

Sustainability Report 2018

CAVERION CORPORATION
PUBLIC

Caverion

Table of contents

OUR APPROACH	3
Creating value for customers and society	3
We exist for our customers	4
Materiality assessment	4
Material sustainability topics	4
Management of sustainability	5
Operating environment	6
International cooperation	6
Reporting	6
ENVIRONMENT	7
Comprehensive Energy Services	8
Energy Performance Contracting	9
Reaching environmental certification requirements	9
Summary of environmental impacts	10
WORK SAFETY	13
Focus on proactive safety work	13
Cooperating with partners and customers	14
OUR PEOPLE	15
Caverion people in the focus	15
Key figures	15
Changes in personnel in 2018	16
Developing the best workplace	17
Caverion Values and Leadership Principles	17
Renewed way to listen to our employees	17
Collaboration on international level	17
Right people in right places	18
Opportunities for students	18
Encouraging professional growth	19
Developing inspirational leadership	20
Active training and coaching	20
Rewarding	21
Golden Helmets for best strategy executors	21
COMPLIANCE AND ECONOMIC RESPONSIBILITY	22
Economic responsibility	22
Updated sponsorship guidelines	22
Respecting human rights	22
Equal treatment for all	22
Against corruption and bribery	23
SUPPLY CHAIN	24
Purchasing from best suppliers	24
Business ethics in supplier relationships	24
GRI INDEX	25

OUR APPROACH

Creating value for customers and society

Caverion's technological capabilities cover all building systems and selected infrastructure and industrial technologies. Caverion operates an asset-light business model. **Human capital** is the most important asset for Caverion. Everything Caverion delivers to its customers is produced by its about 15,000 highly skilled employees. Making this human capital serve its customers is at the core of Caverion's value creation.

Caverion is a reliable and trustworthy partner for customers, employees and labour unions, governmental officials, and business partners. **Social capital** in terms of good relationships is an important part of Caverion's ability to create value.

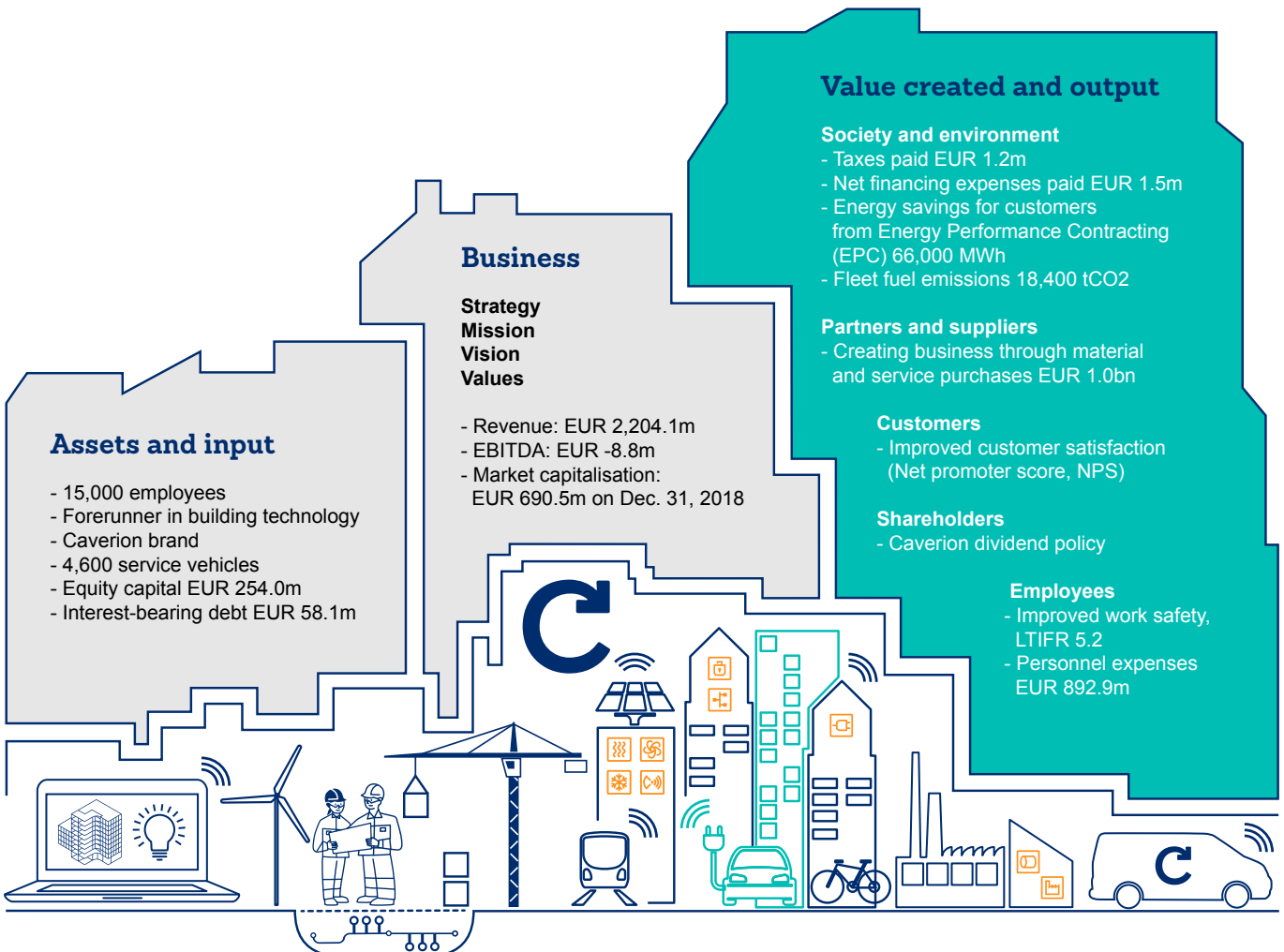
Universal demand for energy efficiency and circular economy as well as Caverion's capabilities in developing, delivering, operating and maintaining solutions that answer to this demand are the most relevant areas of **natural capital** for Caverion. Energy efficiency is incorporated in Caverion's service offering.

Caverion's **financial capital** consists of a balanced portfolio of equity, hybrid capital treated as equity under IFRS and interest-bearing loans. Secured financing enables Caverion's long-term development and related investments.

Caverion designs and builds solutions for buildings, industry, and infrastructure. These solutions are the core of Caverion's **manufactured capital** as they all, once completed, require service for the entire life cycle and thus create long-term recurring business opportunities for Caverion. An example of these is the about 30,000 facilities under Caverion's service. Caverion also offers 24/7 remote monitoring services for buildings.

Caverion operated in 12 countries during 2018. Caverion's tax footprint covers all of its operating countries; income taxes are paid in the jurisdiction where the value is initially created.

Caverion's key stakeholders are its thousands of B2B customers, employees, shareholders, partners and suppliers, and the whole society.





Our customer loyalty and satisfaction show constant improvement.

We exist for our customers

We meet our customers' needs by ensuring that our service is always of high quality. Customer satisfaction forms the starting point of our operations. Our professional skills and competence, local presence, the high quality of our work, our efficient operations, and service attitude are the leading principles with which we strive to keep our customers satisfied.

Our customers represent all sectors, including the public sector, industry, real estate investors and developers, real estate users, and general contractors.

Feedback collected systematically

We collect customer feedback and use it for developing our operations to match our customers' needs.

Customer feedback is collected systematically. We measure customer satisfaction throughout the company, but the methods and extent vary depending on the country and unit. In some countries, we carry out small-scale surveys on a weekly basis concerning specific deliveries, and annually in every country more comprehensive surveys on general customer satisfaction. In some countries, surveys are carried out each quarter or twice a year. Customer satisfaction surveys are often included in the terms and conditions of a service agreement.

Customer loyalty and satisfaction show constant improvement, as the Net Promoter Score (NPS) improved again in 2018.

All divisions are given two targets to achieve every year:

- Increase the number of survey participants every year and thus improve the quality of our statistics.
- Improve the main indicator of customer satisfaction, the so-called NPS year over year.

Materiality assessment

Through materiality assessment, we aim at identifying the key sustainability themes and aspects for Caverion and our stakeholders. Our first materiality assessment was completed in 2015. Material sustainability topics are presented according to GRI Standards.

