

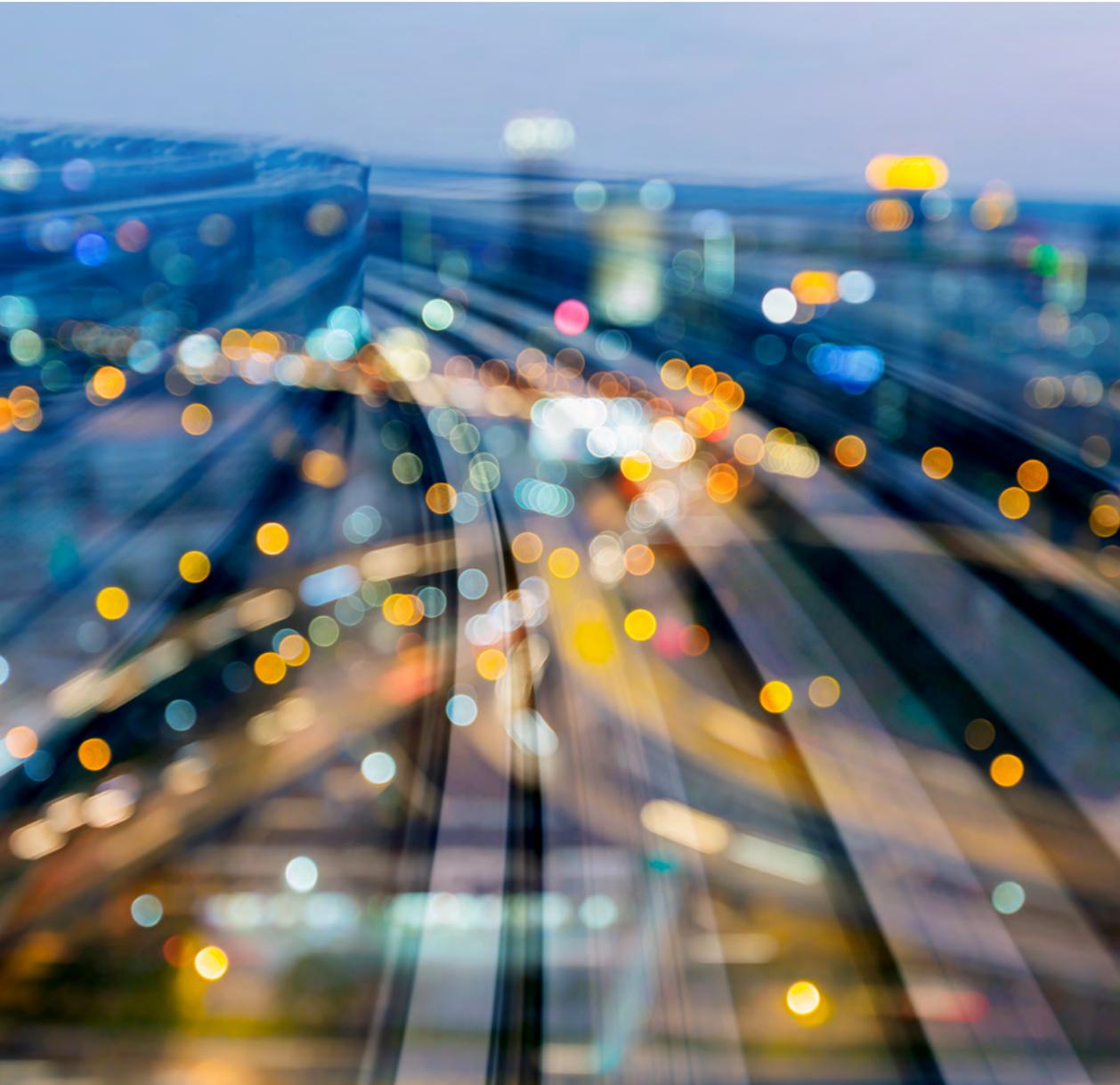
A young woman with vibrant blue hair and a black beanie is looking down at her smartphone. She is wearing a brown jacket. The background is a blurred city street at night with warm bokeh lights. In the top left corner, there is a blue diagonal banner with the word 'tieto' in white lowercase letters.

tieto

# CORPORATE GOVERNANCE STATEMENT 2018

**Towards a sustainable  
data-driven world**





## Governance

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# Corporate Governance Statement

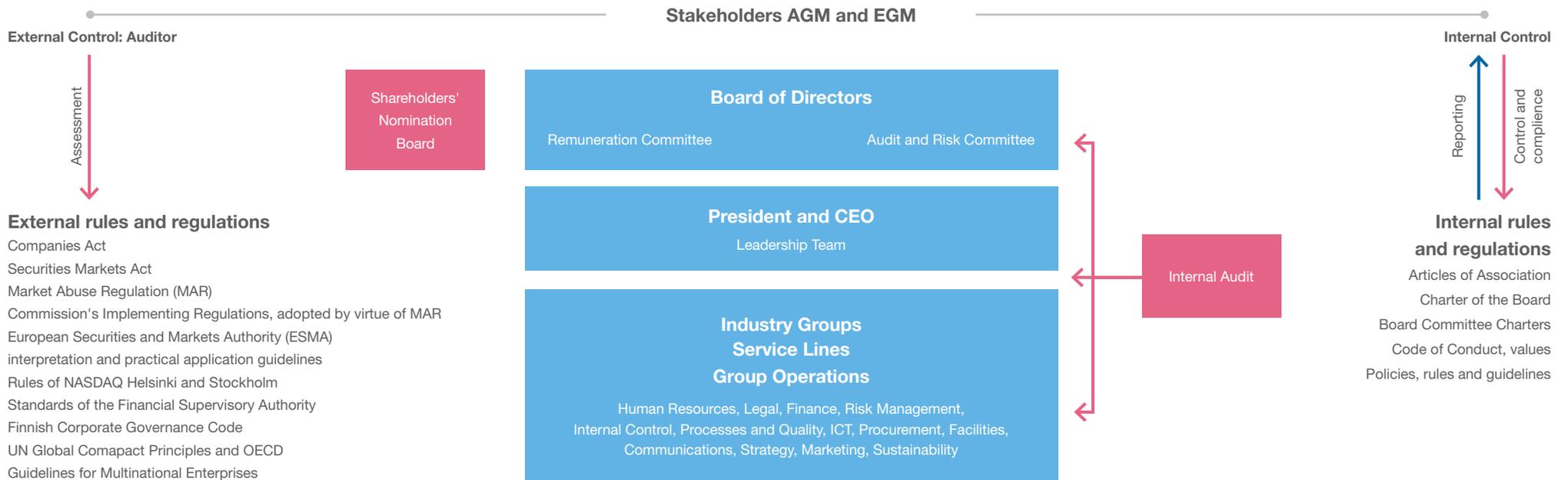
Tieto is committed to good corporate governance. In addition to the relevant legislation and rules of the Helsinki and Stockholm stock exchanges, Tieto complies with the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2015 with the exception of the appointment procedure for electing two personnel representatives to the Board of Directors (Recommendation 5) as described in detail in [The Board of Directors](#) section.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2015. The code is available at [www.cgfinland.fi](http://www.cgfinland.fi). This statement [link](#)

has been issued separately from the report by the Board of Directors and included in the Financial Review 2018. Tieto's Audit and Risk Committee has reviewed this statement.

This document and previous statements have been published on the company's website at [www.tieto.com/investors](http://www.tieto.com/investors). Updated and additional information is also available on the [link](#) website. The Governance section of the website provides further information on matters such as the Annual General Meeting, Articles of Association, Board of Directors, Leadership Team and auditors, as well as remuneration.

## GOVERNANCE AT TIETO



## Annual General Meeting

Tieto's supreme decision-making body is the Annual General Meeting (AGM). Every shareholder has a right to participate in the AGM and each share in Tieto entitles its holder to one vote. However, no shareholder is allowed to vote at a General Meeting with more than one fifth (1/5) of the votes represented at the meeting.

