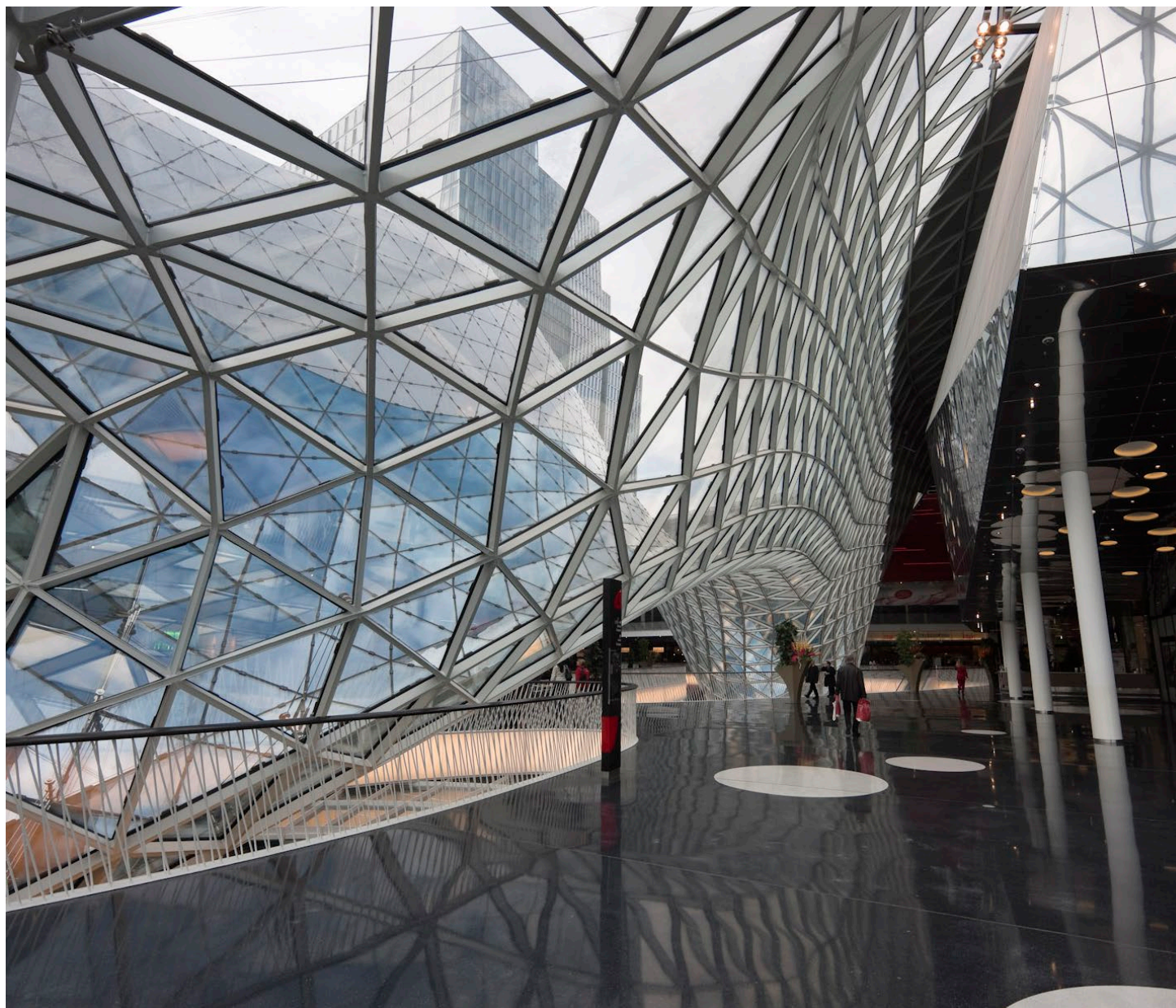




# Corporate Governance Statement 2019

CAVERION CORPORATION  
PUBLIC

**Caverion**  
Building Performance



# Governance

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## Introduction

This Corporate Governance Statement has been prepared based on the Finnish Corporate Governance Code 2015 for listed companies and the applicable legislation and regulations. It describes the key principles of corporate governance at Caverion Corporation. Caverion complies with the recommendations of the Code without exceptions. The Code is publicly available on the website [www.cgfinland.fi/en](http://www.cgfinland.fi/en).

The Corporate Governance Statement is issued separately from the Board of Directors' Report for the financial period 1 January – 31 December 2019. The Statement and the Board of Directors' Report are available on Caverion's website [www.caverion.com](http://www.caverion.com).

This Statement has been reviewed by the Audit Committee of Board of Directors, and approved by the Board of Directors.

Caverion's Auditor, Ernst & Young Oy, has verified that this Statement has been issued, and that the description in the Statement of the main features of internal control and risk management systems relating to the Company's financial reporting process is consistent with the description included in the Company's financial statements.

## Regulatory framework

Caverion follows good corporate governance practices in accordance with the laws and regulations that apply to publicly listed companies in Finland. In addition to the Corporate Governance Code, the key regulations are the Companies Act, the Securities Market Act, the Market Abuse Regulation (MAR), the rules and regulations issued by the Financial Supervisory Authority, and the rules and instructions for listed companies issued by Nasdaq Helsinki Ltd.

Company specific rules on governance are described in the Articles of Association of the Company (the "Articles").

