

## CAVERION CORPORATION'S CORPORATE GOVERNANCE STATEMENT 2013

This Caverion Corporation's Corporate Governance Statement has been prepared pursuant to the Securities Market Act and recommendation 54 of the Finnish Corporate Governance Code as an independent document from the Report of the Board of Directors. This statement is published on Caverion Corporation's website [http://www.caverion.com/investors/Corporate\\_Governance](http://www.caverion.com/investors/Corporate_Governance).

Caverion Corporation was established on 30<sup>th</sup> June 2013 by the entry of YIT Corporation's partial demerger in the trade register. In that partial demerger the assets, debts and liabilities of YIT Building Systems business were transferred to Caverion Corporation.

The administration of Caverion Corporation complies with valid legislation, the company's Articles of Association and the rules and regulations of bodies that regulate and supervise the operations of Finnish listed companies. Caverion Corporation also complies with all recommendations of the Finnish Corporate Governance Code issued by the Securities Market Association. The Code took effect on 1<sup>st</sup> October 2010 and is publicly available on the website [www.cgfinland.fi](http://www.cgfinland.fi).

Caverion Corporation's statutory auditor, PricewaterhouseCoopers Oy, has checked that this Statement is issued and that the description of the main features of the internal control and risk management systems related to the financial reporting process included in this statement is consistent with the Financial Statements.

The Audit Committee of the Board of Directors reviewed the Statement in its meeting on 27<sup>st</sup> January 2014.

### Annual General Meeting

Caverion Corporation's highest decision-making body is the Annual General Meeting of the Shareholders. The matters to be handled at the General Meeting are determined on the basis of the Articles of Association of Caverion Corporation and the Finnish Limited Liability Companies Act.

The Annual General Meeting makes decisions on adopting the financial statements, the payment of dividends, discharging the members of the Board of Directors and the President and CEO from liability, the election of the members of the Board of Directors and auditor and their remuneration and other matters requiring resolutions by the Annual General Meeting under the Limited Liability Companies Act.

The Annual General Meeting is convened at least once a year. The Annual General Meeting is held annually by the end of March. The Annual General Meeting is convened by the Board of Directors.

### Board of Directors

According to the Articles of Association the Board of Directors of Caverion Corporation consists of the Chairman, Vice Chairman and 3-5 members elected by the Annual General Meeting.

The Board of Directors is responsible for the administration and the proper organization of the operations of the company as well as for the appropriate arrangements of bookkeeping and financial administration. The Board of Directors has an approved charter, and it regularly assesses its validity. According to its charter, the Board of Directors controls and supervises the operations of the Company and the Group and approves the key operating principles, objectives and strategies. The Board of Directors oversees the operations, financials and risk management of the Group.

In particular, the following duties are handled and decided on by the Board of Directors;

- Appointment and dismissal of the CEO and his/her optional deputy and senior management and the terms of their employment;
- The Group's strategy and long-term objectives;
- Group budgets and business plans and overseeing their implementation;
- Approving the financial statements and interim reports;
- Significant acquisitions and divestments with a value more than 10 million euros and investments with a value of 5 million euros;
- Bids and agreements with a value of more than 50 million euros;

- Key Policies;
- Organization of the Group and
- Principles of risk management.

The Board of Directors convenes approximately once a month according to a pre-determined schedule, or whenever it deems it necessary. The Board of Directors assesses its performance annually.

The Annual General Meeting of Caverion Corporation elects the Chairman and Vice Chairman and 3-5 members to the Board of Directors. The term of office of the Board members is the time period between the end of the Annual General Meeting in which the member is elected and the end of the next Annual General Meeting.

The first Board of Directors of Caverion Corporation was elected by the Extraordinary General Meeting of YIT Corporation that decided on the partial demerger of YIT Corporation on 17<sup>th</sup> June 2013.