The AGM elects the members of the Board of Directors (including the Chairman) and appoints auditors, decides on their compensation and discharges the members of the Board and President and CEO from liability. The AGM's approval is required for option programmes as well as Board authorizations for share repurchases and share issues. The meeting also makes the decision on the Board's dividend proposal.

The following persons are present at Tieto's AGM:

- Board of Directors: Chairman, Board members and new Board member candidates
- Leadership Team: President and CEO, CFO
- Auditors

For more information regarding the AGM 2019 and previous meetings, shareholders and participation possibilities, please visit [www.tieto.com/agm](http://www.tieto.com/agm).

Tieto's AGM 2018

- In 2018, the AGM convened on 22 March at Tieto's headquarters in Espoo, Finland. Altogether 391 shareholders and 48 503 546 shares (65.4% of the total outstanding shares) were represented at the meeting.
- No Extraordinary General Meetings were held in 2018.

## Shareholders' Nomination Board

Tieto's AGM decided in 2010 to establish a Shareholders' Nomination Board (SNB), which is a body of shareholders responsible for preparing the proposals to the AGM for the election and remuneration of the members of the Board of Directors.

The SNB consists of five members. Four of the members represent the four major shareholders who on 31 August held the largest number of votes conferred by all shares in the company and who wished to participate in the nomination process. The fifth member is the Chairman of the Board of Directors of Tieto Corporation. The term of office of the SNB members expires when a new SNB has been appointed. The SNB itself is an organ that has been established for the time being. The charter of the SNB is available on the company's website at [www.tieto.com/investors](http://www.tieto.com/investors).

The SNB preparing the proposals to AGM 2019 consists of the following representatives announced by Tieto's shareholders:

### **Nominated by Cevian Capital Partners Ltd:**

Martin Oliw

Main occupation: Partner, Cevian Capital AB

Born: 1977

Nationality: Swedish

Education: MSc. (Econ.), MSc. (Eng.)

### **Nominated by Solidium Oy:**

Petter Söderström

Main occupation: Investment Director, Solidium Oy

Born: 1976

Nationality: Finnish

Education: MSc. (Econ.)

**Nominated by Ilmarinen Mutual Pension Insurance Company:**

Mikko Mursula

Main occupation: Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company

Born: 1966

Nationality: Finnish

Education: MSc. (Econ.)

**Nominated by Elo Mutual Pension Insurance Company:**

Satu Huber

Main occupation: Chief Executive Officer, Elo Mutual Pension Insurance Company

Born: 1958

Nationality: Finnish

Education: MSc. (Econ.)

**Representing the Board of Directors of Tieto Corporation:**

Kurt Jofs

The SNB decided that Martin Oliw shall act as Chairman. The SNB convened three times and provided Tieto's Board of Directors on 22 January 2019 with its proposals for the AGM 2019. The SNB proposes to the Annual General Meeting that the Board of Directors shall have eight members and that the current Board members Kurt Jofs, Harri-Pekka Kaukonen, Timo Ahopelto, Liselotte Hågertz Engstam, Johanna Lamminen and Endre Rangnes be re-elected and in addition, Tomas Franzén and Niko Pakalén are proposed to be elected as new Board members. Jonas Synnergren has informed that he is not available for re-election. The Shareholders' Nomination Board proposes that Kurt Jofs shall be re-elected as the Chairman of the Board of Directors.

The biographical details of the candidates and information on their holdings in Tieto are available on the company's website at [www.tieto.com/cv](http://www.tieto.com/cv). 

The Shareholders' Nomination Board proposes that the remuneration of the Board of Directors will be annual fees as follows: EUR 98 000 (current EUR 91 000) to the Chairman, EUR 58 000 (current EUR 55 000) to the Deputy Chairman and EUR 38 000 (current EUR 36 000) to the ordinary members of the Board of Directors. The same fee as to the Board Deputy Chairman will be paid to the Chairman of Board Committee unless the same individual is also the Chairman or Deputy Chairman of the Board. In addition to these fees it is proposed that the Deputy Chairman and ordinary members of the Board of Directors be paid EUR 800 for each Board meeting and for each permanent or temporary committee meeting. It is the company's practice not to pay fees to Board members who are also employees of the Tieto Group.

The Shareholders' Nomination Board is of the opinion that increasing long-term shareholding of the Board members will benefit all the shareholders. Every member of the Board of Directors is expected to over a five year period accumulate a shareholding in Tieto that exceeds his/hers one-time annual remuneration. The Shareholders' Nomination Board therefore proposes that part of the fixed annual remuneration may be paid in Tieto Corporation's shares purchased from the market. An elected member of the Board of Directors may, at his/her discretion, choose to receive the fee from the following five alternatives:

- (i) No cash, 100 percent in shares
- (ii) 25 percent in cash, 75 percent in shares
- (iii) 50 percent in cash, 50 percent in shares
- (iv) 75 percent in cash, 25 percent in shares, or
- (v) 100 percent in cash, no shares.

The shares will be purchased in accordance with an acquisition program prepared by the company. If the remuneration cannot be paid in shares due to insider regulation, termination of the Board member's term of office or other reason relating to the member of the Board, the remuneration shall be paid fully in cash.

# The Board of Directors

It is the general obligation of Tieto's Board of Directors to safeguard the interests of the company and its shareholders.

## Composition and election of Tieto's Board of Directors

According to Tieto's Articles of Association, the Board of Directors shall consist of at least six and no more than twelve members. Board members have a term of office of one year, expiring at the closing of the first AGM following the election.

The company has defined as an objective that in addition to professional competence, Tieto's Board members shall be diversified in terms of gender, occupational and professional background and that the Board as a group shall have sufficient knowledge of and competence in, inter alia, the company's field of business and markets.

The SNB, which consists of representatives nominated by the company's largest shareholders, prepares a proposal on the composition of the Board to be presented to the AGM for its decision. In addition to the Board of Directors having established the diversity principles and included them in the Board charter, the company has taken steps to ensure that the principles have been included in the charter of the SNB and taken into account in the candidate search. The ratio of gender diversity of the members elected by the AGM has remained stable since 2012 and been either 2:6 or 2:5 (approximately 29% female and 71% male members).

In addition to the members proposed by the SNB and elected by the AGM, Tieto's personnel elects two members and two deputy members to the Board of Directors. The term of office for the personnel representatives is two years. This special appointment procedure is a departure from Recommendation 5 "Election of the Board of Directors" of the Corporate Governance Code 2015. Personnel representation is based on the Finnish Act on Personnel Representation in the Administration of Undertakings and was originally agreed between Tieto Corporation and the personnel of the Group by way of a Personnel Representation Cooperation Agreement in 2001.

The objectives of personnel representation are, inter alia, to provide opportunities for the personnel to influence and affect the organization, to improve communication and decision making within the Group, to increase mutual trust and confidence between corporate management and the personnel as well as to increase and develop the feeling of security among the personnel. The personnel representatives, however, are not entitled to participate in the handling of matters that concern the appointment or dismissal of corporate management, the contractual terms of the management, the terms of employment of staff or matters related to industrial actions.