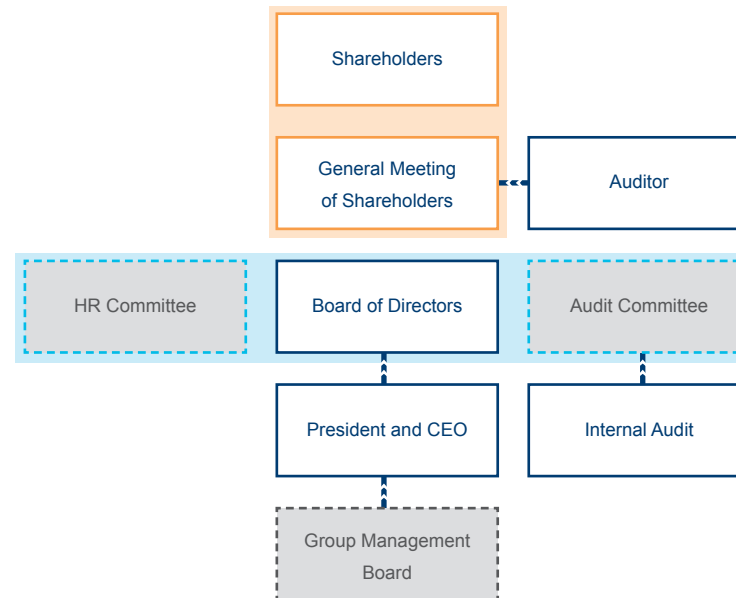
Caverion prepares Consolidated Financial Statements and Interim Reports in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, the Finnish Securities Markets Act as well as the applicable Finnish Financial Supervision Authority's standards and the rules of Nasdaq Helsinki Ltd. The Board of Directors' Report and Caverion Corporation's Financial Statements are prepared in accordance with the Finnish Accounting Act and the guidelines and statements of the Finnish Accounting Board.

## Governing bodies

In accordance with the Articles and the Companies Act, the governing bodies of Caverion Corporation are the General Meeting of Shareholders, the Board of Directors and the President and CEO.

The Board is supported in its work by its two Committees, the HR Committee and the Audit Committee. The President and CEO is supported by the Group Management Board.

Governing bodies of Caverion Corporation







## General Meeting of Shareholders

The shareholders exercise the ultimate decision making authority in the General Meeting of Shareholders.

### Annual General Meeting

According to the Articles, the Annual General Meeting (the “AGM”) is held once a year before the end of March. The competence of the General Meeting of Shareholders is set out in the Companies Act and the Articles.

The AGM decides on the matters stipulated in the Companies Act and the Articles. Such matters include:

- Adoption of the financial statements and the consolidated financial statements
- Use of the profit shown on the balance sheet
- Discharging the members of the Board and the President and CEO from liability
- Election and remuneration of the Chairman, Vice Chairman and members of the Board
- Election and remuneration of the Auditor

The Board convenes the AGM by publishing a notice not earlier than three (3) months and no later than three (3) weeks before the meeting, and always at least nine (9) days before the record date as defined in the Companies Act.

The notice is published as a stock exchange release and on Caverion’s website. The notice is delivered directly to shareholders when required by law. The agenda of the AGM, proposals for decision and meeting documents are available on Caverion’s website at least three (3) weeks before the meeting.

The minutes of the AGM are available to shareholders on Caverion’s website and at Caverion’s head office within two (2) weeks after the meeting. The resolutions of the AGM are also published as a stock exchange release without delay after the meeting.

### Extraordinary General Meeting

An Extraordinary General Meeting (the “EGM”) may be convened by the Board when considered necessary or when required by law. Furthermore, the Auditor, or shareholder(s) together holding a minimum of one tenth of all shares of Caverion, have the right to request in writing that an Extraordinary General Meeting shall be convened to discuss a specific matter.

### Annual General Meeting 2019

The AGM 2019 was held on 25 March 2019 in Helsinki, Finland. A total of 349 shareholders representing 58.65 percent of the shares and voting rights in the company participated in person or by proxy. A majority of the Board members and the Auditor in Charge were present.

[The decisions of the AGM 2019](#) are available on Caverion’s website.

No Extraordinary General Meetings were held in 2019.

## Auditor

The statutory task of independent external auditing is to verify that the Financial Statements and the Board of Directors’ Report provide accurate and adequate information on Caverion’s results and financial position for the financial year. As part of the annual auditing, the Auditor audits the accounting and administration of Caverion. The Auditor also audits the Consolidated Financial Statements of Group and other relationships between the Group companies.

The Auditor issues a statutory Auditor’s Report to Caverion’s shareholders in connection with Caverion’s financial statements. The Auditor reports to the Audit Committee on a regular basis and attends its meetings.

The AGM elects the Auditor based on the proposal prepared by the Audit Committee. According to the Articles, Caverion has one (1) Auditor that shall be an auditing firm approved by the Central Chamber of Commerce. The Auditor’s term shall cover the current financial year at the time of election and expire at the end of the next AGM following election. The aggregate duration of the consecutive terms of the Auditor in Charge may not exceed seven (7) years.

### Auditor 2019

Ernst & Young Oy (EY) was re-elected as the Company’s Auditor by the AGM 2019. Antti Suominen, Authorised Public Accountant, was re-appointed the Auditor in Charge.

The audit fees paid in 2019 amounted to 0.7 million euros (EUR 0.6 million in 2018) and the fees for other services rendered by the Auditor amounted to 0.1 million euros (EUR 0.3 million in 2018)<sup>1</sup>.

<sup>1</sup> The reference numbers of 2018 are calculated from the AGM 2018 until the end of 2018.