Material sustainability topics

Economic Standards

- Economic performance
- Anti-corruption
- Anti-competitive behavior

Environmental Standards

- Energy
- Emissions

Social Standards

- Occupational health and safety
- Training and education
- Non-discrimination
- Socioeconomic compliance

Caverion presents the material GRI Standards topics under the following themes:

- Environment
- Health & Safety
- Our people
- Compliance and Economic responsibility
- Supply chain

During 2018, a specific materiality assessment for environment was carried out. More information on the results is presented under "Environment".



Management of sustainability

The following summarises Caverion's approach to managing material sustainability topics.

ECONOMIC

Approach and goals: We operate fully in accordance with the applicable laws and regulations, our Code of Conduct, our Internal Guidelines and our company values.

Material topics: Economic performance, Anti-corruption, Anti-competitive behaviour, and unlawful actions

Boundaries: Our sustainability reporting related to compliance and economic responsibility covers Caverion's own operations. Suppliers are taken into account through our Supplier Code of Conduct sign-off rate.

Monitoring and follow-up: Risk management and compliance, whistle-blowing channels, and training

Policies: Compliance Framework, Code of Conduct, Instructions for Compliance with Competition Legislation, Caverion Guidelines Framework, Governance and Operational Description, Internal Control Framework, Risk Management Policy, and Supplier Code of Conduct

Responsibilities:

- Group Management Board, CEO, Chief Financial Officer, Chief Compliance Officer, and Head of Legal & Compliance
- Group Legal & Compliance

ENVIRONMENT

Approach and goals: We aim at reducing negative environmental impacts in our external and internal services and solutions.

Material topics: Energy and Emissions

Boundaries: Our sustainability reporting related to environmental responsibility covers Caverion's own operations. Customer energy savings are also taken into account.

Monitoring and follow-up: Sustainability reporting, reports to CDP, local monitoring policies, Code of Conduct, and ISO standards

Policies: Code of Conduct and ISO standards

Responsibilities:

- Group Management Board, CEO, and Head of Market Operations
- Caverion Sustainability Network and Group Sustainability Manager

SOCIAL

Approach and goals: Our goal is to have an accident-free workplace and also to secure the well-being of our employees and great leadership that is based on openness and trust.

Material topics: Occupational health and safety, Training and education, Non-discrimination, and Socioeconomic compliance

Boundaries: Our sustainability reporting related to social responsibility covers Caverion's own operations. Suppliers are taken into account through our Supplier Code of Conduct sign-off rate.

Monitoring and follow-up: Caverion onboarding, Performance and development discussion process, Employee Engagement Survey, E-learning, Common Leadership Safari Programme, and Safety observation tours

Policies: Compensation guideline, Work safety guideline, Job structure guideline, and Code of Conduct

Responsibilities:

- Group Management Board, CEO, and Head of HR
- Group HR + Division HR
- Line managers



Operating environment

Climate change is a more actual topic than ever. The Intergovernmental Panel on Climate Change (IPCC) report demands limiting global warming to 1.5 degrees. There is a lot the built environment sector can do to mitigate climate change.

The industry, commercial and residential sectors together constitute about 30% of global GHG (greenhouse gas) emissions. Construction of new buildings in the European Union area is moving towards nearly zero energy buildings. In projects, our design & build expertise is valuable and we can act as a partner for procurement, design, construction works and engineering of building technology systems, ensuring energy efficiency at every stage.

The global economy and markets will change due to climate issues. Caverion wants to be a flexible partner that is on the front line providing future services and added value to our customers and society. Climate change is a challenge but also a possibility for Caverion to really make a difference as the society needs to move towards longer life cycles and circular economy.

International cooperation

Cooperation with other industry operators further improves Caverion's possibilities to strengthen its competence in energy-efficient and eco-friendly building systems.

We participate in the local activities of the international Green Building Council in several countries, including Finland, Sweden, Norway and Germany. The network promotes practices related to sustainable development in built environments, as well as the environmental classification of buildings.

In Norway, we cooperate with Enova, a public enterprise of Norway's Ministry of Petroleum and Energy promoting efficient energy use and the production of renewable energy, which has provided financial support to many of our customers.

In Germany, we are a member of the German Sustainable Building Council DGNB (Deutsche Gesellschaft für Nachhaltiges Bauen e.V.).

In Finland, Caverion is one of the founding members of the Climate Leadership Council, established in 2014. The Council aims to influence Finnish businesses' and research organisations' general competitiveness, readiness to combat climate change, and their ability to make use of the business opportunities created as a result.

Reporting

We report sustainability-related information annually. The 2018 report complies with the GRI Standards guidelines of the Global Reporting Initiative (GRI) in accordance with the Core option. The content of the report includes key areas of economic, social and environmental responsibility. A comparison of the contents and the GRI Standards guidelines can be seen in the GRI Standards Index on pages 25-28.

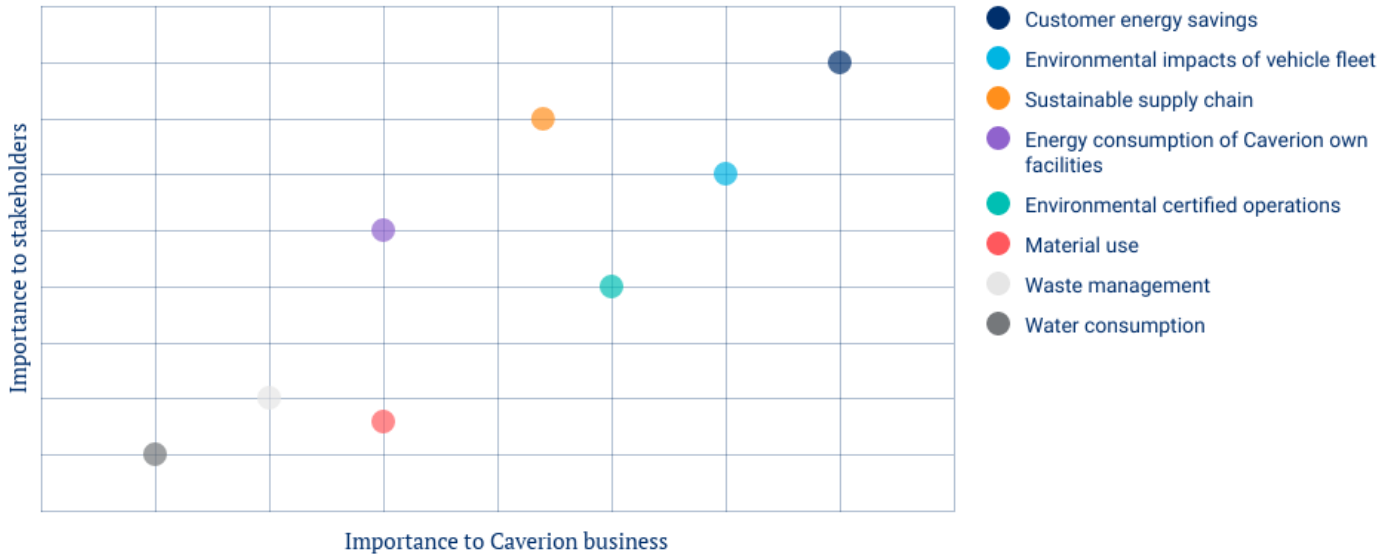
The key target groups of the report are investors, shareholders, customers, suppliers, analysts, personnel, prospective employees, and other actors in the society. No external assurance was pursued for this report.

The previous sustainability reports are available at www.caverion.com/sustainability.

ENVIRONMENT

In 2018, Caverion Group revised the materiality analysis for key environmental themes.

Caverion environmental materiality matrix



The energy savings Caverion achieved for its customers have the most significant environmental impact. Of Caverion’s own operations, the fuel consumption of car fleet has the most significant environmental footprint. The energy consumption of Caverion’s own facilities also has a major impact. Waste management and efficient material use are important in Caverion’s day-to-day operations, as circular economy is an increasing global megatrend.