**Board of Directors as at 31 December 2018**

Name	Born	Nationality	Education	Main occupation
Kurt Jofs (Chairman)	1958	Swedish	MSc. (Eng.)	Entrepreneur, investor and Board member
Harri-Pekka Kaukonen (Deputy Chairman)	1963	Finnish	DSc. (Tech.)	Professional Board member
Timo Ahopelto	1975	Finnish	MSc. (Tech.)	Entrepreneur, investor and Board member
Liselotte Hågertz Engstam	1960	Swedish	MSc. (Civ. Eng.)	Expert advisor, Board member
Johanna Lamminen	1966	Finnish	DSc. (Tech.), MBA	CEO, Gasum Ltd
Endre Rangnes	1959	Norwegian	BBA (Econ.)	Professional Board member
Jonas Synnergren	1977	Swedish	MSc. (Econ.)	Partner, Cevian Capital AB
Esa Koskinen (Personnel representative)	1955	Finnish	MSc. (Econ.)	Test Engineer
Robert Spinelli (Personnel representative)	1957	Swedish	General Data Processing	Customer Executive

**Independence and attendance at Board and its committees' meetings in 2018**

Name	Member since	Independent of the company	Independent of shareholder	Board	Audit and risk committee	Remuneration committee	Temporary committees
Kurt Jofs	2010	yes	yes	15/15		8/8	
Harri-Pekka Kaukonen	2016	yes	yes	15/15	7/7		6/6
Timo Ahopelto	2017	yes	no	15/15	5/7		6/6, 1/1
Liselotte Hågertz Engstam <sup>1)</sup>	2018	yes	yes	13/13	6/6		6/6
Johanna Lamminen	2016	yes	yes	14/15	1/1	5/5	6/6, 1/1
Sari Pajari <sup>2)</sup>	2012	yes	yes	2/2		3/3	
Endre Rangnes	2014	yes	yes	14/15		8/8	1/1
Jonas Synnergren	2012	yes	no	15/15	7/7		1/1
Jonas Wiström <sup>2)</sup>	2017	yes	yes	2/2		2/3	
Esa Koskinen	2014	no	yes	15/15			
Anders Palkint <sup>3)</sup>	2014	no	yes	2/2			
Robert Spinelli <sup>4)</sup>	2014	no	yes	13/13			

<sup>1)</sup> Board member as from 22 March 2018.

<sup>2)</sup> Board member until 22 March 2018.

<sup>3)</sup> Personnel representative until 22 March 2018.

<sup>4)</sup> Personnel representative as from 22 March 2018. Prior to that, he served as the deputy member.

All Board members elected by the AGM of Tieto are independent of the company and five out of seven members are independent of the company's significant shareholders. The independence of the members is evaluated at the Board's constitutive meeting. The Board members shall inform the Board if any changes in these circumstances occur, in which case their independence will be re-evaluated.

More detailed background information regarding the Board members, such as working experience, past and present positions of trust and the Remuneration Statement, is presented on the company's website at [www.tieto.com/investors](http://www.tieto.com/investors). 

## Tasks of Tieto's Board

The main duties and working principles of the Board have been defined in a written charter. Additionally, the work of the Board is based on an annual action plan.

More specifically, the Board:

- approves the company's values, strategy and organizational structure
- defines the company's dividend policy
- approves the company's annual plan and budget and supervises their implementation
- monitors management succession issues, appoints and discharges the President and CEO
- decides on the President and CEO's compensation, sets annual targets and evaluates their accomplishment
- decides on the compensation of the President and CEO's immediate subordinates
- addresses the major risks and their management at least once a year
- reviews and approves interim reports, annual reports and consolidated financial statements
- reviews and approves the company's key policies
- is accountable for guiding the organization's strategy on environmental and social topics

- meets the company's auditors at least once a year without the company's management
- appoints the members and Chairmen of the Board's committees and defines their charters
- reviews assessments of its committees as well as the President and CEO
- evaluates its own activities.

## Work of Tieto's Board

The Board has scheduled meetings every one to two months. Besides the Board members, the meetings are attended by the President and CEO, Chief Financial Officer (CFO) and General Counsel, who acts as secretary of the meetings. In addition to the scheduled meetings, the Chairman shall convene the Board whenever needed as well as at the request of any of its members or the President and CEO.

Matters to be handled are prepared by the Board committees and the President and CEO. The Board receives information on the company's financial performance monthly and more detailed financial reports quarterly. Any material related to issues to be handled by the Board is provided four days prior to the meeting. Other case-specific materials are delivered at the management's initiative or the Board's request. Board members shall be informed about all significant company events immediately.

## Work of Tieto's Board in 2018

- The Board convened 15 times in 2018 and the average attendance was 98.8%.
- The Board met five times during the year without the management present.
- The Board held one joint meeting with the auditors.
- The Board met the auditors once without the presence of the management.

## Assessment of the Board

The performance of Tieto's Board is assessed annually; the latest assessment was carried out together with an external consultant in late 2018. Assessments review the Board's knowledge of the company's operations and management as well as its understanding of the field of business.

Additionally, the effectiveness of the Board work is evaluated. The SNB is informed of the results, which are also taken into consideration when the Board draws up its next annual plan.

## Board committees

Tieto's Board is assisted by two permanent committees that prepare matters for which the Board is responsible. The Board defines the charters of the committees and decides on their composition. The Board establishes temporary committees whenever a subgroup is needed to prepare a specific topic. The entire Board remains responsible for the duties assigned to the committees.

## Remuneration Committee

The Remuneration Committee (RC) comprises at least three non-executive directors elected by the Board. The majority of the members shall be independent of the company. The head of Human Resources (HR) acts as secretary of the meetings.

In 2018, all committee members were non-executive directors who were independent of the company and of significant shareholders. Based on the Board's decision, the RC was composed of:

- Kurt Jofs (Chairman)
- Johanna Lamminen
- Endre Rangnes

The committee meets regularly and at least twice a year. The Chairman of the committee reports to the Board when applicable. The main tasks of the committee are to:

- monitor the targets of the compensation schemes, implementation of the compensation schemes, performance assessment and compensation determination
- ensure that the targets set for earning the bonuses defined in the compensation scheme are met
- prepare a proposal for the Deputy Chairman of the Board
- prepare a proposal on the committees (members and Chairmen, and the duties and responsibilities of the committees)
- monitor corporate governance
- prepare a compensation proposal concerning the President and CEO and his immediate subordinates, and the principles of personnel compensation
- prepare for the Board option schemes and other share-based incentive schemes
- evaluate the performance of the President and CEO
- prepare the assessment of the Leadership Team
- prepare a proposal on the Board's charter.

## Work of Tieto's RC in 2018

- The committee convened eight times in 2018 and the average attendance was 93.4%
- In addition to the normal responsibility within the scope of its Charter, the committee concentrated on reviewing, and developing remuneration of the company. The committee also followed the functioning of short and long-term incentive plans to ensure that they supported the achievement of the objectives.

## Audit and Risk Committee

The Audit and Risk Committee (ARC) comprises at least three non-executive directors who are independent of the company and out of whom at least one member shall be independent of the significant shareholders. The Chairman and the members are elected by the Board. At least one committee member must have expertise in accounting, bookkeeping or auditing. Tieto's Deputy General Counsel acts as secretary of the meetings.

In 2018, all committee members were non-executive directors who were independent of the company and two of them independent of significant shareholders. All members have extensive experience in corporate management and financial issues and therefore have the required expertise.

Based on the Board's decision, the ARC was composed of

- Harri-Pekka Kaukonen (Chairman)
- Timo Ahopelto
- Liselotte Hågertz Engstam
- Jonas Synnergren

The committee convenes regularly at least four times a year and meets the company's auditors, also without the company's management present. The Chairman of the committee reports to the Board when applicable. The main tasks of the committee are to:

- review and supervise internal control – particularly the financial reporting process – and risk management issues

- discuss and review the interim and annual reports and the consolidated financial statements
- assess compliance with legislation, official regulations and the company's Code of Conduct
- evaluate the sufficiency of internal control and the internal audit
- examine, assess and approve the internal audit plan
- assess the appropriate coverage of risk management and monitor the efficiency of risk management
- review significant risks and unusual business events
- prepare for the Board's decision a proposal for the AGM on the nomination of external auditors and their compensation
- evaluate the external auditors' independence, assess the audit plan and examine the audit reports
- monitor the statutory audit and consult with the auditors regarding matters that should be brought to the Board's attention.

## Work of Tieto's ARC in 2018

- The committee convened seven times in 2018 and attendance was 92.9%.
- In addition to its regular agenda, the committee followed up progress in project and delivery management and quality issues as well as arranged the statutory auditor selection process for financial year 2019.

## The President and CEO and operative management

Tieto Group's operative management consists of the President and CEO, the Leadership Team and the Industry Group, Service Line and Product Development Services (PDS) organizations. The Industry Solutions Service Line includes the New Data-Driven Businesses unit organized independently of other businesses.