## Board of Directors

### Composition

According to the Articles, the Board of Directors consists of the Chairman, the Vice Chairman and three (3) to six (6) members elected in the AGM for a term ending at the following AGM.

The majority of the Board members shall be independent of the Company and at least two (2) of the members representing this majority shall also be independent of the significant shareholders.

### Preparation of the proposal for the composition of the Board

The proposal for the candidates to be elected to the Board is prepared by the Human Resources Committee of the Board. When considering the composition of the Board, the Human Resources Committee applies the following diversity principles determined by the Board:

1. Consider candidates who are highly qualified based on their international business experience, leadership, functional expertise, cultural understanding and personal skills and qualities;
2. Consider board composition that supports Caverion Group's business now and in the future; consider diversity criteria including gender, age, ethnicity, experience, education and geographic background aiming at the increased diversity of thinking; and
3. In addition to its own search, when needed, engage qualified independent external advisors to conduct a search for candidates that meet the board's skills and diversity criteria to help achieve its diversity aspirations.

The Board aspires towards a board composition where each gender is represented by at least one-third of the independent Board members.

### Operations of the Board

The duties of the Board are those specified in the Companies Act, according to which the Board is responsible for overseeing that the management and operations, and the supervision of accounting and financial matters of Caverion are appropriately organised.

The duty of the Board is to promote the interests of shareholders and the Company by overseeing the administration and proper organisation of operations. The Articles do not define other duties for the Board. The Board has authority to act in all matters not reserved by law or the Articles to another governing body.

The Board has adopted for itself a Charter, which defines its tasks and activities in more detail.

The Board convenes according to a pre-determined schedule, or whenever it deems it necessary.

The Board evaluates its performance and the independence of the Board members annually.

### Board of Directors 2019

The AGM 2019 elected a Chairman, Vice Chairman and five (5) members to the Board of Directors: Mats Paulsson (Chairman), Markus Ehrnrooth (Vice Chairman), Jussi Aho, Joachim Hallengren, Antti Herlin, Thomas Hinnerskov and Anna Hyvönen were re-elected. Michael Rosenlew was not up for re-election in the AGM.

Detailed information about the Board members can be found from [Caverion's website](#).

All Board members have international professional experience in various types of positions and/or they are or have been executives or members of board of directors in publicly listed or private companies. All members elected in AGM 2019 have a university degree, all being technical or economics. The Board members represent three (3) different nationalities. Women count for 14 per cent of the Board. Two (2) members have served in Caverion's Board for at least three (3) years and the other members for one to two (1-2) years.

The Board convened nine (9) times in 2019. The secretary to the Board was the Group General Counsel. The average participation in the meetings was 98 percent. Each member's participation in the meetings is given in the table page 8.

In addition to its other duties, the Board's focus areas in 2019 were

- monitoring the Company's financial result
- acquisitions and divestments
- following up the integration of the acquisitions
- review of risk projects and implementation of project management improvements
- financing and working capital management
- monitoring the implementation of the Company's strategy for 2018-2020
- reviewing strategic financial scenarios for 2020-22
- enhancement and monitoring of occupational safety procedures
- Further development of compliance, risk management and internal controls.

The Board approved a number of divestment and acquisition transactions completed during 2019.



The Board assessed in its meeting on 25.3.2019 the independence of its members and concluded that all members are independent of the Company and, except Markus Ehrnrooth and Antti Herlin, also independent of its significant shareholders.

The Caverion shares owned by the Board members or the entities in which they exercise control on 31 December 2019 and 31 December 2018 are:

Name	Born	Nationality	Education	Main occupation	Position	Board member since	Total shareholding per 31 Dec 2019	Total shareholding per 31 Dec 2018
<b>Mats Paulsson (Chairman)</b>	1958	Swedish	M.Sc. (Civil Engineering)	Industrial adviser	Chairman of the Board and HR Committee as of AGM 2019	as of AGM 2018	83 247	0
<b>Markus Ehrnrooth (Vice Chairman)</b>	1985	Finnish and Swedish	M.Sc. (Tech), B.Sc. Political Science (Econ)	Entrepreneur	Vice Chairman of the Board Chairman of the Audit Committee	as of AGM 2015	4 581	0
<b>Jussi Aho</b>	1968	Finnish	M.Sc. (Civil Engineering)	CEO of Fira Group Oy and Fira Oy	Member	as of AGM 2017	18 573	0
<b>Joachim Hallengren</b>	1964	Swedish	M.Sc. (Civil Engineering)	CEO of Bonava AB	Member	as of AGM 2017	20 573	17 000
<b>Antti Herlin*</b>	1956	Finnish	D.Sc. (Econ.) h.c., D.Arts h.c., D.Sc. (Tech) h.c	Chairman of the Board of KONE Corporation and Sanoma Corporation	Member	as of AGM 2017	20 503 753	20 500 180
<b>Thomas Hinnerskov</b>	1971	Danish	M.Sc. (Finance and Accounting)	Executive VP of KONE Central and North Europe	Member	as of AGM 2017	43 573	40 000
<b>Anna Hyvönen</b>	1968	Finnish	Tech. Lic.	Managing Director, Vianor Holding Oy	Member	as of EGM 2013	5 573	2 000
<b>Michael Rosenlew</b>	1959	Finnish	M.Sc. (Econ)	Professional board member	Chairman of the Board and HR Committee until AGM 2019	until AGM 2019	-	156 130

\* Antti Herlin, indirectly holds a controlling interest in a significant shareholder of Caverion



## Board committees

The Board has two (2) committees supporting its work: the Audit Committee and the Human Resources Committee. The Board elects the members and the Chairman of the committees from among its members for a term until the following AGM. Both committees have Charters approved by the Board. The committees assist the Board in its duties by preparing and reviewing in more detail matters falling within the competence of the Board. The committees prepare minutes of their meetings and report to the Board. The committees do not have decision-making powers independent of the Board.

