CEO's short-term incentive annual earning opportunity remained unchanged at the target level 50% and at the maximum level 100% of the annual fixed base salary. The short-term incentive paid in 2020 was based on the achievement of the pre-defined strategic targets for the financial year 2019, i.e. Caverion Corporation's Adjusted EBITDA % and Adjusted Cash Flow EUR, both with equal 50% weighting to drive profitability and cash generation to support the company's readiness to implement its Growth strategy. The achievement of the Adjusted EBITDA % target was between minimum and target level and achievement of the Adjusted Cash Flow target was above maximum, resulting to a short-term incentive payment of EUR 389,730.

The President and CEO's strategic short-term incentive targets for the financial year 2020 were Caverion Corporation's Adjusted EBITA % with 25% weight and BU Projects Adjusted EBITA % with 75% weight to direct the 2020 focus on the BU Projects performance improvement. The President and CEO's 2020 pre-defined performance targets did not reach the minimum criteria resulting to no payment.

The President and CEO participates in Caverion Corporation's Matching Share Plan 2018-2022. The pre-defined strategic target, the yield of Caverion share for the second matching period ending 29 February 2020, was not achieved. Subsequently the potential reward payment was placed on grace period until April 2022 according to the Plan Terms and Conditions.

No share-based remuneration was granted to the President and CEO during 2020 as the Board of Directors decided to postpone the commencement of the Performance Share Plan 2020-2022 to January 2021 due to the corona related uncertainty.

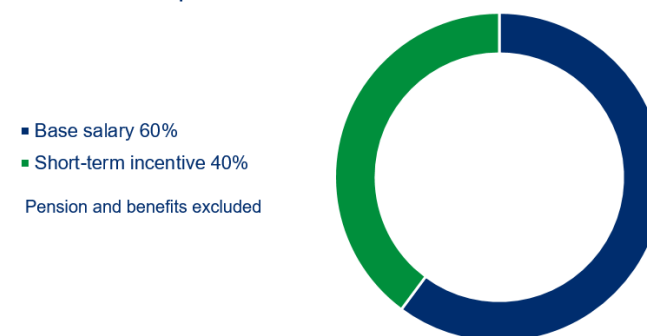
In 2020, the actual remuneration paid to the President and CEO consisted of 60% fixed and 40% variable remuneration components (benefits and supplementary pension excluded).

Ari Lehtoranta's share ownership meets the Remuneration Policy requirement with 917 051 shares owned by Ari Lehtoranta directly or through companies sole owned him.

The contractual retirement age of Ari Lehtoranta is 63 years. Ari Lehtoranta has a supplementary defined contribution pension plan, annual contribution being 20% of his base salary and benefits. During 1.1.2020-31.12.2020 the cost of his supplementary pension scheme was EUR 132,000. He is also eligible for the Finnish statutory pension.

Ari Lehtoranta'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. 12 month non-competition and non-solicitation conditions apply.

### President and CEO Remuneration: 2020 actual paid fixed and variable elements






#### CEO outstanding long-term incentive opportunity

Plan name	Measure	Earning opportunity in shares	Payment year
Matching Share Plan 2018-2022 2. reward instalment	Yield of Caverion share	49,733	2020, on grace period until 30 April 2022
Matching Share Plan 2018-2022 3. reward instalment	Yield of Caverion share	99,466	2021
Matching Share Plan 2018-2022 4. reward instalment	Yield of Caverion share	149,199	2022

Remuneration paid to the President and CEO in 2020 (EUR)	Base salary	Short-term incentives	Long-term incentives	Benefits	Pension	Total 2020
Ari Lehtoranta	588,524	389,730	0	240	132,000	<b>1,110,494</b>



Caverion Corporation ■ P.O.Box 71, FI-01601 Vantaa ■ Tel. +358 10 4071 ■ [www.caverion.com](http://www.caverion.com)

 @CaverionGroup  [facebook.com/caveriongroup](https://facebook.com/caveriongroup)  [www.linkedin.com/company/caverion](https://www.linkedin.com/company/caverion)



Our Annual Reporting for 2020 consists of Annual Review (including Financial Statements and Board of Directors' Report), Sustainability Report, Corporate Governance Statement and Remuneration Report. Reports are available at [www.caverion.com/annualreview](http://www.caverion.com/annualreview).