The President and CEO is appointed by the Board and he is responsible for the Group's operative management, internal efficiency and quality.

The President and CEO is assisted by the Leadership Team, which includes the heads of Industry Groups and Service Lines, head of New Data-Driven Businesses, the CFO and the head of HR. Appointments of Leadership Team members are approved by the Chairman of the Board based on the President and CEO's proposal.

The Leadership Team members are accountable for the performance and development of their management areas and they supervise the operations of the units belonging to their areas. As a general rule, the business units in both management dimensions (Industry Groups, Service Lines and PDS) make their own operative decisions and are responsible for conducting their operative duties.

The Industry Group, Service Line and PDS organizations have a profit and loss responsibility. Further, the Leadership Team also monitors the company's sustainability performance and approves the sustainability goals in cooperation with the Board of Directors.

Members of the Leadership Team as at 31 December 2018

### **Kimmo Alkio**

President and CEO  
Born: 1963  
Nationality: Finnish  
Education: BBA and Executive MBA  
Joined the company in 2011

### **Håkan Dahlström**

Executive Vice President, Technology Services and Modernization  
Born: 1962  
Nationality: Swedish  
Education: MSc. (Eng.)  
Joined the company in 2014

### **Ari Järvelä**

Executive Vice President, New Data-Driven Businesses,  
Business Consulting and Implementation  
Born: 1969  
Nationality: Finnish  
Education: MSc. (Eng.)  
Joined the company in 2001

**Satu Kiiskinen**

Executive Vice President, Industrial and Consumer Services

Born: 1965

Nationality: Finnish

Education: MSc. (Econ.)

Joined the company in 2013

**Katariina Kravi**

Executive Vice President, Human Resources

Born: 1967

Nationality: Finnish

Education: LL.M., trained on the bench

Joined the company in 2012

**Tom Leskinen**

Executive Vice President, Product Development Services

Born: 1966

Nationality: Finnish

Education: LicSc. (Tech.)

Joined the company in 2013

**Cristina Petrescu**

Executive Vice President, Public, Healthcare & Welfare

Born: 1968

Nationality: Swedish

Education: MSc. (Computer Science)

Joined the company in 2002

**Janne Salminen<sup>1)</sup>**

Acting Chief Financial Officer

Born: 1964

Nationality: Finnish

Education: MSc. (Econ.)

Joined the company in 2009

**Christian Segersven**

Executive Vice President, Financial Services

Born: 1975

Nationality: Finnish

Education: MSc. (Tech.)

Joined the company in 2013

**Markus Suomi**

Chief Technology Officer

Born: 1971

Nationality: Finnish

Education: MSc. (Eng.)

Joined the company in 2018

The remuneration of the Leadership Team is presented in the tables of the [Remuneration Statement](#). More detailed background information, such as full CVs of the Leadership Team, is presented on the company's website at [www.tieto.com/investors](http://www.tieto.com/investors). 

<sup>1)</sup> Lasse Heinonen acted as the CFO until 17 July 2018. Tomi Hyryläinen started as the new CFO in February 2019.

# Internal control and risk management

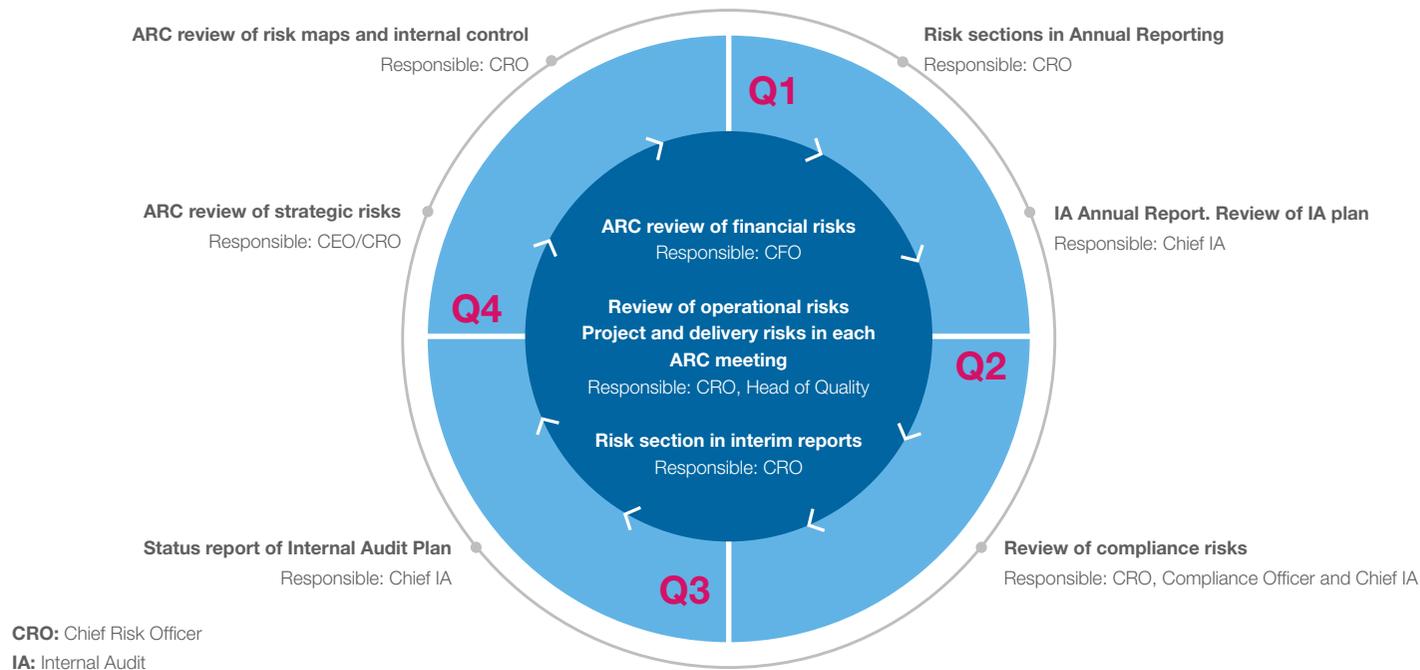
Tieto's internal control framework supports the execution of the strategy and ensures regulatory compliance. The foundation for internal control is set by the risk management framework, financial control, internal audit and supporting policies.

The aim of Tieto's internal control framework is to assure that operations are effective and well aligned with the strategic goals. The internal control framework is intended to ensure correct, reliable, complete and timely financial reporting and management information. The framework endorses ethical values, good corporate governance and risk management practices. The

activities related to internal control and risk management are part of Tieto's management practices and integrated into the business and planning processes.

## Risk Management Framework

Tieto uses systematic risk management to develop the efficiency and control of business operations as well as their profitability and continuity.



The risk management framework consists of the risk management organization, related policies, operating principles, processes and tools. The risk management organization develops and maintains the company's risk management framework, including risk reporting, risk management governance and follow-up of risk exposures consisting of strategic, financial, operational and compliance risks.

The risk management organization consists of a central group wide unit and virtual team, whose members are located in the different units.

Each process owner is responsible for the continuous development and improvement of the established procedures, including controls and risk management. The Chief Risk Officer (CRO) has the responsibility to arrange and lead Tieto's risk management. The Internal Audit (IA) assures the efficiency of the framework and risk management in business operations. The ARC monitors the adequacy of the company's risk management, financial control, and internal audit functions.

Tieto has also specified its compliance management system, including the compliance organization, steering model and annual plan for compliance-related activities. The Group Compliance Officer is responsible for ensuring the effectiveness and functionality of the governance model and coordinating the compliance work. In 2018, the existing Tieto internal Compliance Board was extended to include Privacy and Security and renamed to Privacy, Security and Compliance Board.

## Continuous development of the risk framework

During 2018 the main improvements were implementation and launch of Audit Management module to the GRC platform, also a new version of Privacy Risk Assessment module was implemented and launched during the year.

