Corporate Governance Statement
2014
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## Governance

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Tieto is committed to good corporate governance. In addition to the relevant legislation and rules of the Helsinki and Stockholm stock exchanges, Tieto fully complies with the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2010.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code. The code is available at www.cgfinland.fi. This statement has been issued separately from the report by the Board of Directors and included in the Financial Review 2014.

Tieto’s Audit and Risk Committee has reviewed this statement and our independent external auditor, PricewaterhouseCoopers Oy, has checked that the statement has been duly issued and that the description of the main features of the internal control and risk management systems related to the financial reporting process is consistent with the financial statements of the company.

This document and previous statements have been published on the company’s website (www.tieto.com/Investors). Updated and additional information is also available on the website. The Governance section of the website provides further information on matters such as the Annual General Meeting (AGM), Articles of Association, Board of Directors, Leadership Team and auditors, as well as remuneration.
Tieto’s supreme decision-making body is the 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 Boards dividend proposal.

The following persons are present at Tieto’s AGM:

- Board of Directors: Chairman, proposed new members and usually the majority of other Board members
- Leadership Team: President and CEO, CFO
- Auditors

For more information regarding AGM 2015 and previous meetings, shareholders and participation possibilities please visit the company’s website.

Tieto’s AGM 2014

- In 2014, the AGM convened on 20 March at Finlandia Hall in Helsinki, Finland. Altogether 548 shareholders and 46 873 226 shares (64.1% of the total outstanding shares) were represented at the meeting.
- No Extraordinary General Meetings were held in 2014.
Tieto’s AGM decided in 2010 to establish a Shareholders’ Nomination Board, 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 hold the largest number of votes conferred by all shares in the company and who wish 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 SNB preparing the proposals to AGM 2015 consists of the following representatives announced by Tieto’s four largest shareholders:

Nominated by Cevian Capital Partners Ltd:
Martin Oliw
Main occupation: Partner, Cevian Capital AB
Year of birth 1977
Nationality: Swedish
Education: MSc. (Econ.), MSc. (Eng.)

Nominated by Solidium Oy:
Kari Järvinen
Main occupation: Managing Director, Solidium Oy
Year of birth: 1962
Nationality: Finnish
Education: MSc. (Eng.), MBA

Nominated by Etera Mutual Pension Insurance Company:
Lauri Vaittinen
Main occupation: Chief Securities Officer, Etera Mutual Pension Insurance Company
Year of birth: 1978
Nationality: Finnish
Education: MSc. (Econ.)

Nominated by Ilmarinen Mutual Pension Insurance Company:
Timo Ritakallio
Main occupation: President and CEO, Ilmarinen Mutual Pension Insurance Company
Year of birth: 1962
Nationality: Finnish
Education: LL.M., MBA

Representing the Board of Directors of Tieto Corporation:
Markku Pohjola
The Nomination Board decided that Martin Oliw shall act as Chairman. The SNB convened three times and provided Tieto’s Board of Directors on 22 January 2015 with its proposals for AGM 2015. The SNB proposes to the Annual General Meeting that the Board of Directors shall have eight members that the current Board members Kurt Jofs, Eva Lindqvist, Sari Pajari, Markku Pohjola, Endre Rangnes, Teuvo Salminen and Jonas Synnergren be re-elected and that Lars Wollung be elected as a new Board member. The Shareholders’ Nomination Board proposes that Markku Pohjola 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 (www.tieto.com/proposal).

The Shareholders’ Nomination Board proposes that the Board of Directors be paid the following annual fees as remuneration: EUR 83,000 to the Chairman, EUR 52,500 to the Deputy Chairman and EUR 34,500 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 a 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 each member of the Board of Directors be paid a remuneration of 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 proposes that 40% of the fixed annual remuneration be paid in Tieto Corporation shares purchased from the market. The shares will be purchased within
two weeks from the release of the interim report for 1 January - 31 March 2015. According to the proposal, the Annual General Meeting will resolve to acquire the shares directly on behalf of the members of the Board which is an approved manner to acquire the company’s shares in accordance with the applicable insider rules. The Shareholders’ Nomination Board is of the opinion that increasing the long-term shareholdings of the Board members will benefit all shareholders.
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. Tieto’s Board members shall be professionally competent and as a group 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 members proposed by the SNB and elected by the AGM, Tieto’s personnel elect two members and two deputy members to the Board of Directors. The personnel representation has been agreed in a Personnel Representation Cooperation Agreement between Tieto Corporation and the personnel of the Group. The term of office for the personnel representatives is two years.