## Audit Committee

### Composition

The Audit Committee has three (3) to five (5) members. The majority of the members shall be independent of Caverion and at least one (1) member shall be independent of Caverion's significant shareholders. The members shall have complementary expertise and business management experience as well as industry experience. The Audit Committee as a whole shall have sufficient expertise required for the performance of the responsibilities of the Audit Committee.

### Operations of the Audit Committee

The Audit Committee assists the Board in its task to ensure the proper governance of the Company, in particular, by considering the accounting and financial reporting, the Company's internal control system, risk management and the work of the Internal Audit and external auditors. The Audit Committee addresses concerns pertaining to control matters as may be detected by the management or the Internal Audit or external auditors of the Company. These are reported to the Board by the Audit Committee. The Audit Committee monitors that appropriate action is taken by the management to rectify identified shortcomings.

The Audit Committee monitors compliance with laws and regulations, and the policies and guidelines approved in the Group, the Caverion Guidelines.

The responsibilities and duties of the Audit Committee are defined in more detail in the Charter approved by the Board.

The Audit Committee convenes according to a pre-determined schedule, or whenever it deems it necessary.

## Audit Committee in 2019

Markus Ehrnrooth (Chairman) and Thomas Hinnerskov were re-elected as members of the Audit Committee in the Board's annual assembly meeting following the AGM. In addition, Joachim Hallengren was elected as a new member. The secretary to the Committee was the Group CFO.

All of the Audit Committee members are independent of the Company. All members, except Markus Ehrnrooth, are also independent of Caverion's significant shareholders.

The Audit Committee convened five (5) times during 2019. Each member's participation in the meetings is given in the table page 8.

The Audit Committee had three specific focus areas for 2019:

- Compliance (continued from 2018)
- Procurement
- M&A Process

Each of the focus areas had a responsible manager in the operative management. Progress in the focus areas was reviewed in the Audit Committee meetings during 2019 and early 2020.

Besides these specific focus areas, the Audit Committee focused on carefully following up on the Group's financial performance on a quarterly basis, the Group's external quarterly reporting, the auditor's reporting, working capital management and the Group's financing related issues, the Internal Audit reports on process or function specific audits and audits of subsidiary companies and the rectification of issues raised in these reports, major legal and compliance cases and major risks, and improvements in the risk management process. The Group's updated financial targets were also assessed by the Audit Committee.



## Human Resources Committee

### Composition

The Human Resources Committee has three (3) to five (5) members. The majority of the members shall be independent of Caverion.

### Operations of the Human Resources Committee

Caverion's Human Resources Committee carries out the duties of both the Remuneration Committee and Nomination Committee described in Code.

The Human Resources Committee assists the Board in developing and monitoring effective remuneration principles, in making proposals on compensation and incentive systems for key personnel, and evaluating appropriate performance management, succession planning and talent development processes and programs.

Furthermore the Human Resources Committee prepares proposals to the Board on the appointments of the President and CEO and the members of the Group Management Board, and the terms and conditions of their employment, and monitors and evaluates their performance. The Human Resources Committee also prepares a proposal for the composition of Board members and their remuneration to be presented to the AGM.

The responsibilities and duties of the Human Resources Committee are defined in more detail in the Charter approved by the Board.

The Human Resources Committee convenes according to a pre-determined schedule, or whenever it deems it necessary.

### Human Resources Committee 2019

Jussi Aho, Anna Hyvönen and Antti Herlin were re-elected to the Human Resources Committee in Board's annual assembly meeting following the AGM. In addition, Mats Paulsson was elected as new member and Chairman of the Committee. The secretary to the Committee was the Head of Human Resources of Caverion Group.

All of the Human Resources Committee members are independent of the Company. All members, except Antti Herlin, are also independent of Caverion's significant shareholders.

The Human Resources Committee focused in its work on the development of Caverion rewarding strategy and incentive programs, on Group management resourcing and succession planning, and on the preparation work for the suggestion of candidates to be proposed to the AGM as Board members.

The Human Resources Committee convened four (4) times in 2019. Each member's participation in the meetings is the following:

Member	Position	Board	(%)	Audit Committee	(%)	HR Committee	(%)
Mats Paulsson	Chairman of the Board and HR Committee as of AGM 2019	9/9	100	1/1	100	3/3	100
Markus Ehrnrooth	Vice Chairman of the Board and Chairman of the Audit Committee	9/9	100	5/5	100	-	-
Jussi Aho	Member	9/9	100	-	-	4/4	100
Joachim Hallengren	Member	8/9	89	4/4	100	1/1	100
Antti Herlin	Member	9/9	100	-	-	4/4	100
Thomas Hinnerskov	Member	9/9	100	4/5	80	-	-
Anna Hyvönen	Member	9/9	100	-	-	4/4	100
Michael Rosenlew	Chairman of the Board and HR Committee until AGM 2019	2/2	100	1/1	100	1/1	100





## President and CEO

The President and CEO is appointed by the Board. The CEO manages the company's day-to-day operations in accordance with the guidelines and instructions issued by the Board. The CEO is responsible for ensuring that the Company's accounts are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

The Board determines the CEO's compensation and sets his short and long term incentive targets.