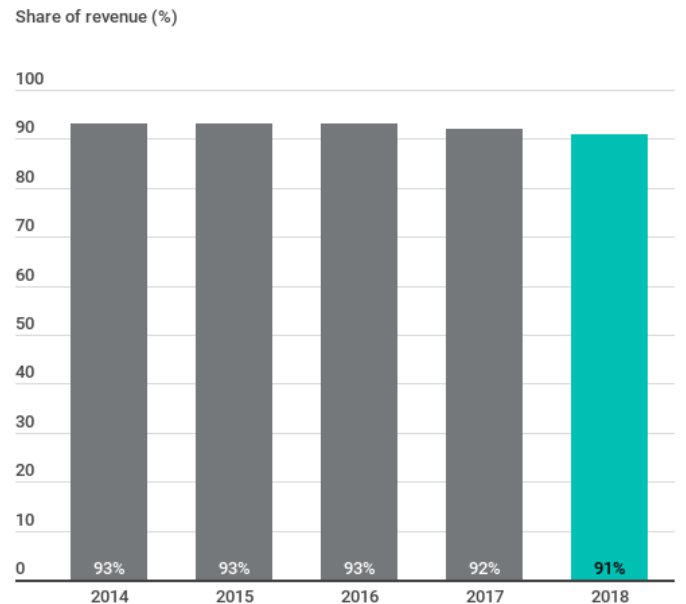
Environmentally compliant supply chain and partners are essential for Caverion.

91% of Caverion business is ISO 14001 environmental certified.

Environmental risks

Caverion’s business does not involve significant environmental risks. Caverion’s own operations are not extensively energy intensive. Waste generated and chemicals used in Caverion’s operations are recycled and disposed according to regulatory requirements. For most part, the environmental impact of Caverion’s operations relates to localised noise or dust. Caverion continuously follows legislation changes on environment in the EU area and in the other operating countries.

ISO 14001 certified business



Comprehensive Energy Services

Drawing on in-depth knowledge of facilities and advanced building technology, Caverion experts assist customers in reaching their economic and environmental targets.

With individually tailored solutions, our customers can reduce the environmental impact of their buildings without compromising the indoor environment and comfortable working conditions. Energy efficiency is considered already in design. We consider the environmental impact and energy efficiency of properties from the very beginning, i.e. the design phase, and evaluate the effects of technical solutions in terms of the entire life cycle. We design technical systems in such a way that they contribute to the energy efficiency of the property and their maintenance takes up a minimum amount of resources.

Designing all technical systems of a property as an entity, rather than separately bidding for individual systems, improves energy efficiency. New regulations emphasise the significance of the total consumption of the property, which further supports the need for design and implementation that integrates all systems.

Our energy services include:

Energy management

Tailored service to follow up and optimise energy consumption and indoor conditions throughout the property life cycle.

Energy saving contracting

Improving building performance through adjustments and modernisations of building technology, e.g. heating, ventilation



and air conditioning, to reduce energy consumption and property emission level with guaranteed savings.

Renewable energy

Advisory services and projects on renewable energy solutions, such as solar energy and advanced system integrations.

Energy audits & certificates

Overview of the current situation, improvement potentials and action plan, fulfilment of regulatory requirements.



In 2018 the EPC energy savings provided for customers by Caverion was more than our own annual indirect energy use.

Environmental classification is considered to increase a property's value, the return on invested capital, utility rate, and rental income. In addition, a company that operates in eco-efficient premises has a responsible image.

Buildings must meet certain minimum requirements that, in terms of technical systems, are usually related to the consumption of energy, water and materials. There are several different classification systems, of which the most common in our operating countries are the international classification systems BREEAM and LEED.

In addition, there are numerous local classification systems, such as the certificate awarded by the DGNB (Deutsche Gesellschaft für Nachhaltiges Bauen) in Germany, and evaluation tools focused on specific areas, such as the energy performance certificates of buildings in the EU area and the indoor air classification and the quality certificates for housing cooperatives in use in Finland.

Energy Performance Contracting

One of the ways Caverion strives to increase the amount of customer energy savings is Energy Performance Contracting (EPC). EPC service is a long-term contract where different energy efficiency means and investments are financed by savings in energy costs.

As a partner, Caverion guarantees that the budget is kept during the agreement, covering analyses, decisions, modernisations, and in-house follow-ups.

Typical EPC customers include:

- municipalities or other public sector organisations
- private sector
- different industries

In 2018, Caverion provided 66,000 MW/h of energy savings for customers through EPC services. The figure corresponds to the average annual consumption of 27,000 3-room flats in an apartment building. The EPC energy savings provided for customers by Caverion was more than Caverion's own annual indirect energy use in 2018 (36,700 MW/h).

Reaching environmental certification requirements

Energy efficiency and environmental building certification are decisive factors for our customers when selecting service providers. The environmental classification allows investors, authorities and property users to compare the energy efficiency and environmental impact of buildings using uniform methods.



Summary of environmental impacts

The following tables and graphs summarise our most significant environmental impacts.

The figures concerning Scope 1-2 emission cover the entire business operations of Caverion Group. The calculations are mainly based on real consumption data. In some countries, part of the total consumption has been estimated in cases where exact data is available for only some of the consumption.

2018 Energy Performance Contracting (EPC) data collected from Caverion Finland, Sweden, Norway and Germany Divisions.

2018 air travel data was collected from Caverion Finland, Sweden, Norway, Germany, Denmark and Austria Divisions.

**Caverion's
service fleet
in 2018 was
4,600 vehicles.**

Consumption of direct energy, GWh	2018	2017	2016
Petrol	11.2	10,5	21,2
Diesel	94.6	86.4	81.0
Light fuel oil	0.1	2.2	2.4
Natural gas	1.1	1.1	0.9
Liquefied petroleum gas	2.2	2.2	2.9
Total	109.1	102.4	105.4

Consumption of indirect energy, GWh	2018	2017	2016
Electricity	18.8	26.7	27.7
District heat	15.1	16.3	15.9
Geothermal	2.7	0.1	0.2
Total	36.7	42.9	43.9



Scope 1 CO2 emissions from direct energy sources, tonnes	2018	2017	2016
CO2 emissions, petrol	1,335.0	2,648.9	6,360.1
CO2 emissions, diesel	25,303.4	23,052.6	21,605.2
CO2 emissions, light fuel oil	23.1	581.4	647.1
CO2 emissions, natural gas	199.6	211.5	165.9
CO2 emissions, LPG	456.5	513.2	677.3
Total direct CO2 emissions	27,317.7	27,007.6	29,455.7

Scope 2 CO2 emissions from indirect energy sources, tonnes	2018	2017	2016
CO2 emissions, electricity	6,492.4	8,961.3	9,542.8
CO2 emissions, district heat	1,999.7	2,709.4	2,406.8
CO2 emissions, geothermal	329.7	11.3	25.4
Total indirect CO2 emissions	8,821.8	11,682.0	11,975.0
Direct and indirect CO2 emissions, total	36,139.5	38,689.6	41,431.9

Scope 3 CO2 emissions, tonnes	2018	2017	2016
Sold services: Caverion energy services, Customer CO2 emission savings from Energy Performance Contracting (EPC)	-24,450.0	n/a	n/a
Business travel, air travel CO2 emissions	1,895.9	2,178.6	2,424.8

Of Caverion's own operations, the fuel consumption of car fleet has the most significant environmental footprint. Caverion's service fleet in 2018 was 4,600 vehicles. Caverion's target is to utilise logistical solutions that help to reduce greenhouse gas emissions. As an example, environmental aspects are considered in the selection of company cars. Caverion mostly uses fuel-efficient diesel cars in its service and business car fleet. In 2018, 96% of Caverion's fleet fuel consumption was diesel fuel. In addition, an increasing number of gas, hybrid and full electric business cars are in use.

Caverion continuously follows the development of technology and is open to increasing the number of alternative eco-friendly vehicles for wider use in the future. Caverion is working on an updated Group-level car policy and emission limits to meet the requirements of the new and improved Worldwide Harmonised Light Vehicle Test Procedure (WLTP) standard for measuring vehicle emissions. During 2018 Caverion Finland already set a WLTP CO2 emission limit for passenger cars to 180 g/km.