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 2014

<table>
<thead>
<tr>
<th>Name</th>
<th>Born</th>
<th>Nationality</th>
<th>Education</th>
<th>Main occupation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markku Pohjola (Chairman)</td>
<td>1948</td>
<td>Finnish</td>
<td>BSc. (Econ.)</td>
<td>Professional Board member</td>
</tr>
<tr>
<td>Kurt Jofis (Deputy Chairman)</td>
<td>1958</td>
<td>Swedish</td>
<td>MSc. (Eng.)</td>
<td>Entrepreneur, investor and Board member</td>
</tr>
<tr>
<td>Eva Lindqvist</td>
<td>1958</td>
<td>Swedish</td>
<td>MSc. (Eng.), MBA</td>
<td>Professional Board member</td>
</tr>
<tr>
<td>Sari Pajari</td>
<td>1968</td>
<td>Finnish</td>
<td>MSc. (Eng.)</td>
<td>Senior Vice President, Business Development, Metsä Board</td>
</tr>
<tr>
<td>Risto Pertunen</td>
<td>1954</td>
<td>Finnish</td>
<td>MSc. (Eng.), BSc. (Econ.), MBA</td>
<td>Entrepreneur, investor and Board member</td>
</tr>
<tr>
<td>Eindre Rangnes</td>
<td>1959</td>
<td>Norwegian</td>
<td>BBA (Econ.)</td>
<td>Professional Board member</td>
</tr>
<tr>
<td>Teuvo Salminen</td>
<td>1954</td>
<td>Finnish</td>
<td>MSc. (Econ.), Authorised Public Accountant</td>
<td>Professional Board member</td>
</tr>
<tr>
<td>Jonas Synnergren</td>
<td>1977</td>
<td>Swedish</td>
<td>MSc. (Econ.)</td>
<td>Partner, Cevian Capital AB</td>
</tr>
<tr>
<td>Esa Koskinen</td>
<td>1955</td>
<td>Finnish</td>
<td>MSc. (Econ.)</td>
<td>Test Engineer</td>
</tr>
<tr>
<td>Anders Palkint (Personnel representative)</td>
<td>1967</td>
<td>Swedish</td>
<td>MSc. (Electrical Engineering)</td>
<td>Senior Project Manager</td>
</tr>
</tbody>
</table>
Independency and attendance at Board and its Committees’ meetings in 2014

<table>
<thead>
<tr>
<th>Member</th>
<th>since</th>
<th>Independent</th>
<th>Board</th>
<th>Audit &amp; Risk Committee</th>
<th>Remuneration Committee</th>
<th>Temporary committee^1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markku Pohjola</td>
<td>2009</td>
<td>Yes</td>
<td>16/16</td>
<td>-</td>
<td>11/11</td>
<td>6/6</td>
</tr>
<tr>
<td>Kurt Jofs</td>
<td>2010</td>
<td>Yes</td>
<td>14/16</td>
<td>-</td>
<td>11/11</td>
<td>6/6</td>
</tr>
<tr>
<td>Eva Lindqvist</td>
<td>2010</td>
<td>Yes</td>
<td>16/16</td>
<td>5/6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Sari Pajari</td>
<td>2012</td>
<td>Yes</td>
<td>16/16</td>
<td>-</td>
<td>11/11</td>
<td>-</td>
</tr>
<tr>
<td>Risto Parttunen</td>
<td>2008</td>
<td>Yes</td>
<td>16/16</td>
<td>-</td>
<td>11/11</td>
<td>-</td>
</tr>
<tr>
<td>Endre Rangnes^2</td>
<td>2014</td>
<td>Yes</td>
<td>15/15</td>
<td>5/5</td>
<td>-</td>
<td>6/6</td>
</tr>
<tr>
<td>Teuvo Salminen</td>
<td>2010</td>
<td>Yes</td>
<td>16/16</td>
<td>6/6</td>
<td>-</td>
<td>6/6</td>
</tr>
<tr>
<td>Jonas Synnergren</td>
<td>2012</td>
<td>No</td>
<td>16/16</td>
<td>6/6</td>
<td>-</td>
<td>6/6</td>
</tr>
<tr>
<td>Ilkka Siho^3</td>
<td>2012</td>
<td>Yes</td>
<td>1/1</td>
<td>1/1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Esa Koskinen</td>
<td>2014</td>
<td>-</td>
<td>13/13</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Anders Palkint</td>
<td>2014</td>
<td>-</td>
<td>12/12</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Ingela Öhlund^4</td>
<td>2013</td>
<td>-</td>
<td>1/1</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

1 Temporary committee established for strategy work follow-up.
2 Board member as from 20 March 2014.
3 Board member until 20 March 2014.
4 Board member until 20 March 2014.

All Board members of Tieto are independent of the company and seven out of eight 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 (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 financial statements
- reviews and approves the company’s key policies
- 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 five 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 2014

- The Board convened 16 times in 2014 and the average attendance was 99.1%.
- The Board met two 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 2014. 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 entire Board remains responsible for the duties assigned to the committees. That said, the Audit and Risk Committee prepares independently a proposal on the nomination of the company’s auditors for the AGM on behalf of the whole Board and assesses their compensation as well as arranges the tender process.