### CEO in 2019

Ari Lehtoranta (born 1963, Finnish citizen, M.Sc. (Eng.)) has been the President and CEO of Caverion since 1 January 2017.

Information on the remuneration of the President and CEO can be found in the 2019 Remuneration Statement.

Ari Lehtoranta and corporations over which he exercises control held 906 851 Caverion's shares on 31 December 2019 (789 731 shares in 2018).

## Group Management Board

Caverion's Group Management Board (GMB) members are appointed by the Board.

The GMB assists the President and CEO in operational planning and management, and in preparing matters that are presented to the Board. Among other duties, the GMB prepares the Group's strategic and annual planning, monitors and supervises the implementation of the strategy and plans, and the financial reporting, and prepares major investments and acquisitions. Development of cooperation within the global functions and between the functions and divisions, and promoting common development projects are also among the GMB's key duties. The GMB meets regularly once a month.

The GMB is chaired by the President and CEO who is responsible for the decisions made by the GMB. The GMB members are in charge of the implementation of the decisions of the GMB in their own areas of responsibility. The CEO appoints a secretary to the GMB.

### GMB in 2019

On 31 December 2019 the GMB consisted of fourteen (14) members.

The GMB had a strong focus on cash flow management and improvement of profitability, and in assuring the quality of the financial reporting and forecasting in the projects and services businesses. The embedding of the core project management processes into the project organisation continued to be a key focus area. The GMB continued its work to ensure that the defined, most relevant controls are in place and functioning. Compliance and risk management, in particular project risk management, were regular topics on the agenda. Occupational safety was continuously a key priority.

The implementation of the Group's strategy for 2018-2020 has been driven by the GMB under close supervision by the Board. The strategy implementation has progressed according to plan. Performance management has been a major focus area across the Group during the Fit phase of the Fit for Growth strategy. In 2019 Caverion moved to the Growth phase of its Fit for Growth strategy. In the core of this strategy, GMB has focused on the development of digital solutions, growth in smart technologies and new sustainable solutions especially in services business. To this effect, several material acquisitions in the Services business were concluded in 2019. Sustainability was at the centre of the Growth strategy cutting across the strategic actions. The Group's updated strategy was externally communicated through a Capital Markets Day in November 2019. As part of the implementation of the strategy, divisional business plans were conducted for the period 2020-2022.

**Members of Group Management Board 2019 and the Caverion shares owned by them and the entities in which they exercise control on 31 December 2019 and 31 December 2018:**

Name	Position	Born	Education	Total shareholding per 31 Dec 2019	Total shareholding per 31 Dec 2018
Ari Lehtoranta	President and CEO	1963	M.Sc. (Eng.)	906 851	789 731
Martti Ala-Härkönen	Chief Financial Officer (CFO), Head of Finance, Strategy and IT	1965	Dr.Sc. (Econ.), Lic.Sc. (Tech.)	142 577	102 912
Knut Gaaserud	Head of Division Norway	1967	M.Sc. (Tech.)	91 884	66 440
Thomas Hietto	Deputy CEO. Head of business unit Services and Sales Development & Marketing	1967	M.Sc. (Tech.), M.Sc. (Management)	128 421	87 912
Michael Kaiser	Head of business unit Projects	1962	M.Sc. (Eng.)	132 555	89 856
Frank Krause	Head of Division Germany	1963	IT programmer	0	-
Juha Mennander	Head of Division Sweden	1965	M.Sc. (Tech.)	64 903	49 950
Minna Schrey-Hyppänen	Head of Human Resources	1966	M.Sc. (Econ.), M.Sc. (Eng)	67 539	50 450
Manfred Simmet	Head of Division Austria	1966	Engineer	69 629	51 827
Kari Sundbäck (as of 8.5.2019)	Head of Transformation and Supply Operations	1971	M.Sc. (Tech.)	58 321	-
Carsten Sørensen	Head of Division Denmark	1972	M.Sc.(Ind. Eng.)	56 722	-
Ville Tamminen	Head of Division Finland	1974	LL.M, trained on the bench	85 922	66 934
Sakari Toikkanen	Head of Division Industrial Solutions	1967	Lic (Tech.)	16 382	16 382
Anne Viitala	Head of Legal & Compliance	1959	LL.M, trained on the bench, eMBA	66 483	49 750

Detailed background information regarding the [GMB members](#) is presented on Caverion's website.



## Internal control & risk assessment

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## Main features of the internal control and risk assessment system relating to the financial reporting process

In Caverion, the objective of the internal control and risk management system pertaining to the financial reporting process is to provide reasonable assurance on the achievement of the following objectives:

- Effectiveness and efficiency of the operations
- Reliability and transparency of the financial reporting
- Compliance with applicable laws and regulations, and Caverion’s operating principles and policies