### *Board members and meetings in 2013*

The members of Caverion Corporation's Board of Directors during the financial year that ended December 31, 2013 were;

**Henrik Ehrnrooth** (Chairman), born 1954, M.Sc. Forest Economics, B.B.A.;

**Michael Rosenlew** (Vice Chairman), born 1959, M.Sc. (Econ), Managing Director of Mikaros AB;

**Anna Hyvönen** born 1968, Tech.Lic., Executive Vice President of Finland and Baltics, Ramirent Plc.;

**Ari Lehtoranta** born 1963, M.Sc. (Eng.), Executive Vice President of Kone Corporation, Central and North Europe & Customer Experience, and

**Eva Lindqvist** born 1958, M.Sc. (Eng.)

All board members were independent of Caverion Corporation and, excluding Henrik Ehrnrooth, also of its major shareholders. Henrik Ehrnrooth along with his brothers Georg Ehrnrooth and Carl-Gustaf Ehrnrooth indirectly holds a controlling interest in Structor S.A., which is the largest shareholder in Caverion Corporation.

The Board of Directors convened eight times in 2013 and the members' total average attendance rate was 97%. The secretary to the Board was Corporate General Counsel.

The focus areas of the Board's work in 2013 included e.g. enhancing the maintenance business, strengthening and development of the project business processes, improving cash flow and measures taken to decrease operating capital.

### **Committees to the Board of Directors**

The Board of Directors adopted its charter at the meeting of 17<sup>th</sup> June 2013 and formed two committees; Audit Committee and Personnel Committee, and approved charters for both of them at the meeting of 17<sup>th</sup> June 2013.

#### *Audit Committee in 2013*

The Audit Committee assists the Board in the supervision of Caverion Group's reporting and accounting processes including controls, risk management, internal audit activity as well as monitoring and assessing external auditing.

The Audit Committee consists of three members. The Board annually appoints the Chairman and the members. The committee convenes at least four times a calendar year as stated in its charter, prior to approving each interim report and the financial statements.

The members of the Audit Committee of Caverion Corporation in 2013 were Michael Rosenlew (Chairman), Anna Hyvönen and Eva Lindqvist. All committee members attended the meetings of 2013. The Audit Committee convened two times during 2013, prior to the approval of the interim reports of Q2 and Q3. The secretary to the committee was Group CFO.

The Audit Committee discussed e.g. its task areas, development of internal and external reporting, efficiency of financing, monitoring and ensuring risk management, and litigation and claim processes.

#### *Personnel Committee in 2013*

The Personnel Committee assists the Board of Directors in the matters regarding appointment and remuneration of key persons to the Company. The Personnel Committee prepares among others proposals for development of corporate culture and Group Human Resources strategy, compensation and incentive schemes including those for key executives. Further, the committee tasks include identification of key talents, development of management and key personnel as well as succession plans for the management.

The Personnel Committee consists of a maximum of five persons. The Board of Directors decides on the number of committee members and appoints the Chairman and the members annually. The Personnel Committee carries out all the duties of the Nomination Committee and the Remuneration Committee as stated in the Finnish Corporate Governance Code. The members of Caverion Corporation's Personnel Committee in 2013 were Henrik Ehrnrooth (Chairman) and Michael Rosenlew and Ari Lehtoranta.

The Personnel Committee convened in 2013 once and all members were present. The secretary to the committee was the Group Senior Vice President, HR.

The Personnel Committee prepared in its meeting the implementation plan of a long-term incentive scheme, approval of management bonuses and planning of the next annual bonus principles, initiative of the talent pool process and preparation of the proposal for Board member candidates for the Annual General Meeting.

#### *Attendance of the board members in the meetings held 2013*

	Board of Directors	Audit Committee	Personnel Committee
Henrik Ehrnrooth	7/8	-	1/1
Michael Rosenlew	8/8	2/2	1/1
Anna Hyvönen	8/8	2/2	-
Ari Lehtoranta	8/8	-	1/1
Eva Lindqvist	8/8	2/2	
Average attendance rate, %	98	100	100

#### **President and CEO**

The President and CEO is in charge of the day-to-day management of the company in accordance with the instructions laid down by the Board of Directors. He also ensures that the company's accounting practices comply with the law and that the financial matters are handled in a reliable manner. The President and CEO is also the Chairman of the Group Management Board and is responsible for reporting to the Board of Directors.

The Board of Directors decides on the CEO's remuneration and other terms of employment.

The President and CEO of Caverion Corporation in 2013 was Juhani Pitkääkoski, LL.M., born in 1958. The Board of Directors has not appointed a deputy to the President and CEO.