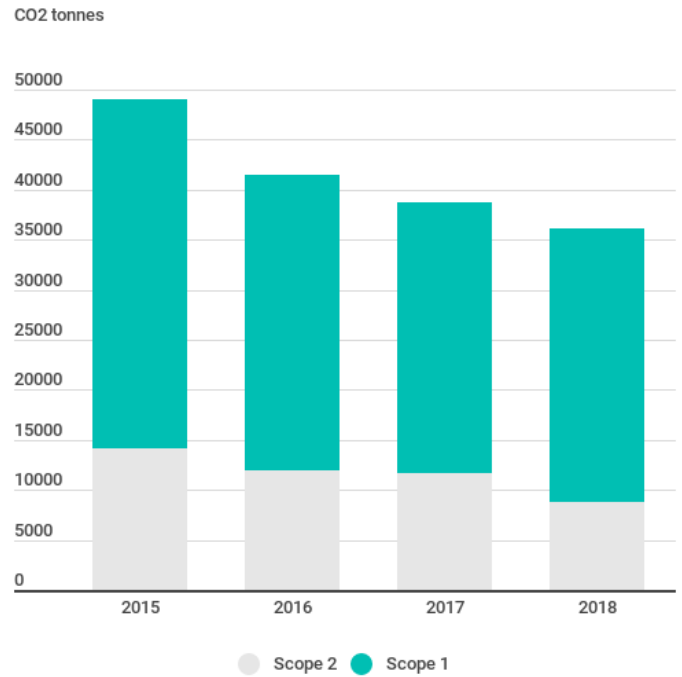


Intensity ratios	2018	2017	2016
Direct and indirect CO2 emissions/revenue (EURm)	16.5	16.9	17.5
Energy intensity, Direct and Indirect energy GWh/revenue (EURm)	0.064	0.064	0.074

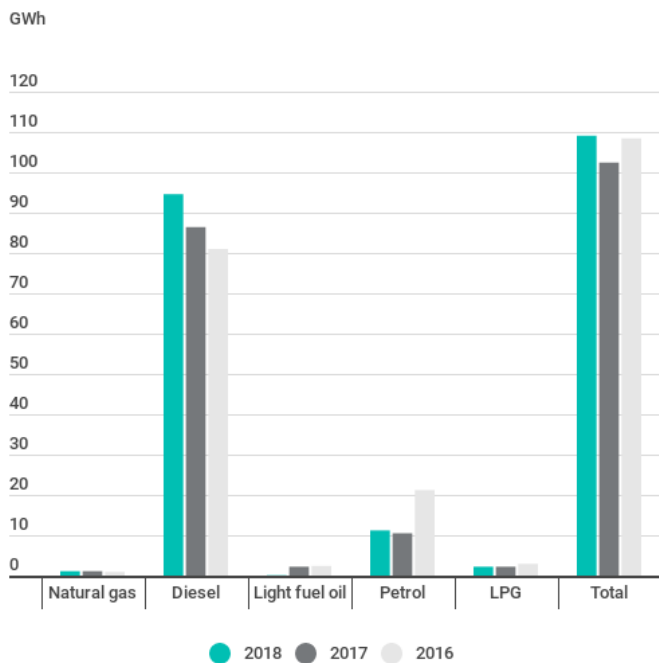
An efficient planning of routes and an economical way of driving are important to Caverion. In 2018, the focus was on reducing the number of store pick-ups, which reduces the driving kilometres and emissions. Increasing the use of mobile solutions in field work has continued. This contributes to the reduction of unnecessary driving. In 2018, the CO2 emissions of Caverion's service fleet were 18,400 tCO2.

The main reason for the decrease of indirect energy consumption in 2018, was divestments and other changes in Caverion's industrial business.

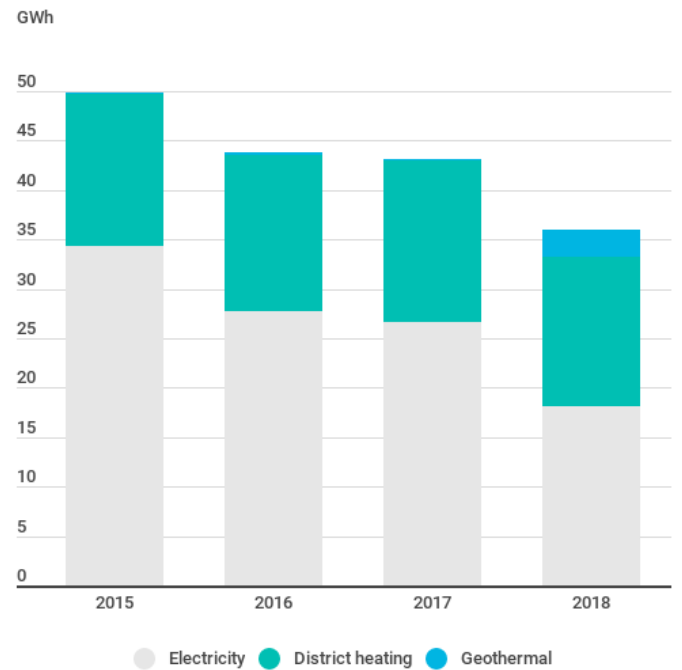
Scope 1 & 2 CO2 emissions



Direct energy consumption



Indirect energy consumption



WORK SAFETY

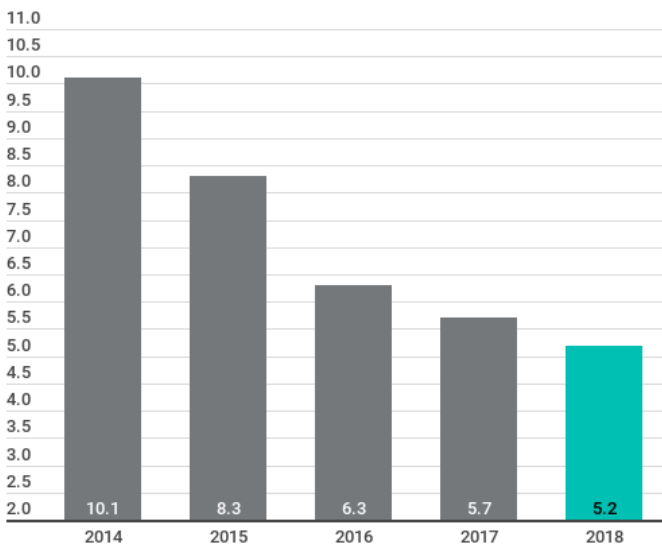
Our most fundamental responsibility as an employer is to keep all people who work for us safe. We do not differentiate between our own employees, in-house contractors or our suppliers' employees.

Caverion's management and all employees are committed to complying with, maintaining and developing common safety rules. An excellent safety record is a competitive asset and a sign of the quality of Caverion's operations. We aim to ensure that all our employees have the skills necessary for the safe performance of their own work and for taking safety as their personal responsibility.

We take every accident seriously. All accidents happening to our employees and subcontractors are immediately reported and inspected, in order to identify their causes and to learn from them. In all incidents in 2018, our required reporting procedures were followed and every incident was handled immediately and individually with mitigating actions. Risk assessment and plans for preventing similar incidents were also carried out. The employees' families have been followed up.

Continuous follow-up of the key reactive and proactive safety performance indicators are a part of the management's agenda at all levels.

Accident frequency rate*



* = Lost Time Injury Frequency Rate, the number of lost time injuries occurring in a workplace per 1 million man-hours worked



Focus on proactive safety work

Our goal is to become an accident-free workplace. We focus on preventive safety work: Safety starts with the right attitudes, the anticipation of risks and the active reporting of safety observations.

Caverion pursues advancing safety even further: not just staying in compliance with procedures but building a proactive culture based on listening to employees, carrying out projects based on proposals from employees and agreeing on procedures. That is, the guidelines should go from the top to the bottom, but the procedures from the bottom to the top. The Health & Safety Team drafts and revises the procedures.

Our aim is to ensure that good safety culture is transmitted to one another, that the person most involved infects others and corrects attitudes and as a result all our employees internalize the safety culture.

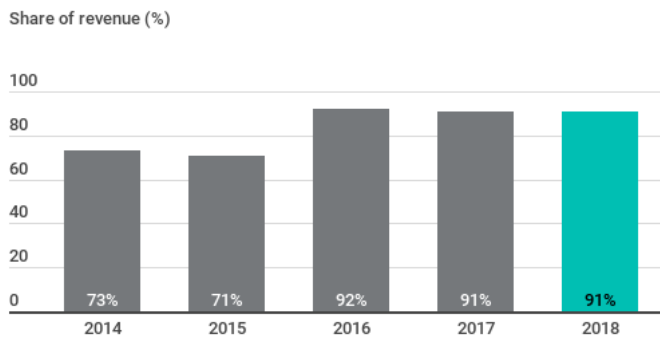
In 2018, Caverion started its group wide campaign to improve its safety culture by following on the following areas:

Visible Leadership: This is based on carrying out management activities that demonstrate a credible and visible commitment to safety. It consists of setting a good example and making safety a priority in daily matters.

Individual responsibility: The employees of the company are involved in both their own safety and that of their colleagues and they contribute to safety with their knowledge and sharing experience.