With the audit management system Tieto gets improved online visibility of the audits from planning to closure regarding scope, time plan, findings and reports to the stakeholders. The system covers Quality, Security, ISO, ISAE and both internal and external audits.

In addition, the company enhanced the Security incident management system that was introduced in 2017, to integrate it better to Tieto Internal SOC/CERT way of working.

The development of the risk management framework is carried out in close cooperation with Risk Coaches, Security Managers, Quality Partners and persons responsible for Privacy in the units and approved by the Tieto Leadership Team and validated by the ARC.

## Financial control

The purpose of internal control over financial reporting is to ensure the correctness of financial reporting, including interim and annual reports and the compliance of financial reporting with regulatory requirements.

The ARC has the oversight role in Tieto's external financial reporting.

## Financial reporting process and responsibilities

Tieto has a common accounting and reporting platform. Group consolidation and reporting are based on the reporting system, which facilitates common control requirements for all legal entities reporting to the Group. Tieto does continuous improvements to the common accounting and reporting platform to accommodate the internal needs and new regulatory requirements.

Financial reporting consists of monthly performance reports, including all the key performance indicators, rolling forecasts and interim financial reports.

Financial reports are regularly reviewed by Finance Partners in the units, the Leadership Team and the Board of Directors. The follow-up is based on a thorough comparison of the actual figures with the set objectives, forecasts and previous periods. If the figures deviate, the Leadership Team members are responsible for initiating corrective actions.

## Internal audit

Tieto's Internal Audit function carries out both business- and control-related audit activities.

Business audit activities aim to ensure the efficiency and appropriateness of Tieto's operations. Control-related audit activities are intended to assess and assure the adequacy and effectiveness of internal controls and the risk management framework within Tieto. Internal audits are planned and carried out independently but in coordination with other control functions and the external auditors. Audits can also be initiated due to escalations/whistleblowing, fraud attempts, misconducts or other breaches of laws or the company's policies and rules. Internal Audit reports to the Chief Financial Officer (CFO), the President and CEO and the ARC. The annual audit plan and the annual internal audit report are approved by the ARC.

## Major risks

Tieto has four risk categories: strategic, operational, financial and compliance risks.

Strategic risks are related to market volatility, IT market transformation to new technologies (including the rapid digitalization and automatization of society), change management, reskilling ability and speed, agility to respond to new entrants in the market, dependencies on few big customers in some business areas and ensuring delivery quality in the dynamic business environment.

Operational risks refer to changing the business model in business units, risk and continuity management, customer bidding and requirement analysis and maintaining a high professional standard in delivery management and quality assurance.

Financial risks mainly consist of credit risks, currency risks, interest rate risks and liquidity risks.

Compliance risks are connected to the organization failing to recognize or meet the requirements in the areas of legislation or other mandatory regulation (e.g. new General Data Protection Regulation, anti-corruption, anti-bribery, insider matters, sanctions and trade compliance), internal policies and rules or ethics and integrity.

Risks are aggregated by utilizing the corporate GRC platform, resulting in risk maps that are reviewed by Leadership Teams in the units and the ARC. Tieto's major risks and the measures for their mitigation are described below.

## Market volatility

Changes in the Nordic core markets have a direct effect on market conditions and result in volatility that might have a negative impact on Nordic market growth. Changes in the economic environment and customer demand can affect both business volumes and price levels, which might result in lower income or slower income growth than expected.

These potential impacts are partly mitigated through multi-year contracts for continuous services. Tieto also aims to maintain long-term business relations and to be a preferred supplier to its key customers, including full stack IT deliveries. The company executes tight cost and investment control with continuous investment performance monitoring, accompanied with a clear structure for decision rights, which are defined in the Operative Decision Making and Authority Policy and Leadership Team Member Delegation Rights Rule.

Global service capabilities, cross-selling and tough price competition are the main drivers in the IT sector for the development of the global delivery model. Tieto's position as a leading enterprise cloud service provider in the Nordics is supported by existing and enhanced competencies, and by the choice of right partners.

## Change and transformation

In large-scale adaptation to the market by organizational transformation and right-sizing, resistance to change can prolong the transition, which may affect operational efficiency long after the change.

The change management capacity is concentrated in a common programme management office (PMO), which provides standard tools and systems for the change, including communication, target setting and training for the transition period of strategy execution. PMO can also be used to plan reskilling, staffing and retention to respond to challenges from new entrants in the market.

The Results Management Office (RMO) sets common standards in project management and it is used to ensure compliance in project financials management and follow-up.

As a very large share of Tieto's sales and the majority of profits are generated in Finland, the company's high market share in this country means that achieving growth there is challenging, but possible. Sweden is the second-biggest market and generates a significant portion of the growth. Additionally, around half of our current consulting-type revenue is from short-term contracts, but a strong order backlog compensates for this.

Sudden changes in the market environment, customer demand and customer strategies or the competitive landscape in these areas might harm Tieto's operations and profitability.

To diversify the business, Tieto also provides services to several different industries and aims to develop its business mix with a view to providing full stack IT services / new hybrid cloud solutions and thereby strengthen its position amongst both current and new customers. An industrialized and standardized approach to providing services and solutions, employing automated processes, is a means of improving competitiveness and reducing the risk.

## Service continuity

Close to 100% availability is the basis of trust among customers, stakeholders and society. Thus, business continuity planning is a high priority in Tieto's operational management in order to ensure that redundancy and fault tolerance are at the appropriate level.

To reduce the service continuity risk and to better understand the interdependencies in data centres, Tieto constantly reviews, maintains and improves its IT asset management, configuration management and monitoring systems. In addition to a comprehensive business interruption insurance portfolio, Tieto has recovery procedures and backup systems in place to handle potential service interruptions. Root cause analysis, best practices and experiences from previous incidents help in preparing for and mitigating service continuity risk.

Also, a comprehensive and robust Major Incident Management process reduces service interruptions.

## Quality costs related to customer bidding and delivery management

Inability to appropriately understand and analyse customers' changing needs, their business processes and the exact requirements can lead to misjudgements in setting the scope of projects or services and, consequently, difficulties in meeting the specifications of customer agreements. This in turn can result in project overruns, operating losses or termination of customer contracts.

Tieto continuously gathers customer feedback to establish the requirement baselines and checklists for different business areas. Continuous improvement of the bid risk management, requirement analysis, delivery management and the quality assurance of the deliveries are carried out to mitigate the risk. Also, a specific risk management framework is used for better understanding of customer bidding and end-to-end risks, from sales to the closure of the delivery. In case of changes in customers' business requirements, it is contractually agreed that the consequent changes in project deliveries are managed throughout the project organization in a standardized manner.

## Retention of employees

Fresh competition and demand for new services require ability and speed to reskill, attract new and retain existing competences and business knowledge for new service models and offerings. Tieto's success builds on passion, innovation, attracting talent, skills renewal, business knowledge and the maturity of the organization. In addition, the performance of its employees and managers both locally and in its delivery centres worldwide is key to its success.

Inability to retain key employees and to recruit new talent with the required competence might have a negative impact on the company's performance and strategy implementation. High employee turnover might also cause delays in customer projects, leading to penalties or loss of customer accounts.

To reduce these risks, Tieto implements unified delivery models across sites and offers its employees challenging jobs, diverse development possibilities, social recognition and training opportunities as well as interesting career paths through job rotation. Furthermore, the company has competitive compensation packages, including a company-wide incentive system. Attractive recruitment tools, strategies, talent management and competence development have a high strategic priority at Tieto. The company also focuses on Employer Branding to build and strengthen Tieto's image as an attractive employer both internally and externally.

## Credit risks

Changes in the general market environment and global economy can usher in additional financial risks. Credit risks might arise if customers or financial counterparties are not able to fulfil their commitments towards Tieto.

Under Tieto's Credit Policy, the finance department together with the business organization is responsible for assessing customers' creditworthiness, taking into account past experience, their financial position and other relevant factors. Credit risk regarding financial counterparties is managed by using counterparty limits, as set out in Tieto's Treasury Policy.