#### **Main features of the internal control and risk management systems in relation to the financial reporting process**

##### **Framework**

The goal of the internal control and risk management systems is to provide reasonable assurance regarding the achievement of Caverion's strategic targets, reliability and integrity of financial and operational information,

efficiency and transparency of operations, and compliance with applicable laws, regulations and internal policies and guidelines.

Caverion's business operations are organized into two business segments: Building Services Northern Europe and Building Services Central Europe and supporting Group functions.

## Control environment, Control activities

The Board of Directors approves Group level policies including Code of Conduct, Risk Management Policy, Treasury Policy, and Disclosure Policy.

The Audit Committee assists the Board in fulfilling its oversight responsibilities by monitoring the efficiency, adequacy and appropriate functioning of Caverion Group's internal control and risk management systems. In addition, it supervises the financial reporting and consolidated financial statement process.

The President and CEO is responsible for defining the strategies, processes and focus areas for risk management and internal control systems.

The Group Internal Audit function reports frequently on its results to the Audit Committee and to the President and CEO. The purpose, authority and responsibility of the Group Internal Audit is defined in a charter approved by the Board. The Audit Committee confirms the internal audit plan periodically.

Group Finance Management defines and communicates the principles related to financial reporting, maintains the common tools for accounting and reporting and prepares the financial information to be disclosed. The financial management of subsidiaries is responsible for ensuring that reporting is carried out in accordance with the Group's policies, guidelines and instructions.

The main internal control components at Caverion in relation to the financial reporting process include the Code of Conduct, approval policies, accounting manual, treasury policy as well as central application of accounting principles, centrally managed budgeting and monthly reporting process, common chart of account, common accounting tool (SAP) and reasonably automated interfaces between different systems in the monthly reporting process. Treasury, ICT, and mergers and acquisitions (M&A) are centralized functions in the Group.

Service efficiency process management and accounting, management of working capital and controlling of the cash flow have been focus areas of internal control development in 2013.

Caverion's Code of Conduct defines the behavioural manner in which Caverion people acts in business occasions and in relationship with other stakeholders. Each individual employee is expected to comply with the principles laid out in Code of Conduct in their daily duties.

There is a channel in place to report on breaches of Caverion Code of Conduct. Any person who notices such breaches may confidentially report them as indicated in the Code of Conduct document. Group's Ethics Committee manages the investigation process of such cases.

## Risk assessment

In accordance with Group Risk Management Policy, Financial management on Group and subsidiary levels are responsible for identifying and assessing risks related to financial reporting and reporting on them to Group management. Development of the financial reporting process with related risk management and internal control systems will continue in 2014.

## Internal Information and communication

Information related to the main internal control components, i.e. accounting manual, treasury policy, code of conduct, approval policies, and operating instructions for common tools and practices are available on Caverion intranet. Group's financial management is responsible for the development and maintenance of the information.

Caverion Group Financial Management has scheduled meetings with financial management of divisions in order to share the information and communicate the development in group policies and instructions. CEO, CFO and Group's financial management as well as Group Internal Audit function visit regularly in business units and share knowledge of Group's best practices.

## Monitoring

The management of Caverion Group's subsidiaries are responsible for the accuracy of financial information reported to the Group.

The President and CEO and Caverion Group Financial Management are responsible for accuracy, extent, compliance and timely readiness of consolidated, external and internal, financial information prepared.

Group's financial controllers supervise and monitor the consistency of the reporting from divisions.

Caverion Group's financial performance is monitored monthly using a common planning and reporting system.

CEO, CFO and Group's financial management analyse monthly subsidiaries' performance, and deviations from previous month's forecasts. The monthly performance review practice represents the key monitoring procedure and it focuses both on the management and on financial reporting.

The Group Internal Audit function assesses the adequacy and efficiency of risk management, internal control systems and governance regarding the audit area under review. In addition, Group Internal Audit promotes the development in those areas. The scope of the Group Internal Audit covers all organisational levels and businesses.

The Board's Audit Committee reviews any information that will be published and submits it to the Board of Directors for approval.

## The Report of the Board of Directors

The Board of Directors has approved the report on 2013 at its meeting on 27<sup>th</sup> January 2014. The Board of Directors' Report, the Corporate Governance Statement and the Remuneration Statement are published on the company's website [www.caverion.com/investors](http://www.caverion.com/investors) latest on February 21, 2014.