Open dialogue: Caverion employees make a commitment to behaving safely and being responsible for their own and other colleagues. They comply with the rules and regulations, act sensibly in the face of risk and dangers and learn from mistakes. We aim to increase the share of occupational health and safety-certified operations in our business. In 2018, 91% of our revenue came from OHSAS 18001-certified operations (2017: 92%)

OHSAS 18001 certified business



We prevent occupational accidents for example by:

- providing job orientation and general and occupation-specific safety trainings
- conducting regular safety audits and inspections
- encouraging our personnel to report safety observations and assessing risks before starting work
- developing tools and work ergonomics
- having our supervisors and managers conduct safety rounds and safety meetings at work sites

Acknowledgement for Safety work

In 2018, Caverion Norway was acknowledged by the Norwegian Association for Labor Union and employer's representative for taking initiatives and visualising electric accidents to save lives and cutting down on electric shock accidents.

Cooperating with partners and customers

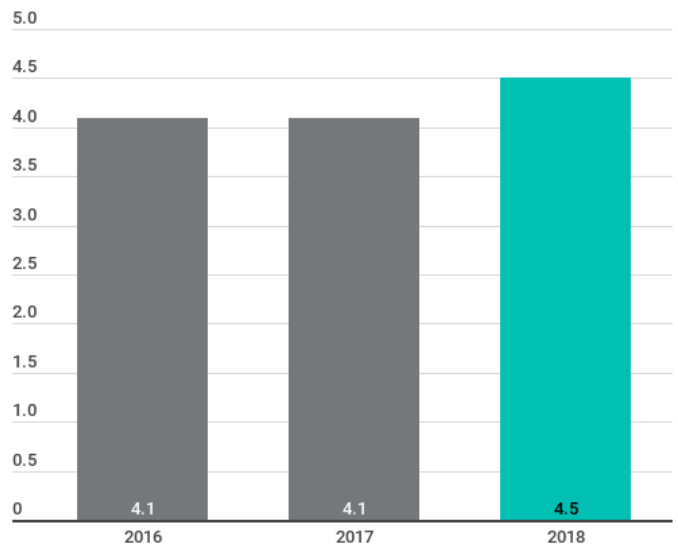
Occupational safety is important at all of our customer sites. However, the risks associated with it are particularly high in properties and industrial plants, where work is performed in varying conditions. These include ongoing and interrupted production, fault situations and temporarily bypassed protective measures, and facilities that require special safety plans, such as nuclear power plants and process plants.

A safe working environment is created in cooperation with our customers and partners. We insist on strict compliance with safety instructions. This applies to our employees, subcontractors and partners alike. In addition, we require all of our employees to use and wear protective equipment and clothing at all of Caverion's work sites.

Proactive health approach

In Finland, a tool called "EsimiesKompassi" (Superior's Compass) was launched in the summer of 2018 in order to develop well-being at work and work ability management. Provided by Caverion's occupational health care partner, the tool enables Caverion to manage work ability more efficiently and supports the superiors in their managerial work according to Caverion's model for early support. The purpose of early support is to ensure that factors that might threaten working, safety and well-being at work are intervened as early as possible.

Sick leave rate*



* = hours of absence/total available hours, %

OUR PEOPLE

Caverion's business success is made through our about 15,000 service and project professionals. Caverion is continuing its journey towards a leading service company and a selective master of projects covering the whole life cycle of buildings, industries and infrastructure. We also continue to build our capability to become a technology forerunner providing excellent customer experience.

Our customers appreciate the Caverion service mindset and expertise to respond quickly and solve the challenges of our customers in efficient way. Therefore our employees play an essential role in succeeding in our strategy. We aim to build the kind of a working environment for our employees where they can perform at their highest potential at every level and provide an excellent service experience to our customers.

All of Caverion's activities are compliant with and guided by ethical principles. The personnel's rights and responsibilities include the right to a safe and healthy working environment, well-being as well as the prohibition of any kind of discrimination.

Caverion people in the focus

The business environment continues to evolve. The megatrends, world economy and the increasing focus on sustainability have a big impact on our business and working conditions. In 2018, we enforced our people-related strategic focus areas by investing in the development activities in the following topics:

- Top performance at every level
- Inspiring leadership
- Right people in right places
- Professional growth

Caverion continued to face challenges in its operations during 2018. Many actions had already started in 2016 and clear improvements could be seen in many areas. However, the results were not satisfactory and we launched further performance and utilisation improvement actions during 2018 to restructure our businesses and reduce our fixed costs. The biggest impacts of these activities were seen in Sweden, Eastern Europe, Germany and Denmark. Performance improvement actions will continue systematically throughout the strategy period "Fit for Growth".

We continued to develop our leadership capability as one of our strategic focus areas. Through inspiring leadership, we engage and motivate our employees and are able to provide them with good opportunities to develop their competences and broaden their expertise. New resources were also needed to fulfil critical competence gaps in certain jobs, such as project and service management and technical competence areas. In 2018, we continued our well-recognized practice to grow trainees and apprenticeships to get competent resources for Caverion. At the same time special focus continued to be in project business to improve our project management capability in all divisions.

Key figures

	2018	2017	2016
Personnel at year's end	14,950	16,216	16,913
Personnel on average	15,676	16,607	17,381
Non-salaried / salaried employees (%)	66 / 34	66 / 34	66 / 34
Women / men (%)	11 / 89	11 / 89	10/90
Share of women on the Management Board (%)	15	14	7
Share of women on the Board of Directors (%)	13	25	40
Fixed-term employees (%)	10	11	12
Fixed-term employees, women and men (%)	12 / 88	10 / 90	11/89
Relative share of employees working part-time, women and men (%)	19 / 2.9	17.5 / 3.1	16.1 / 2.3
Nationalities	49	47	51
Average duration of employment (years)	10.5	10.6	11
Voluntary attrition (%)	11	12	-
Age on average (years)	42.6	42.7	42.3
Employees that had performance development discussions during the year (%), of the respondents in employee survey	n/a*	75	n/a*
Participants in training events (management and leadership, safety and occupational trainings and educations) (total number)	33,000	20,300	13,290
Training events (total number)	3,900	3,900	5,767

*Collected every two years

	2018	2017	2016
Response rate in personnel survey, share of all employees (%)	n/a*	79	n/a*
Sick leave rate (hours of absence/total available hours), %	4.5	4.1	4.1
Accident frequency rate (number of occupational accidents resulting in absence per a million work hours)	5.2	5.7	6.3
Fatal accidents (total number)	0	0	0
Employees covered by collective bargaining agreements, of total %	82	81	69



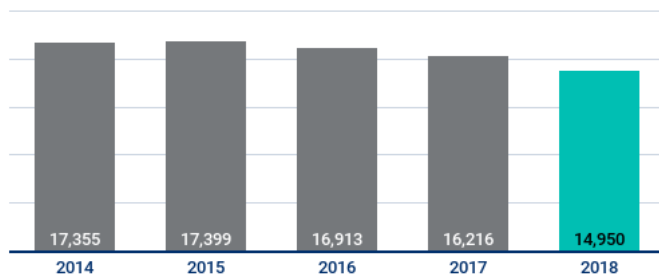
Changes in personnel in 2018

In 2018, Caverion's personnel decreased by 8%, or 1,266 employees. The number of personnel decreased the most in Division Industrial Solutions and Division Eastern Europe.

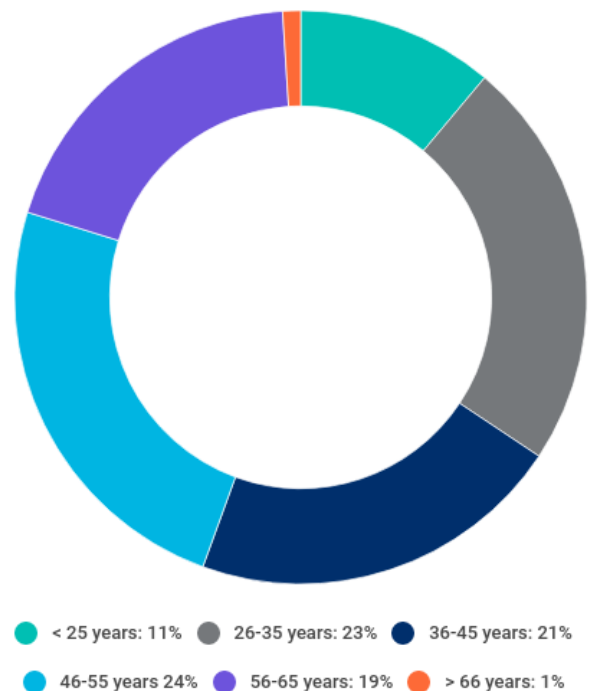
In some core capability areas, we continued to hire and train personnel to strengthen our competences and replace resigning or retiring employees. In total, we concluded 1,740 permanent new recruitments during 2018. We also acquired new competences through an acquisition of Jetitek Oy. Jetitek (+54 employees) is a Finnish service company specialised in energy-efficient cooling solutions. Further, Caverion sold the project piping, tank business, and in addition Leppävirta and Ylivieska workshops of the Industrial Solutions division (-354 employees).