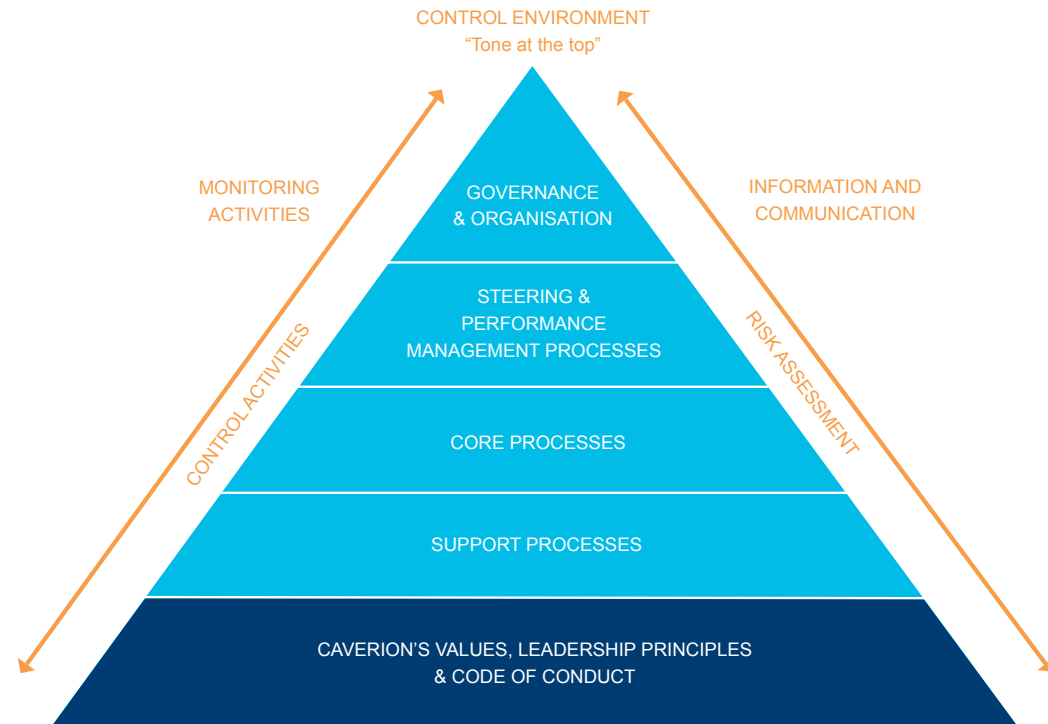
The Code of Conduct and management system of Caverion form the foundation for the control environment, and the awareness and implementation of control activities across the organisation. Caverion seeks to comply with applicable laws and regulations in all its operations. Additionally, Caverion’s operations are guided by Caverion’s Code of Conduct and other internal policies and guidelines (“Caverion Guidelines”). Business management is responsible for the

internal control of the operations in their respective sector. Caverion strives to ensure that everyone in Caverion is familiar with and compliant with the laws, regulations and principles relating to their own work. The President and CEO and management are responsible for driving a compliant and ethical business environment, and assuring correct financial reporting.

## Control environment

Caverion’s Internal Control Framework describes the system of internal control in Caverion. Internal control is embedded in the operations of the Company on all organisational levels. The internal control system covers all the policies, processes, procedures and organisational structures of the company which assist operative management and other personnel, and ultimately the Board, in reasonably ensuring that the Company achieves its objectives for internal control.

Caverion’s system of internal control





According to Caverion’s management system, the operations are organised in matrix into two business units, Projects and Services, and into divisions, both supported by Group support functions. The **primary control responsibility** lies with the heads of the business functions and divisions who are responsible for establishing and maintaining effective and adequate internal controls over financial reporting. As a **functional control responsibility**, Caverion’s finance function in the lead of the CFO has the responsibility to ensure that the Company’s accounting methods comply with legal requirements and regulations, and that the financial matters are handled reliably. The finance function and process owners have a key role in developing the system of internal control and reporting practices.

The audit functions, external auditor and internal audit, have the **assurance responsibility** with regard to internal control.

The Audit Committee monitors the financial reporting process and the effectiveness of the controls therein. Furthermore, the Board regularly assesses the adequacy and effectiveness of Caverion’s internal controls and risk management.