A special focus has been put on raising awareness of credit risks with additional reporting and training processes. The collection process has been adjusted as part of the activities aiming at credit management improvement.

## Currency risks

Tieto's currency transaction exposure arises from foreign trade, cash management and internal funding in foreign currencies. Translating the balance sheets and income statements of Group companies into euros creates a translation exposure.

As a substantial proportion of the Group's consolidated revenues are generated in Sweden, fluctuations of the Swedish krona against the euro may have an impact on the consolidated financial statements.

Tieto's Treasury Policy defines the principles and risk limits under which Group Treasury manages currency risks.

## Liquidity risks

Exceptional market conditions in the financial market might impose temporary limitations on raising new funding and lead to an increase in funding costs.

Group Treasury monitors and manages Tieto's liquidity position by maintaining a sufficient loan and investment portfolio. Analyses of alternative financing sources for the company and their pricing are continuously updated. Tieto's financial risks are described in full in the notes to the consolidated financial statements.

## Governance of risk and compliance

At Tieto, governance, risk, and compliance (GRC) are closely linked and consistently defined in corporate policies and rules with proper controls. In the finance function, for example, financial reporting, compliance and risk monitoring are efficiently integrated into daily operations. Thanks to automated processes, Tieto can readily adapt to changes in business conditions, regulations or corporate policy with the necessary risk management controls.

Tieto has invested in process automation, which is seen as a way to improve quality and reduce costs. Well-drafted policies and rules are made available to assure that the implications of automation on risk and compliance are fully understood by all parties in the organization.

## Related-party transactions

Tieto discloses the information concerning related-party transactions in the report by the Board of Directors and notes of the consolidated financial statements.

Further, the company evaluates, and monitors transactions concluded between the company and its related parties and seeks to ensure that any conflicts of interest shall be taken into account in the decision making.

The related-party transactions are summarized in [note 28](#) of the consolidated financial statements. Tieto does not currently consider the related-party transactions material from the perspective of the company.

Furthermore, such transactions neither deviate from the company's normal business operations nor are they made on terms that deviate from market equivalent.

## Insider administration

Tieto follows Nasdaq Helsinki's Rules of the Exchange and Guidelines for Insiders. In addition, Tieto's Board of Directors has adopted an internal Tieto Insider Rule.

Tieto has specified that the Board of Directors and the President and CEO of the parent company Tieto Corporation are subject to the requirement to notify their transactions. In addition, Tieto has set restrictions on trading for the members of the Leadership Team, persons participating in the preparation of interim reports and consolidated financial statements as well as other persons who are considered to receive information of a confidential and sensitive nature in their position or service.

The managers and other persons subject to trading restrictions are prohibited from dealing in Tieto's shares or other financial instruments during the closed period. The closed period covers 30 calendar days before the disclosure of an interim financial report or a financial statement release including the date of disclosure (= 30 + 1 days).

At Tieto, the General Counsel is in charge of insider administration. Tieto's Legal department shall monitor the compliance with the insider regulation and takes care of necessary guidance and training.

## Auditors

The ARC prepares a proposal on the appointment of Tieto's auditors, which is then presented to the Board and finally to the AGM for its decision. The compensation paid to the auditors is decided by the AGM and assessed annually by the ARC.

The Board of Directors proposes to the Annual General Meeting, in accordance with the recommendation of the Audit and Risk Committee of the Board of Directors that the auditor to be elected at the AGM 2019 be reimbursed according to the auditor's invoice and in compliance with the purchase principles approved by the Committee.

The Board of Directors proposes to the Annual General Meeting, in accordance with the recommendation of the Audit and Risk Committee of the Board of Directors, that the firm of authorized public accountants Deloitte Oy be elected as the company's auditor for the financial year 2019. The firm of authorized public accountants Deloitte Oy has notified that Jukka Vattulainen, Authorized Public Accountant, will act as the auditor with principal responsibility.

### Auditing

The AGM 2018 re-elected the firm of authorized public accountants PricewaterhouseCoopers Oy as the company's auditor for the financial year 2018. PricewaterhouseCoopers Oy notified the company that Authorized Public Accountant Tomi Hyryläinen acts as principal auditor. Due to the appointment of Tomi Hyryläinen as Tieto's CFO as from February 2019, PricewaterhouseCoopers Oy resigned from the audit assignment for the financial year 2018. The Finnish Patent and Registration Office designated Deloitte Oy as the new auditor. Authorized Public Accountant Jukka Vattulainen has acted as the auditor with principal responsibility.

In 2018, Tieto Group paid the auditors a total of EUR 1.1 (0.8) million in audit fees, of which EUR 0.8 (0.8) million to the Group's auditor PricewaterhouseCoopers and 0.3 (-) million to Deloitte, and a total of EUR 0.8 (0.3) million for other services, of which EUR 0.6 (0.3) million to the Group's auditor PricewaterhouseCoopers and 0.2 (-) to Deloitte.

## Remuneration Statement

The aim of Tieto's remuneration principles is to attract and retain talent, motivate key people and align the goals of the company's shareholders and executives in order to enhance the value of the company.

Rules on how the company shall compensate its employees are defined in Tieto's HR Policy and related rules. The policy is globally applied to all Tieto entities and units to support the company's strategy, objectives and values.

Remuneration of the Board of Directors is decided by the AGM based on a proposal by the SNB. The RC is responsible for planning the remuneration of the Leadership Team members and preparing the principles underlying the remuneration of Tieto personnel. The Board of Directors decides on the remuneration of the President and CEO and other members of the Leadership Team based on a proposal by the RC.

### Remuneration of the Board

According to the decision of AGM 2018, the annual remuneration of the Board of Directors is the following:

- EUR 91 000 to the Chairman,
- EUR 55 000 to the Deputy Chairman and
- EUR 36 000 to the ordinary members of the Board of Directors.

The same fee as to the Board Deputy Chairman will be paid to the Chairman of the Board Committee unless the same individual is also the Chairman or Deputy Chairman of the Board. In addition, remuneration of EUR 800 is paid for each Board meeting and each permanent or temporary committee meeting.

Further, the AGM 2018 decided that 40% of the fixed annual remuneration will be paid in Tieto Corporation's shares purchased from the market. No restrictions have been set on Board members concerning how they may assign these shares, but the company recommends that Board members should retain ownership of all the shares they have received as remuneration for as long as they serve on Tieto's Board.

In addition to the aforementioned share remuneration, the Board members do not belong to or are not compensated with other share-based arrangements, nor do the members have any pension plans at Tieto. Tieto executives or employees are not entitled to compensation for their Board positions or meeting attendance in the Group companies. None of the Board members, except the personnel representatives, have an employment relationship or service contract with Tieto.

**Compensation of individual Board members and Board in 2018<sup>1)</sup>**

Name	Annual remuneration		Meeting based, EUR
	EUR (60%) <sup>2)</sup>	Shares (40%) <sup>3)</sup>	
Kurt Jofs (Chairman and RC Chairman)	54 600	1 219	15 200
Harri-Pekka Kaukonen (Deputy Chairman and ARC Chairman)	33 023	736	19 200
Timo Ahopelto	21 607	482	18 400
Liselotte Hägertz Engstam <sup>4)</sup>	21 607	482	17 600
Johanna Lamminen	21 607	482	18 400
Sari Pajari <sup>5)</sup>	N/A	N/A	3 200
Endre Rangnes	21 607	482	15 200
Jonas Synnergren	21 607	482	15 200
Jonas Wiström <sup>5)</sup>	N/A	N/A	2 400
<b>In total</b>	<b>EUR 195 661</b>	<b>4 365 shares</b>	<b>EUR 124 800</b>

**Board of Directors' shareholdings in Tieto<sup>6)</sup>**

Name	At 31 Dec 2018	At 31 Dec 2017
Kurt Jofs (Chairman, RC Chairman)	14 930	13 711
Harri-Pekka Kaukonen (Deputy Chairman and ARC Chairman)	2 079	1 343
Timo Ahopelto	982	500
Liselotte Hägertz Engstam <sup>4)</sup>	482	N/A
Johanna Lamminen	1 560	1 078
Sari Pajari <sup>5)</sup>	N/A	4 096
Endre Rangnes	2 835	2 353
Jonas Synnergren	4 578	4 096
Jonas Wiström <sup>5)</sup>	N/A	500

<sup>1)</sup> The Board members have not received any other benefits.

