

**Caverion**

# Remuneration statement 2016

Caverion Corporation

Public

6 February 2017

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

## A. Decision-Making Procedure Concerning the 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 the remuneration of the Board of Directors proposed for the Annual General Meeting. The Human Resources Committee also prepares general remuneration principles, short- and long-term incentive schemes and the compensation policy of Caverion Group, which the Board of Directors approves.

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 applying the manager's manager principle. Regarding Group Management Board members, the Chairman of the Board approves Group Management Board members' remuneration decisions.

## B. Main Principles of the Remuneration at Caverion

### 1 Short-term incentive schemes

The basis of remuneration at Caverion is a fixed base salary, in addition to which Group's management and most of the salaried employees are included in a performance based short-term incentive plans. During 2016 the implementation of common project and service incentive plans started. The aim is to cover more employees than earlier to the common incentive plans and the implementation will continue in the coming years.

The aim of the annual short-term incentive plans is to reward the management and selected employees based on the achievement of pre-defined and measurable strategic targets. The Board of Directors ratifies the rules 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 is evaluated by the Board of Directors. The amount of possible incentives is approved by the Board of Directors after the financial statements have been prepared.

The amount of the possible 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 development objectives set separately. Individual target incentive opportunity and maximum incentive opportunity are based on role responsibilities. 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 short-term incentive plans and performance management at Caverion. In these discussions, individual targets, their relative weighting and realisation of the previously agreed targets are reviewed.

### 2 Long-term incentive schemes

Long-term incentive schemes at Caverion are determined by the Board of Directors. Long-term incentive schemes are a part of the management remuneration at Caverion Group and their purpose is to align the interests of the shareholders and the executives in order to promote shareholder value creation and to support Caverion in becoming a leading European provider of advanced and

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sustainable lifecycle solutions for buildings and industries. In addition, the aim is to commit the key executives to the company and its strategic targets and to offer them a competitive reward plan based on the ownership of the company's shares.

## **2.1 Performance share plan 2014-2016**

The Board of Directors approved Performance share plan 2014-2016 in its May 2014 meeting. The plan consists of one three-year performance period in 2014–2016 that is followed by a one-year vesting period, after which the potential rewards would have been paid in spring 2018.

The potential reward has been based on the targets set for Group revenue and EBITDA margin by the end of 2016. The targets set for the Performance Share Plan 2014-2016 were not met and therefore no rewards will be paid to participants of the plan.

## **2.2 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 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 share price performance period. The potential reward has been based on the targets set for Group revenue and Earnings per share (EPS) until the end of 2016. The targets set for the Performance Share Plan 2016-2018 were not met and therefore no rewards will be paid to the participants of the plan.

## **2.3 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 Performance Share Plan (PSP) as the main structure supported by 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, followed by a two-year share price performance period. The potential share reward is based on the targets set for the year 2017 for Earnings per Share and Group revenue. If all targets will be met, the share rewards based on Performance Share Plan 2017-2019 will comprise a maximum of approximately 850,000 Caverion shares (gross before the deduction of applicable payroll tax). If a participant's employment or service ends for reasons relating to the participant before the reward payment, no reward will be paid.

More information on the long-term incentive plans was released in stock exchange release on December 21, 2016.

## **3 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

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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.

## C. Remuneration Report

### 4 Remuneration of the Board of Directors in 2016

Based on the decisions of the Caverion Corporation's Annual General Meeting on March 21, 2016, 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 totalled EUR 375,900 in 2016. 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 paid to the members of the Board of Directors in 2016 (EUR):

Member of the Board of Directors	Board membership	Audit committee meetings	Human Resources committee meetings	Board meetings	Total 2016
Markus Ehrnrooth	46,800	2,200		8,250	57,250
Anna Hyvönen	46,800		1,650	7,700	56,150
Ari Lehtoranta	69,300		1,650	7,150	78,100
Eva Lindqvist	46,800	2,200		8,250	57,250
Ari Puheloinen	46,800		1,650	7,700	56,150
Michael Rosenlew	60,000	2,200		8,800	71,000
<b>Total</b>	<b>316,500</b>	<b>6,600</b>	<b>4,950</b>	<b>47,850</b>	<b>375,900</b>

### 5 Remuneration of the CEO and Management

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 fixed base salary, fringe benefits, annual short-term incentive plan, long-term incentive plan and other possible benefits such as defined benefit pension plan. President and CEO's short-term target incentive opportunity has been 40% of the annual fixed base salary and maximum incentive opportunity has been 80% of the annual fixed base salary. In 2016, 50% of the incentive opportunity was tied to Group's EBITDA percentage and 50% in Group's cash flow. These measures are in line with Caverion's strategic targets.

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## 5.1 Remuneration paid in 2016

EUR	Fixed base salary	Fringe benefits	Paid short-term incentive	Total pension scheme	Performance share plan	Total
Fredrik Strand 1.1.-17.5.2016	228,389	3,272	65,750	71,120	-	368,532
Sakari Toikkanen 18.5.-31.12.2016	221,895	3,778	-	-	-	225,673

## 5.2 Pension, retirement age and termination compensation

The contractual retirement age of the President and CEO Fredrik Strand has been 65 years. His pension has been determined according to a defined contribution based pension scheme. He has not been included in the collectively agreed occupational pension plan in Sweden and nor to the Finnish statutory pension system. During 1.1.2016-17.5.2016 the cost of his total pension scheme was EUR 71,120. The President and CEO's contractual notice period has been six months. After the joint agreement of discontinuation as President and CEO of Caverion Group on 17th of May 2016, Mr. Strand has been paid a notice period compensation of 246 595 euros (including fringe benefits of 3 272 euros) and after that a severance payment amounting to 12 months' base salary as monthly payments. The last monthly payment will be paid in November 2017 and the total severance payment will be 515 760 euros.

## 5.3 Terms and conditions of the Managing Director agreement of the President and CEO Ari Lehtoranta as of 1.1.2017

Base salary and fringe benefits	Total monthly salary EUR 55,000 including fixed monthly salary and fringe benefits.
Short-term incentive plan	The short-term incentive plan can be earned in accordance with terms and conditions approved by the Board. The target incentive opportunity equals 50 percent of the total annual salary and the maximum incentive opportunity is 100 percent of the total annual salary.
Long-term incentives	50 000 Restricted Share Units according to the terms and conditions of the Caverion's long-term incentive plan approved by the Board of Directors.
Pension	Retirement age is 63 years. Ari Lehtoranta has a supplementary defined contribution pension plan, annual contribution being 20% of the base salary.
Termination of assignment	The 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.

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## 5.4 Remuneration paid to the Group Management Board

The members of the Group Management Board are eligible for short-term incentive plan. In 2016, the maximum short-term incentive opportunity for the members of the Group Management Board was 50-60% of the annual base salary. The targets of the short-term incentive plan were connected to the Group's and/or divisions' EBITDA percentage, cash flow or to the achievement of specified individual targets. The remuneration paid to Group Management Board members (excluding the President and CEO) including base salaries, fringe benefits and annual performance incentives totalled EUR 3,456,890 in 2016. The share of fixed base salaries was EUR 2,739,315, fringe benefits amounted to EUR 120,343 and short-term incentives totalled EUR 597,232. Other members of the Group Management Board than President and CEO do not have individual supplementary executive pension schemes.