In December 2018, Caverion announced that it will sell its operations in Poland and Czech Republic. These countries have been very small markets for the company, and the divestments are the next step of our strategy aiming to focus on our core businesses in our main market areas. After the divestments are complete, Caverion will have operations in 10 countries.

Personnel at year's end, 2014-2018



Age distribution





Developing the best workplace

We are enhancing common Caverion culture and good foundation for the best workplace. In 2018, we strengthened our employer image with several development actions.

Caverion Values and Leadership Principles

Caverion values illustrate our everyday working life and cooperation. The values form the base of Caverion culture. In the past, we have defined four values that form the shared foundation of our business practices: Step Ahead, Cooperation, Responsibility, and High Performance. They provide orientation for all of our employees.

Our leaders, in particular, are responsible for living our values on a daily basis, making the values more than just empty slogans. Caverion Leadership Principles were defined collaboratively with more than 100 executives in 2017 in order to crystallise what kind of leadership is valued in our company. The Principles are derived from our values, but also strategy work and Spirit Engagement Survey results were considered when defining them. The results were distilled into three key dimensions of leadership, tailored to our needs today and for the execution of our strategy.

The Leadership Principles guide all our leaders as they lead our people and shape our strategy, culture and organization. They describe how leadership should be interpreted and perceived. Bearing in mind our values, we need leaders who are able to lead themselves, lead teams and lead business.

Renewed way to listen to our employees

The Caverion-wide engagement survey, Caverion Spirit, takes place every other year, last time in 2017. We want to make sure that our employees have an opportunity to give their view and feedback on regular basis. In 2018, we piloted a so-called Pulse survey, which is a lighter version of an engagement survey.

With pulse surveys, we aim to ensure that:

- We listen to employees and improve engagement.
- We stay on track and all critical areas are identified.
- Our line managers know what areas still need more attention.

Pulse can track the same item over time between the broader annual surveys. The set of questions will stay quick and easy to complete. For example, leaders can measure the progress of strategical focus areas and how our strategy is understood and implemented.

The first Pulse survey took place in autumn 2018 with 10 questions. 6,121 employees from different parts of Caverion shared their views on this Pulse – a response rate of 59%.

The key findings from the Pulse were that:

- Our People enjoy their work (76% positive) and are motivated to use their full potential (79% positive).
- Our managers could give more feedback as well as focus more on other people management issues.

Based on the pilot feedback, we will continue the Pulse surveys during 2019.

Collaboration on international level

The EWC (European Works Council) agreement forms the basis for international cooperation within our company. The objective is to promote cooperation, the dissemination of information and the exchange of opinions between the Group's management and personnel. The EWC convenes three times a year in varying compositions.

The EWC is a well-functioning and appreciated forum that develops and sustains our collaboration between the company and its employees, on the local, national and European level. Caverion's EWC meeting was held in Helsinki in June 2018 and was attended by 21 personnel representatives from Finland, Sweden, Norway, Denmark, Germany, Austria, Poland, Estonia, and Lithuania, and Group's management.

Right people in right places

As people are at the heart of our business strategy and success, we need to be able to attract and retain the right people and offer them an interesting and motivating working environment as well as opportunities to learn through interesting job assignments.

Our employees' positive experiences form the basis of our employer image. In addition, we promote Caverion by being active on social media, attending recruitment fairs in educational institutions, arranging student excursions and hackathon events for innovations, and taking part in various campaigns that increase awareness of our industry, our company and our way of working. We always aim to recruit the most qualified and suitable professionals.

For example in Sweden, we have been focusing on employer branding activities by utilising the opportunities enabled by digitalisation. We had several actions to improve the visibility on social media to better reach and attract the target groups for our open positions.

Opportunities for students

In 2018, we employed approximately 1,000 summer workers, apprentices, thesis students and trainees.

Trainee programmes and thesis cooperation give us a great opportunity to be involved in the professional development of young students. In fact, trainee programmes constitute an important channel of recruitment for Caverion. Many of our best professionals first joined the company as trainees.

In many of our operating countries, such as Germany and Austria, apprenticeship is a common way of providing young people with trainee jobs. Apprenticeships involve alternating periods of study and work, and their duration is typically three to four years. For example in Sweden, Caverion has an official apprenticeship programme for electricians. It includes education within the profession at a workplace. In Norway, Caverion has a long tradition of being an apprenticeship company for students in a vocational school and each year approximately one hundred apprentices are hired by Caverion.

In order to develop education in our industry, we support cooperation with schools and institutes of higher education. Some of our employees even give classes at educational institutions. In particular, we cooperate with vocational schools and universities of applied sciences in engineering.



We employed approximately 1,000 summer workers, apprentices, thesis students and trainees.



In 2018, we organised a total of 3,900 training events.

Encouraging professional growth

Caverion encourages its employees to pursue professional growth and supports them in learning and developing their skills further. The company uses the 70/20/10 model, which is based on the assumption that 70% of learning takes place on the job, 20% comes from learning from others, and 10% comes from development programmes.

Caverion uses a performance development process to set individual strategy-related targets and development plans for all employees. The performance development process provides an opportunity, for both managers and employees, to give and receive feedback on performance, cooperation and leadership. As part of the performance development process, every person is expected to do an individual development plan to develop their current and future competences.

In 2018, we organised a total approximately 3,900 training events, which had 33,000 participants. Safety training programmes had approximately 17,500 participants whereas technical discipline, general skills training and education programmes approximately 14,500 participants. The high increase in participants is due to the introduction of several e-learning modules in 2018.

We have the e-learning module “Welcome to Caverion” to give an overview of our business, culture and ways of working. All new Caverion employees complete this course at the beginning of their employment.

Because of the General Data Protection Regulation (GDPR) that became effective 25 May 2018, courses covering general knowledge of GDPR and role based materials were rolled out throughout the company.

In 2018, one of the key areas has been project management competence development. Based on the competence survey from 2017, we have developed a training portfolio for our project managers in all divisions. Seven out of nine training modules were ready by the end of 2018. All divisions have started to roll out the development activities. The focus of the trainings is on customer service, finance, efficient project management, and contract management, among others. Training materials consists of classroom trainings, e-learnings and facilitative discussion templates.

The rest of the training modules will become available during Q1/2019. We have also started to develop a model to measure the impact of trainings and the sustainability of new way of working and level of competencies.

Developing inspirational leadership

Inspirational leadership is a critical success factor for Caverion to succeed at strategy execution. In constant change, it is very important to be clear about a manager's role and responsibilities, to be clear about personal goals and to ensure team success. The three dimensions of leadership – Lead Yourself, Lead Business and Lead People – together with our Leadership Principles are the backbone of our leadership model. We continued to communicate our principles guiding our leaders. The Principles describe how leadership should be interpreted and put into action in the daily work. Every leader should take the opportunity to use these principles to examine their leadership qualities and to improve their own leadership skills.

The three leadership dimensions

Lead yourself creates a foundation for leadership. This means that our leaders act as a role model in everything they do, such as demonstrating high ethical and moral standards, communicating openly and honestly and respecting other people.

Lead business is a crucial part of leadership, concerning planning, proactive information sharing and continuous quality, and cost-consciousness in everything we do. Every leader succeeds only through their team.

When **leading people**, it is important to drive individual strengths and to empower people to work together, to reach their goals and to collaborate actively within Caverion.

Active training and coaching

During 2018, we organised various types of training, workshops and coaching events to develop leadership throughout Caverion. These events had a total of 2,100 participants.

The three dimensions of leadership – Lead yourself, Lead Business and Lead People – together with Leadership Principles were the backbone for our leadership training contents during 2018. We continued to introduce the Leadership Principles to all leaders through local leadership trainings throughout the year and in our quarterly line manager newsletters.