<sup>2)</sup> Gross compensation before taxes.

<sup>3)</sup> Shares were purchased and delivered in May 2018.

<sup>4)</sup> Board member as from 22 March 2018.

<sup>5)</sup> Board member until 22 March 2018.

<sup>6)</sup> Corporations over which the Board members exercise control did not have shares or share-based rights on 31 December 2018.

## Summary of Remuneration of the Tieto Leadership Team

Element	Purpose	Description
Salary	Recognizes of continuous daily contribution	Fixed compensation for performing defined job responsibilities. In addition to monthly salary, car and mobile phone benefits can be paid as per company policy. Salary is reviewed annually based on individual's performance and salary market conditions.
Short-term incentives	Rewards for company and individual performance	Cash-based plan rewarding for the short term (12-month) company and individual success. The bonus for the President and CEO is 50% and for other Leadership Team members 40% of the annual base salary when the performance is at expected level; the maximum bonus for the President and CEO is 100% and for the other Leadership Team members 75%. The amount of bonuses is decided by the Board of Directors after the consolidated financial statements have been prepared. Weighting of the reward factors for the President and CEO and other Leadership Team members is described in a separate table. The reward targets are set annually by the Board of Directors.
Long-term incentives	Encourages ownership culture	Share-based plans reward leadership and key employees for company growth and achievement of defined strategic goals. LTI plans are annually commencing plans with three-year performance period. Key principles of Tieto's share plans, such as the basis and size of rewards, are described on the company's website at <a href="http://www.tieto.com/investors">www.tieto.com/investors</a> . 
Additional pension	Provides appropriate retirement benefits	President and CEO: defined contribution (DC) plan where the expenditure is 23% of the annual base salary. Retirement age is 63. Other Leadership team members based in Finland have DC plan where the expenditure is 15% of the annual base salary. Leadership team members based outside Finland are provided with individual pension plans according to local practices. Retirement ages are according to applicable local regulations.
Claw back	Ensures pay for performance	Claw back provisions apply to STI and LTI plan rewards in exceptional circumstances such as misconduct or misstatement of financial results.
Share ownership	Encourages to build meaningful shareholding in Tieto	The recommended minimum investment in the company's shares corresponds to the executive's one-time annual gross base salary.
Service contracts and severance pay	Provides for clear contractual terms	President and CEO: if agreement is terminated by Tieto, notice period is twelve months. In the event of termination company shall pay a severance payment equivalent to the base salary and the short-term target incentive for six months in addition to the salary for the notice period. If agreement is terminated by the President and CEO, notice period is six months. Change of control terms are the same as in termination except for the monetary value of the maximum amount of shares granted to him in the most recent long-term incentive plan in addition to the salary for the notice period. For other Leadership Team members termination term vary, amounts correspond to the periods of notice.

## Share-based long-term incentives

The terms and conditions of all share-based plans are approved by the Board of Directors.

Long-Term Incentive Plan (LTI) 2015–2017 covered 106 key employees, including Leadership Team members. The plan consists of Performance Shares and Restricted Shares. The performance period was three years from 1 January 2015 to 31 December 2017. Share delivery took place in spring 2018.

Long-Term Incentive Plan (LTI) 2016-2018 covers Leadership Team members and key employees, total 106 participants. The LTI plan consists of Performance Share and Restricted Share Plans. A participant can belong to both share plans or to one plan only. The performance period is three years from 1 January 2016 to 31 December 2018. If the set performance metrics and other requirements are met the shares will be delivered to the participants in spring 2019.

Long-Term Incentive Plan (LTI) 2017-2019 covers Leadership Team members and key employees, total 151 participants. The LTI plan consists of Performance Share and Restricted Share Plans. A participant can belong to both share plans or to one plan only. The performance period is three years from 1 January 2017 to 31 December 2019. If the set performance metrics and other requirements are met the shares will be delivered to the participants in spring 2020.

Long-Term Incentive Plan (LTI) 2018-2020 covers Leadership Team members and key employees, total 246 participants. The LTI plan consists of Performance Share and Restricted Share Plans. A participant can belong to both share plans or to one plan only. The performance period is three years from 1 January 2018 to 31 December 2020. If the set performance metrics and other requirements are met the shares will be delivered to the participants in spring 2021.

The authorizations required by the Board to repurchase the company's own shares and to issue shares shall be proposed to be approved at the AGM on an annual basis. In connection with authorizing the Board to issue shares, the AGM 2018 decided that no more than 700 000 shares, corresponding to less than 1% of all of the shares in the company, may be issued as part of share-based incentive programmes.

Tieto has not established new option plans since AGM 2009. The last option programme 2009 expired when the subscription period for the 2009C series ended on 31 March 2016.

## Pension plans

Tieto operates a number of different pension plans in accordance with national requirements and practices. In addition to statutory pension plans, the Leadership Team members are provided with additional pension schemes.

Currently, all additional schemes are classified as defined contribution plans.<sup>1)</sup> In contribution-based plans, the payments to the plans are recognized as expenses for the period to which they relate. After the payment of the contribution, the company has no further obligations in respect of such plans.

<sup>1)</sup> Last fund-based pension scheme was closed in August 2017.

**President and CEO**

<b>Kimmo Alkio</b>	
Salary 2018 (2017)	EUR 637 500 (EUR 600 000).
Benefits 2018 (2017)	EUR 3 366 (EUR 3 235)
Bonus 2018 (2017)	Estimated EUR 440 194 (EUR 399 415 paid in 2018 for performance in 2017).
Basis of bonus 2018	Target 50% of base salary based on the Group's external revenue and profit, PDS external revenue and profit and strategy implementation when achievements meet the targets. Maximum 100% of base salary based on the Group's external revenue and profit, PDS external revenue and profit and strategy implementation when achievements exceed the targets. Weighting of the reward factors <ul style="list-style-type: none"> <li>• Profit of the company and PDS 30%</li> <li>• External revenue of the company and PDS 40%</li> <li>• Strategy implementation 30%</li> </ul>
Additional success-based incentive	An additional success-based incentive can be paid to the President and CEO in 2020. The incentive is subject to Tieto reaching in 2019 challenging profitability targets (EBIT) set by the Board of Directors in accordance with the company's renewed strategy and financial objectives. The maximum gross number of shares to be earned is 50 000, however not exceeding EUR 3 million. The payable incentive includes Tieto's shares and a cash proportion for covering taxes and tax-related costs arising from the reward.
Long-Term Incentive Plan 2015–2017	In March 2018 based on criteria attainment a total of 9 950 shares were transferred to the President and CEO. In addition, a cash portion was paid corresponding to a value of 11 110 shares. The total value of paid gross reward was EUR 609 721. <sup>1)</sup>
Long-Term Incentive Plan 2016–2018	Entitled to 20 000 Performance Shares if the target levels of the performance metrics are met, 40 000 shares at maximum. The performance period of the plan is 2016-2018. The fair value of these allocations amounts to EUR 537 624. <sup>1)</sup>
Long-Term Incentive Plan 2017–2019	Entitled to 20 000 Performance Shares if the target levels of the performance metrics are met, 40 000 shares at maximum and 5 000 Restricted Shares. The performance period of the plan is 2017-2019. The fair value of these allocations amounts to EUR 617 796. <sup>1)</sup>
Long-Term Incentive Plan 2018–2020	Entitled to 22 881 Performance Shares if the target levels of the performance metrics are met, 45 762 shares at maximum. The performance period of the plan is 2018-2020. The share allocation equaled to 100% of annual base salary at the time of grant. The fair value of these allocations amounts to EUR 647 441.12
Expenditures related to share-based incentives	EUR 660 246 (EUR 399 081)
Pension expenditure	EUR 314 530 (EUR 277 593) <sup>2)</sup>

<sup>1)</sup> The fair market value for the Long-term Incentive Plans is calculated using the latest performance estimates and the value of the Tieto share on 31 December 2018, EUR 23.58.