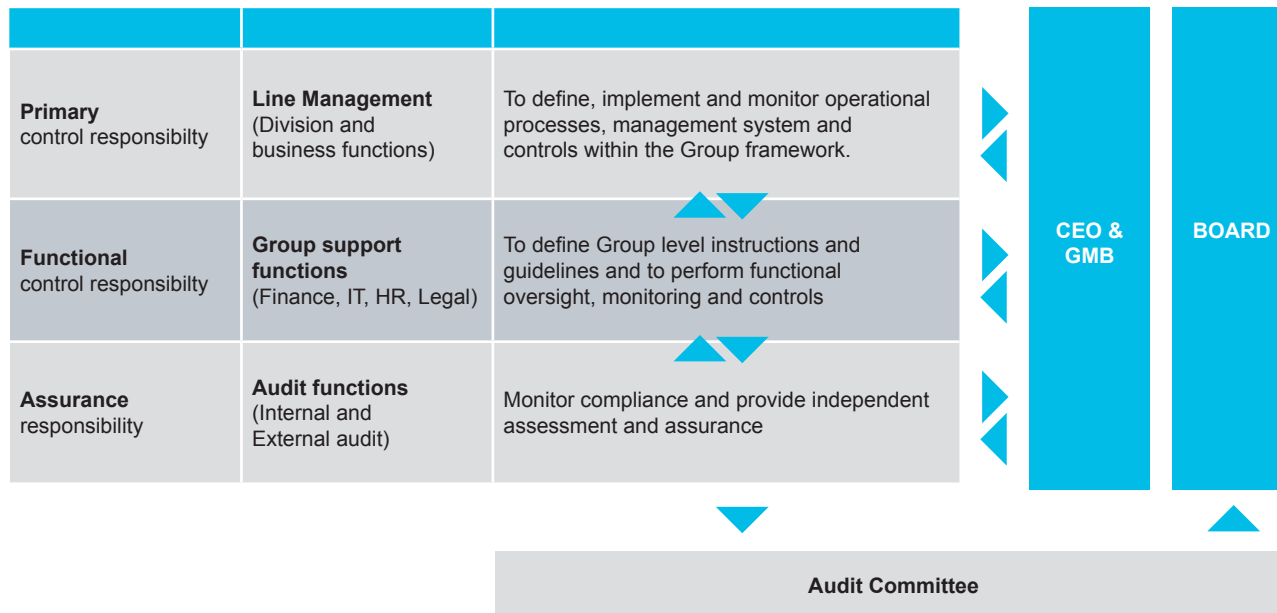
### Risk assessment

The internal control activities are aligned with Caverion’s risk management processes. The objective of risk assessment regarding financial reporting is to identify, evaluate and prioritise the most significant threats to the reliability of internal and external reporting at the Group level, the reporting at division/region/unit level, at function level and/or at process levels. The assessment of risk also includes risks related to fraud. Processes related to financial reporting are subject to on-going risk assessment by the Group and division business controllers, financial controllers and other finance staff as part of their regular duties.

As part of the Audit Committee’s focus area financial reporting, Caverion largely renewed its whole management reporting during 2017. The renewal process included the Group management report and specific reports developed for the services and projects businesses. Specific focus was put to analysing project writedowns, remaining project-related risks, restructuring costs and other one-off costs. This development work and the related analyses continued in 2018-2019. The development of the Group’s forecasting culture at all levels of the organisation also continued in 2019. In 2019, furthermore, specific focus was put into the adoption of the new Leases standard IFRS 16 and its effects to the Group’s reporting and forecasting principles.

In 2019, in line with the Group’s “Fit for Growth” strategy, the focus related to financial reporting continued to be in rolling out the Group’s performance management programme at the operative level of the services and projects business. This included rolling out action-based management systematics throughout divisions with a focus on the unit and team levels of the organisation. The designing and rolling out of harmonised dashboards used in financial steering at the operative unit level continued. Besides services and projects, the performance management program included streams related to procurement and material logistics, and fixed costs.

The overall division of responsibilities for Caverion’s internal control is illustrated in the below figure:





## Control activities

Caverion's financial management and accounting processes include policies, procedures and controls which are necessary to ensure the reliability of financial reporting. Caverion's subsidiary companies carry out financial reporting in a harmonised way across all Group companies, based on mandatory policies and procedures, using a common chart of accounts and a harmonised set of management and accounting systems.

All Caverion's key subsidiary companies use Caverion's common ERP (Enterprise Resource Planning) system SAP and harmonised reporting templates. The ERP system together with the Group's common consolidation and reporting system HFM provide a harmonised platform for the Group's financial accounting and monthly reporting. All major interfaces are standardised and reasonably automated between different systems in the financial reporting process. In early 2019, Caverion also took into use a new design related to its consolidation and reporting system HFM.

The international financial reporting standards (IFRS) are applied in the Group. The maintenance and interpretation of accounting standards is centralised to Group Finance. Monthly closing, data transfers, reconciliation and control procedures are defined in detail for the financial reporting process. Following the roll out of a new software suitable for following out and analysing the Group's operative leasing contracts and there-related financials in 2018, the adoption of the new Leases standard IFRS 16 progressed well in the Group in 2019.

Caverion's common policies and processes aim to increase the overall controllability of the financial reporting process and to ensure that financial statements fulfil the requirements set in the IFRS standards and other applicable principles.

Project management and project accounting are among Caverion's most important processes, also from financial reporting point of view. In 2019, work continued to further improve project management and accounting and project controls in general. Focus areas in 2019 were, among others, an enhanced project forecasting process, an improved assessment of change orders and the roll out of an enhanced risk and opportunity template in order to better assess risks and opportunities particularly in risk projects. Frequent project reviews and project manager trainings also continued. Project managers are responsible for managing Caverion's projects, including compliance with the Group's Project Management Guidelines and Project Forecasting Principles, in order to ensure accurate and reliable input into financial accounting and financial information.

In order to further root all best practises, processes and controls in projects within the Group, Caverion decided to initiate a new Project Management Baseline Program in late 2019. The roll out of the Project Management Baseline Program will take place in 2020.

## Information and communication

Information and communication practices within Caverion aim at providing the required personnel and management access to adequate and timely information on accounting and reporting as well as on related controls. Information regarding control requirements is communicated through the Group's common policies, dedicated guidelines and process level procedure descriptions.

The CFO, supported by Investor Relations, is responsible for the disclosure of financial information and fulfilment of the communication obligations of a listed company. Investor Relations holds the responsibility over planning and implementation of investor communications and daily contact with investors and analysts.

## Monitoring

Caverion's internal control and risk management system is subject to both on-going and periodical monitoring activities to gain reasonable assurance over its appropriateness and effectiveness. On-going monitoring is built into the normal, recurring operating activities of operations and is the responsibility of corporate management, divisions, business units and group functions.

The CFO is responsible for maintaining and developing Caverion's controlling processes so that management at all levels receives reliable and adequate financial information in a timely manner. The actual financial performance against business plans, budgets and performance indicators is followed up through the monthly reporting process. In connection with the monthly reporting, each division and the Group update and analyse, as necessary, the forecast for the next month, on-going quarter and the full year.

Monthly business and financial performance reviews are held shortly after the reporting deadline. Monthly business and financial performance reviews are mandatory and held at different levels of the organisation. A monthly business review is also with each division, after which the monthly financial result is reviewed in the Group's Management Board meeting. These reviews include an assessment of essential items impacting actual figures and forecasted performance going forward as well as a review of essential events, risks and opportunities. Standard minimum agendas are mandatory for monthly review meetings covering topics relevant to financial and operational monitoring.