A new group-wide self-leadership programme, Mirror, was piloted during autumn 2018 with 21 Caverion managers and specialists from different divisions. This programme was designed to grow mindful and empathetic leaders through self-awareness. Another target was to improve competencies to lead in an uncertain world and to strengthen communicative and collaborative leadership.

In Norway, we developed a One Step Ahead leadership development programme with twelve intensive classroom training days. During 2018, almost 100 Norwegian managers participated in the programme. The programme was built around the need of better leadership skills and Caverion strategy and leadership principles. The Head of Division Norway and the whole division management team were involved in the training. In Finland and in Division Industrial Solutions, we continued



to roll out the Caverion-wide Leadership Safari programme. In addition, we organised several other local leadership development programmes during the year in different divisions.

The Caverion-level leadership development programme for new leaders, License to Lead, was developed during 2018, and implementation will start at the beginning of 2019 in all divisions.

Rewarding

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

The basis of remuneration at Caverion is a fixed base salary, which is based on job responsibilities, requirements and experience as well as local market benchmark. Management and most of the salaried employees are included in a performance based Group short-term incentive, project incentive or service incentive plan. Short-term incentives are typically paid annually and are subject to achievement of the targets.

Performance and development discussions, including target setting and results review, as well as continuous feedback are an integral part of our management system and drive the strategy implementation and achievement of the key targets. Through this process all Caverion employees gain understanding of how they can contribute to Caverion success, what is expected of them and how they can develop their competences and performance.

Caverion also has long-term incentive plans that are targeted to selected key employees. The aim is to align the interests of the shareholders and the senior management and key employees in order to promote shareholder value creation and to commit the key senior management to the company and its strategic targets and to offer them a competitive reward plan based on the ownership of the company's shares. Commencement of each plan is approved separately by the Board of Directors.

Read more about the topic in our Remuneration Statement 2018.

Golden Helmets for best strategy executors

In 2018, Caverion continued the Golden Helmet tradition. Through company-wide Golden Helmet recognition, we want to award our best strategy executors of the year. The awards are given to four individuals or teams who have done extraordinary and excellent work for Caverion. In the first round our employees suggested local nominees for each category and final winners were chosen by a group of Caverion management members.


The activity among employees for nominating candidates was on a high level and resulted in a total of 147 suggestions.

The final winners 2018 in the different categories were:

- Excellent customer experience: Manfred Hartl, Germany
- Best Solutions: Botnia Mill Service Electricity and automation team, Finland
- Top performance at every level: Residential housing manager Gunnar Hansen and his team, Norway
- Winning team: Project manager Per Morten Rostille and his team, Norway

This year also two special awards were given:

- Top performance at every level: Stockholm Security Johan From and his team, Sweden
- Best solutions: Intranet 2018 Project group, cross-divisional project group



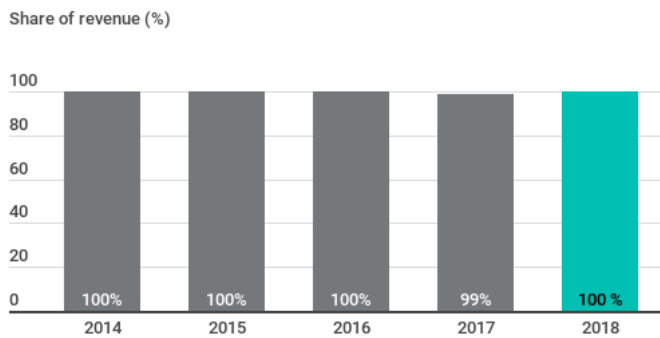
The Golden Helmets awards are given to individuals or teams who have done extraordinary work for the company.

COMPLIANCE AND ECONOMIC RESPONSIBILITY

Economic responsibility

We contribute to our surrounding society in many different ways. Caverion applies high quality standards. 100% of Caverion business is ISO 9001 quality certified.

ISO 9001 certified business



As a stock listed company, it is our duty to be a profitable investment for our owners. However, we operate in a sustainable way. The satisfaction of our customers and well-being of our employees and the surrounding environment and society are important to us.

Read more about our value creation on page 3.

Sponsorship guidelines

Caverion is committed to doing business transparently and responsibly, and Caverion sponsorship guidelines and instructions reflect this. The guidelines also reflect company values and compliance with the Code of Conduct. Caverion updated its sponsorship guidelines and instructions in 2017.

Sponsorships must never be given in order to gain an advantage in a specific business transaction or opportunity. Sponsorships must not be used as a means of concealing bribery, and nobody employed by or acting on behalf of Caverion may agree to offer or give any contribution that may be construed as a bribe, either directly or indirectly through a third party.

Caverion does not make financial contributions to political parties or groups or to individual politicians.

Respecting human rights

In accordance with Caverion's Code of Conduct, Caverion does not allow any kind of discrimination related to age, gender, nationality, social status, religion, physical or mental disability, political or other opinions, sexual orientation, or any other factor. Caverion's Code of Conduct also guides actively towards improved equality and promotes gender equality and diversity. Human rights arising out of international treaties are respected. Caverion applies a zero tolerance approach to discrimination, harassment, or any unlawful action.

Code of Conduct guides our actions

All Caverion employees are expected to follow the company's Code of Conduct and other Caverion Guidelines adopted by Caverion as well as all applicable laws and regulations. It defines our way of working with different stakeholders.

The Code of Conduct defines also 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. We will without delay take the necessary measures if signs of illegal or unethical action are detected in our business operations or supply network.

We have a web-based reporting channel through which employees can confidentially report their observations of suspected misconduct. In addition, reports can be submitted via a dedicated email. The President and CEO of Caverion has made a clear statement that actions against persons making bona fide reports in the ethical reporting channel will not be tolerated.

In 2019, Caverion will roll out another round of common Code of Conduct e-learning for all Caverion people.

The Compliance and Ethics Team promotes operations according to the Code of Conduct. In 2018, the Compliance and Ethics team comprised the President and CEO of Caverion Corporation, the Head of Group Legal & Governance, the Head of Group HR, and the Chief Compliance Officer.

Equal treatment for all

In accordance with our Code of Conduct, we are a responsible and fair employer and we do not permit discrimination of any kind, whether relating to age, gender, national and social origin, religion, physical or mental disability, political opinion or sexual orientation.

Although our industry has traditionally been male-dominated, we want to play our part in making it more attractive to women as well. In 2017, we started the Caverion Diversity Network (CDN) as a pilot in Germany. The network's goal is to drive gender and other diversity by supporting the personal and career development of our employees. Caverion wants to position itself as an attractive employer for all talents, regardless of gender, cultural or ethnical background.



In addition to the network framework created in 2017, including lectures and talks, reintegration support for employees returning from parental leave, e-Learnings, and a very successful mentoring programme, the German business also signed the “Diversity Charta”, an initiative by the German federal government. Members commit themselves to pursuing clear strategic and tactical steps towards an increasingly diverse working environment. Also, Caverion once again participated in the German national “Girl’s Day” initiative aimed at 12–16 year olds – the goal of this initiative is to present technical jobs and apprenticeship opportunities as attractive career paths for young women.

In 2018, women’s share of our personnel remained on par with the previous year: Women made up 11% of our entire personnel (2017: 11%). At the end of 2018, in our Group Management Board, 15% (14%) were women and in Board of Directors their share was 13% (25%).

Against corruption and bribery

The Code of Conduct clearly sets out Caverion’s policy on corruption and bribery: Caverion applies a zero tolerance approach to corruption, bribery, anti-competitive practices, discrimination, harassment, or any unlawful action.

The following principles guide Caverion’s relationship with its suppliers, subcontractors, and other business partners:

- Caverion does not tolerate any forms of bribery or other illegal payments in the relationships with its suppliers, subcontractors, and other business partners.
- Caverion does everything in its power to prevent bribery, corruption, and white collar crimes.

Caverion supports open and fair competition in all its markets. Caverion complies with the applicable competition legislation in every activity and avoids situations where there is a risk that

competition regulations could be breached. Caverion monitors its anti-bribery policies by investigating all reports made through its ethical reporting channel. The channel is a web-based whistle-blowing tool and available for all Caverion personnel. The anonymous whistle-blowing channel has been in use since 2013, and all reports and allegations are investigated by the Group’s compliance organisation. In addition, reports can be submitted via email. The right and obligation to report any misconduct is supported by the non-retaliation policy set out in the Code of Conduct. Caverion has a zero tolerance approach to any corruption or bribery.