<sup>2)</sup> Payments to defined contribution plans are recognized as expenses for the period to which they relate. After payment of the contribution the Group has no further obligations in respect of such plans.

Updated information on the shares and options held by the President and CEO is available on the company's website at [www.tieto.com/investors](http://www.tieto.com/investors) under the insider register.

## Remuneration of Leadership Team members

The table below summarizes the remuneration of the Leadership Team members.

### Leadership Team (excluding the President and CEO)

Total salaries 2018 (2017)	EUR 2 312 039 (EUR 2 789 836)
Total benefits 2018 (2017)	EUR 115 178 (EUR 122 444)
Special payments 2018 (2017)	EUR 0 (EUR 477 137 (Severance pay))
Total bonuses 2018 (2017)	Estimated EUR 782 506 (EUR 825 218 paid in 2018 for performance in 2017).
Basis of bonus 2018	<p>Target 40% of base salary, maximum 75% of the base salary. The purpose of the bonus is to reward for company performance and individual performance. These two form the overall performance evaluation (OPE). OPE for each LT member is confirmed by the Board.</p> <p>CFO: in addition to individual performance measurement, the bonus is based on company performance, measured by the following factors</p> <ul style="list-style-type: none"> <li>• Profit of the company</li> <li>• External revenue</li> <li>• Cash flow improvement</li> </ul> <p>Other LT members: in addition to individual performance measurement, the bonus is based on</p> <ul style="list-style-type: none"> <li>• company and/or</li> <li>• own Industry Group- or Service Line-related performance criteria (operative margin, external revenue and other operational targets)</li> </ul>
Long-Term Incentive Plan 2015–2017	In March 2018 based on criteria attainment a total of 25 292 shares were transferred to the Leadership Team members. In addition, a cash portion was paid corresponding to a value of 29 380 shares. The total value of paid gross reward was EUR 1 582 842.
Long-Term Incentive Plan 2016–2018	Leadership Team members are entitled to 81 000 Performance Shares if the maximum levels of the performance metrics are met and 9 000 Restricted Shares. The performance period of the plan is 2016–2018. The fair value of these allocations is EUR 1 300 909. <sup>1)</sup>
Long-Term Incentive Plan 2017–2019	Leadership Team members are entitled to 112 800 Performance Shares if the maximum levels of the performance metrics are met. The performance period of the plan is 2018–2020. The fair value of these allocations is EUR 1 595 894. <sup>1)</sup>
Long-Term Incentive Plan 2018–2020	Leadership Team members are entitled to 112 800 Performance Shares if the maximum levels of the performance metrics are met. The performance period of the plan is 2018–2020. The fair value of these allocations is EUR 1 595 894. <sup>1)</sup>
Expenditures related to share-based incentives	EUR 1 727 068 (EUR 1 102 133)
Pension expenditure	EUR 772 335 (EUR 1 058 548). <sup>2)</sup>

<sup>1)</sup> The fair market value for Long-term Incentive Plan 2016–2018, Long-term Incentive Plan 2017–2019 and Long-term Incentive Plan 2018–2020 is calculated using the latest performance estimates and the value of the Tieto share on 31 December 2018, EUR 23.58.

<sup>2)</sup> Payments to defined contribution plans are recognized as expenses for the period to which they relate. After payment of the contribution the Group has no further obligations in respect of such plans.

**Shareholdings of the Leadership Team<sup>1)</sup>**

Name	Shares at 31 Dec 2018	Shares at 31 Dec 2017
Kimmo Alkio	30 000	32 971
Håkan Dahlström	7 308	3 042
Lasse Heinonen <sup>2)</sup>	N/A	17 767
Ari Järvelä	10 427	6 945
Satu Kiiskinen	11 992	5 366
Katariina Kravi	8 368	5 476
Tom Leskinen	1 085	100
Cristina Petrescu	948	702
Janne Salminen <sup>3)</sup>	1 597	N/A
Christian Segersven	200	0
Markus Suomi <sup>4)</sup>	0	N/A

The compensation of the whole Leadership Team in 2017 is also summarized in [note 7](#) of the consolidated financial statements. The remuneration statement is available on the company's website at [www.tieto.com/investors](http://www.tieto.com/investors). [↗](#)

<sup>1)</sup> Corporations over which the CEO exercises control did not have shares nor share-based rights on 31 December 2018.

Tieto does not have any active option programmes.

<sup>2)</sup> Leadership Team member until 31 July 2018.

<sup>3)</sup> Acting CFO as of 17 July 2018.

<sup>4)</sup> Leadership Team member as from 1 April 2018.

## Letter from the Chairman of the Remuneration Committee

Dear Shareholder,

Our strategy execution becoming customers' first choice for business renewal is in well underway. The breadth of our services and software, coupled with our targeted investments, have established a solid foundation for growth. In the coming years we will continue building on this strong foundation to further accelerate growth.

### Our rewarding approach

The aim of Tieto's reward practices is to ensure that we can hire and retain top talent and offer market competitive total compensation. Also, we want to reward our employees for high performance in achieving both individual and company objectives. Tieto rewarding structures are designed to generate attraction and motivation which impact employee satisfaction and engagement. We are proud of improvement in employee engagement score which correlates directly with improvement in our customer experience results measured by Net Promoter Score.

### Focus areas and remuneration activities in 2018

The Remuneration Committee agenda for 2018 continued on ensuring the reward practices are market competitive and thus support strategy execution. Our focused efforts in talent acquisition have paid off and over 3000 specialists, developers, architects and consultants have joined Tieto during 2018.

At the beginning of 2018, the Remuneration Committee approved the incentive payouts for the financial year 2017. Tieto paid out a total of EUR 30.6 million to the management and employees as short-term incentives and bonuses. The CEO and Leadership Team members received total of EUR 1.2 million as paid incentives.

We have provided strong value to all our key stakeholders. This is also reflected in our Long-Term Incentive Program (LTI) 2015–2017 result and share delivery to 123 plan participants took place in March 2018. The President and CEO received 9 950 net shares and other Leadership Team members in total 25 292 net shares.

A new Long-Term Incentive Plan for 2018–2020 was approved by the Board of Directors in early 2018, based on the recommendation from the Remuneration Committee. The purpose of the Long-Term Incentive Plan is to ensure that the company will meet the long-term targets, to align the interests of the management and shareholders, and reward selected employees who act as a role model our values. It is also a key element in the total compensation of Tieto management, which directly links the paid compensation to the company's success. Plan participation was extended to selected employees who demonstrate first-rate technical skills and are critical in ensuring successful execution of the next phase of our strategy. For the 2018–2020 plan, the performance metrics were agreed to be earnings per share (30%), total shareholder return (20%) and growth (50%) as in the previous plan.

## Remuneration for 2018

The short-term incentive plan for 2018 to the President and CEO was based on both the agreed financial goals and success in strategy execution. Based on performance against the targets set, bonuses earned in 2018 (payable in spring 2019) ranged from 26% to 69% of salary for the President and CEO and Leadership Team members.

Share-based program 2016-2018 included 106 participants on 31 December 2018. Final share delivery from this plan is taking place in spring 2019 following the criteria set for the plan.

## Remuneration for 2019

At the end of 2018, the Remuneration Committee started preparing a new long-term incentive plan for the years 2019–2021 with a continued focus on growth and profitability. In addition to senior management of the company, we will continue to nominate key technical talent into this new long-term incentive plan.

Short-term incentive measures are designed to further direct senior management focus into company profitability, growth and strategically important initiatives within own responsibility areas. In 2019 we are introducing more agile and flexible rewarding by increasing the use of anytime spot reward noticeably thus sharing our success with personnel.

### **Kurt Jofs**

Chairman of the Board of Directors

Chairman of the Remuneration Committee



### **Contact Us**

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