Internal and external audits are performed based on annually approved, risk based audit plans, and audit findings are reported both to management and to the Audit Committee. The Board receives monthly financial information on the group and division level and approves all externally communicated financial reports. The Audit Committee follows up regularly the operation of the finance organisation.



# Other information

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## Other information

### Internal Audit

Internal Audit is independent of business operations and has an assurance responsibility in addition to the external auditor. Internal Audit reports directly to the Audit Committee and administratively to the Head of Legal & Compliance. Internal Audit's role is to assure that the relevant laws and regulations, approved policies and guidelines (Caverion Guidelines) and best practices are followed in the Group, and that the financial reporting process produces reliable information on the effectiveness of business operations. The Audit Committee confirms the internal audit plan periodically.

Internal Audit reviews and evaluates the appropriateness and functioning of the Group's internal control system, appropriateness and efficiency of operations, reliability of financial information and reporting, and compliance with regulations and operating principles. The operations of Internal Audit are risk based, and the focus is on operational audits.

### Internal Audit 2019

Caverion's Internal Audit has continued to be outsourced. PwC has acted as the internal auditor since 2018. Internal Audit has followed an annual plan prepared with the management and confirmed by the Audit Committee. In 2019, the main focus has been in internal audits of Divisions, follow-up audits of earlier audits of core business processes and IT audits.

Management action plans to address the audit findings and recommendations are drawn based on the key findings and incorporated into business planning. Implementation of the actions is systematically followed by management and the Audit Committee.

### Compliance

Caverion is committed to complying with the applicable laws and regulations and the Caverion Guidelines in accordance with Caverion's Code of Conduct. Caverion has zero tolerance for corruption, bribery, anti-competitive practices, discrimination, harassment or any unlawful action. Everyone working for Caverion must follow the Code of Conduct at all times in her/his personal tasks and operations within Caverion.

Caverion has a Compliance function independent of the business operations. The Chief Compliance Officer reports directly to the Audit Committee and administratively to the Head of Legal & Compliance. The compliance network of Caverion is headed by the Chief Compliance Officer. The role of the network is to enhance a culture of integrity and responsibility and to build leadership capabilities through the integration of the Caverion Compliance Programme into local geographies and functions.

The Compliance function's role is to lead the Compliance Programme, to strengthen the effectiveness of compliance across Caverion, and to develop and promote ethical business culture. The Chief Compliance Officer provides compliance oversight and reports on compliance related issues of significance to senior management and the Audit Committee. The Compliance function works closely together with the management and support functions to identify and manage compliance risks.

The Group's Ethics & Compliance Committee monitors the implementation of the Compliance Programme and handles all misconduct related notifications.

According to Caverion's Code of Conduct, every employee is responsible for complying with the Code of Conduct and for contributing towards its implementation. The Code of Conduct defines how suspected misconduct should be reported, how it is investigated and how the issue proceeds. Any reports of suspected misconduct are investigated confidentially without undue delay in the lead of the Chief Compliance Officer who reports to the Audit Committee on the investigation and outcome of reported cases.

### Compliance 2019

Caverion runs an annual Code of Conduct ELearning for the entire staff. The completion rate of the 2019 e-learning was 96% and improved from the previous year. The Code of Conduct ELearning is also part of the Caverion onboarding process for new employees.

An awareness campaign in respect of speaking up was rolled out. This was intended to make employees better aware of how to speak up through the various channels available in Caverion to report suspected misconduct, including Ethicspoint, Caverion's confidential reporting tool.

Several compliance training modules were rolled out throughout Caverion. Topics covered included general compliance awareness, competition law, compliance visibility and gifts and hospitality.



### Main procedures relating to insider administration

Inside information within the Company and transactions on Caverion's financial instruments by persons discharging managerial responsibilities in the Company and their closely associated persons are managed in accordance with the Market Abuse Regulation ("MAR") and other applicable laws and regulations relating to insiders, as well as Nasdaq Helsinki Ltd's Insiders Guidelines.

The company maintains a list of persons discharging managerial responsibilities in Caverion (managers), including their closely associated persons and entities, who are under the obligation to notify the Company and the Financial Supervisory Authority of their transactions on the Company's financial instruments within three (3) business days of the execution of the transaction. The Company is under the obligation to disclose these transactions in a stock exchange release during the same period. The Company's managers refer to the members of Caverion's Board of Directors and the President and CEO.

The Group General Counsel is responsible for the coordination and supervision of insider matters in Caverion. Insider matters are handled by the Group Legal function.

The main procedures relating to insider administration are described in Caverion's [Insider Guidelines](#), which are published on Caverion's website.

### Related party transactions

Caverion defines the related parties of the Company in accordance with the Limited Liability Companies Act (IAS 24). Caverion's related parties include subsidiaries, associated companies and joint ventures of the Company, key management of the Company (members of the Board, the President and CEO and members of the Group Management Board (GMB) of the Company) the close family members of the key management and the legal entities where these individuals exercise control.

The Board has adopted a policy to be followed in evaluating and monitoring transactions eventually concluded between Caverion and its related parties. The policy aims to ensure that any conflicts of interest are taken into account appropriately in the decision-making process of Caverion. Caverion maintains a register of the related parties of the Company.

### Related party transactions 2019

Related party transactions during 2019 are described in the Financial Statements. More information on related party transactions is available in Notes to the consolidated financial statements 2019, note 6.3.

# Caverion

Building Performance



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](http://www.caverion.com/caverion-annual-review-2019).