Caverion has several standard control processes aimed at preventing identified risks of anti-corruption and bribery from materialising. These processes are part of the sales and execution phases of projects and the sales and delivery phases of services. They include checks and controls (for example monitoring, reviews, due diligence measures, and approvals) in tender preparation and procurement activities. Caverion has established a Compliance Programme that includes clear milestones in order to ensure that all business of Caverion is conducted legally, ethically, and in a compliant manner.

Caverion has furthermore established a Group-level Compliance unit headed by the Chief Compliance Officer and consisting of a compliance network. The role of the compliance network is to enhance a culture of integrity and responsibility and build leadership capabilities by rolling out the Caverion Compliance Programme to local teams and functions. This includes a focus on raising awareness through compliance training.

In addition, Caverion has reviewed its Group-level policies, instructions, and guidelines and re-established them in a structured manner under the name “Caverion Guidelines”. Caverion operates a Group’s Ethics & Compliance Committee consisting of top management representatives and the Chief Compliance Officer. The CEO has made a clear statement that no actions will be tolerated against persons making bona fide reports through the ethical reporting channel.

SUPPLY CHAIN

Suppliers play a significant role in the supply chain of Caverion as most of the technical systems and solutions designed and installed by Caverion include components, materials or services purchased from suppliers. With continuous consolidation of purchases to the selected suppliers, Caverion has further improved its grip on the supply base in 2018.

Purchasing from best suppliers

Caverion's procurement is based on a centrally led category management model covering both direct and indirect materials and services. Our procurement organisation is built on multi-skilled professionals working on a matrix environment and aligned with the divisions. Economies of scale are captured by utilising Group-wide best practices and purchasing from the best suppliers following common procedures.

Caverion has several common suppliers serving the Group's demand throughout our operating countries. Major part of purchasing is done locally in our operating countries using the selected suppliers. Due to business demand, we put high value to the close location of our suppliers and their ability to react rapidly to changing business demands. As a result, the majority of our suppliers are located in the countries in which Caverion is operating.



Business ethics in supplier relationships

Caverion is aiming to build long-term relationships with its suppliers. All suppliers are treated equally and honestly following the applicable laws and regulations. We do not tolerate any forms of bribery or other illegal payments in the relationships with our suppliers. We regularly evaluate our suppliers, follow their performance, and assess potential risks. Caverion utilises a separate Supplier Code of Conduct with its suppliers.

According to the Supplier Code of Conduct, suppliers, subcontractors, and other business partners shall:

- Respect human rights arising out of international treaties, in particular the United Nations' Universal Declaration of Human Rights.
- Comply with fundamental conventions as defined by the International Labour Organization.
- Ascertain that its own suppliers comply with requirements that meet or exceed the requirements laid down in Caverion's Supplier Code of Conduct.

Caverion operates primarily in developed, transparent markets. Potential risks relate to the uncertainty or unawareness of how subcontractors conduct their daily business. The risks of breach in the area of human rights are predominantly located further away in Caverion's supply chain. Caverion has a web-based reporting channel through which its employees can confidentially report their observations of suspected misconduct. In addition, reports can be submitted via email that is read by the Chief Compliance Officer.

Caverion's Supplier Code of Conduct was revised in September 2018. Implementation of the revised version started already during the last quarter of 2018 and will continue during 2019. At the end of 2018, around half of Caverion's total spend was already covered by the Supplier Code of Conduct. In addition, there are some supplier relationships in which the business ethics and standards are governed by the supplier's Code of Conduct that meets Caverion's requirements.

GRI INDEX

	Disclosure Number	Disclosure Title	Location of Disclosure	Note
GRI 102: General Disclosures 2018	102-1	Name of the organisation	Annual review (AR) 2018 page 2	Caverion Corporation
	102-2	Activities, brands, products, and services	AR 2018 page 2	
	102-3	Location of headquarters	AR 2018 page 2	
	102-4	Location of operations	AR 2018 page 3	
	102-5	Ownership and legal form	AR 2018 page 16	
	102-6	Markets served	AR 2018 page 2	
	102-7	Scale of the organisation	AR 2018 page 3	
	102-8	Information on employees and other workers	AR 2018 page 3	
	102-9	Supply chain	Sustainability review (SR) 2018 page 24	
	102-10	Significant changes to the organisation and its supply chain	AR 2018 page 14	
	102-11	Precautionary principle or approach	AR 2018 page 64	
	102-12	External initiatives	SR 2018 page 6	
	102-13	Membership of associations	SR 2018 page 6	
	102-14	Statement from senior decision-maker	AR 2018 page 4	
	102-15	Key impacts, risks, and opportunities	AR 2018 page 7, 14	
	102-16	Values, principles, standards, and norms of behavior	Caverion website	www.caverion.com/about-us/caverion-in-brief/strategy
	102-18	Governance structure	Caverion website	www.caverion.com/investors/corporate-governance
	102-40	List of stakeholder groups	SR 2018 page 3	

	Disclosure Number	Disclosure Title	Location of Disclosure	Note
	102-41	Collective bargaining agreements	SR 2018 page 16	
	102-42	Identifying and selecting stakeholders	SR 2018 page 3	
	102-43	Approach to stakeholder engagement	SR 2018 page 3	
	102-44	Key topics and concerns raised	SR 2018 page 4	
	102-45	Entities included in the consolidated financial statements	AR 2018 page 26	
	102-46	Defining report content and topic Boundaries	SR 2018 page 5	
	102-47	List of material topics	SR 2018 page 4	
	102-48	Restatements of information	-	No restated information
	102-49	Changes in reporting	SR 2018 page 6	
	102-50	Reporting period	SR 2018 page 6	
	102-51	Date of most recent report	-	21.2.2018
	102-52	Reporting cycle	SR 2018 page 6	
	102-53	Contact point for questions regarding the report	In the back cover	sustainability@caverion.com
	102-54	Claims of reporting in accordance with the GRI Standards	SR 2018 page 6	
	102-55	GRI content index	SR 2018 page 25	
	102-56	External assurance	SR 2018 page 6	

	Disclosure Number	Disclosure Title	Location of Disclosure	Note
GRI 103: Management Approach	103-1/2/3	Management Approach 301	SR 2018 page 5	
GRI 201: Economic Performance	201-1	Direct economic value generated and distributed	SR 2018 page 3	
GRI 205: Anti-corruption	205-1	Operations assessed for risks related to corruption	SR 2018 page 23	
	205-2	Communication and training about anti-corruption policies and procedures	SR 2018 page 23	
	205-3	Confirmed incidents of corruption and actions taken	AR 2018 page 20, SR 2018 page 23	
GRI 206: Anti-competitive Behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	AR 2018 page 20	
GRI 302: Energy	302-1	Energy consumption within the organization	SR 2018 page 10	
	302-2	Energy consumption outside of the organization	SR 2018 page 9	
	302-3	Energy intensity	SR 2018 page 12	
	302-4	Reduction of energy consumption	SR 2018 page 10	
	302-5	Reduction in energy requirements of products and services	SR 2018 page 9	
GRI 305: Emissions	305-1	Direct (Scope 1) GHG emissions	SR 2018 page 11	
	305-2	Energy indirect (Scope 2) GHG emissions	SR 2018 page 11	
	305-3	Other indirect (Scope 3) GHG emissions	SR 2018 page 11	
	305-4	GHG emissions intensity	SR 2018 page 12	
	305-5	Reduction of GHG emissions	SR 2018 page 11	

	Disclosure number	Disclosure Title	Location of Disclosure	Note
GRI 403: Occupational Health and Safety	403-1	Occupational health and safety management system	SR 2018 page 14	
	403-2	Hazard identification, risk assessment, and incident investigation	SR 2018 page 13	
	403-3	Occupational health services	SR 2018 page 14	
	403-4	Worker participation, consultation, and communication on occupational health and safety	SR 2018 page 14	
	403-5	Worker training on occupational health and safety	SR 2018 page 14	
	403-6	Promotion of worker health	SR 2018 page 14	
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	SR 2018 page 14	
	403-8	Workers covered by an occupational health and safety management system	SR 2018 page 14	
	403-9	Work-related injuries	SR 2018 page 13	
	403-10	Work-related ill health	SR 2018 page 14	
GRI 404: Training and Education	404-2	Programs for upgrading employee skills and transition assistance programs	SR 2018 page 19	
GRI 406: Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	SR 2018 page 22	
GRI 419: Socioeconomic Compliance	419-1	Non-compliance with laws and regulations in the social and economic area	SR 2018 page 22	

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