Remuneration Committee (RC)

The 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 2014, 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:

- Markku Pohjola (Chairman)
- Kurt Jofs
- Sari Pajari
- Risto Perttunen.

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:

- 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 2014

- The committee convened 11 times in 2014 and attendance was 100%.
- The main issues considered by the Remuneration Committee were approving the short-term incentive (STI) results for 2013, reviewing the remuneration for the Leadership Team, following up progress on 2014 bonus performance criteria, and approving the Long-Term Incentive Programme (LTI) 2012–2014 nominations. The remuneration committee approved the renewed STI framework design for 2015 and new Long-Term Incentive programme for 2015.

Audit and Risk Committee (ARC)

The 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. At least one committee member must have expertise in accounting, bookkeeping or auditing. One of Tieto’s Legal Counsels acts as secretary of the meetings.

In 2014, all committee members were non-executive directors who were independent of the company and three 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:

- Teuvo Salminen (Chairman)
- Eva Lindqvist
- Endre Rangnes
- 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 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 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 2014

• The committee convened six times in 2014 and attendance was 96.6%.
• In addition to its regular agenda items, the committee focused on management of project risks and follow-up of changes in the external and internal audit.
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 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, the head of Product Development Services, the head of New Markets, 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. Industry Group, Service Line and PDS organizations have a profit and loss responsibility.

Members of the Leadership Team as at 31 December 2014

Kimmo Alkio
President and CEO
Born 1963
Nationality Finnish
BBA and Executive MBA
Joined the company in 2011

Håkan Dahlström
Executive Vice President, Public, Healthcare & Welfare
Born 1962
Nationality Swedish
MSc. (Eng.)
Joined the company in 2011

Kolbjørn Haarr
Executive Vice President, Telecom, Media & Energy and New Markets
Born 1960
Nationality Norwegian
Engineer in Electronics with biomedical specialization
Joined the company in 2009

Lasse Heinonen
Chief Financial Officer, Executive Vice President
Born 1968
Nationality Finnish
Education MSc. (Econ.)
Joined the company in 2011

Per Johanson
Executive Vice President, Financial Services
Born 1962
Nationality Swedish
Education BA, Marketing and MBA
Joined the company in 2009

Ari Järvelä
Executive Vice President, Manufacturing, Retail & Logistics
Born 1969
Nationality Finnish
MSc. (Eng.)
Joined the company in 2001

Ari Karppinen
Executive Vice President, Managed Services
Born 1957
Nationality Finnish
MSc. (Eng.)
Joined the company in 1987

Satu Kiiskinen
Executive Vice President, Consulting and System Integration
Born 1965
Nationality Finnish
Education MSc. (Econ.)
Joined the company in 2013

1 Leadership Team member as from 1 April 2014.
Katariina Kravi  
Executive Vice President, Human Resources  
Born 1967  
Nationality Finnish  
LL.M., trained on the bench  
Joined the company in 2012

Antti Vasara  
Executive Vice President, Product Development Services  
Born 1965  
Nationality Finnish  
Doctor of Technology  
Joined the company in 2012

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 (www.tieto.com/Investors).
Internal control, risk management and internal audit

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 the supporting policies.

The aim of Tieto’s internal control framework is to assure that operations are effective and efficiently aligned with the strategic goals. The internal control framework is intended to ensure 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 as a means of developing efficiency and control of business operations, their profitability and continuity. The role of the risk management organization is to develop and maintain the company’s risk management framework and report risk exposures consisting of strategic, financial, operational, and compliance risks.

The risk management framework consists of the risk management organization, related policies, operating principles, and tools. The owner of each process is responsible for the continuous development 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 efforts.
management. The Internal Audit (IA) assures the efficiency of the framework and risk management in business operations. The Audit and Risk Committee (ARC) monitors the adequacy of the company’s risk management, financial control, and internal audit functions.

**Continuous development of the risk framework**

The risk management framework has been adapted to Tieto’s operating model and organization.

The development of the risk management framework continued throughout the whole of 2014. The main achievements were the deployment of a Risk Governance model in the organization, deployment of methods and tools, and improvement of Tieto’s risk management culture.

The development is carried out in close co-operation with Tieto units and approved by Tieto LT and reviewed 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.

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

**Financial reporting process and responsibilities**

Tieto has a common accounting and reporting platform, Tieto ERP. Group consolidation and reporting are based on the reporting system, which facilitates common control requirements for all cost centres and legal entities reporting to the Group. Financial reporting consists of monthly performance reports, including all the key performance indicators, rolling forecasts and interim financial reports.

**Monitoring activities of financial reporting**

Financial reports are regularly reviewed by Finance Partners in the units, the Leadership Teams 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 risk management framework within Tieto. Internal audits are planned and carried out independently but in coordination with other control functions and the external auditors. Internal Audit reports to the 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

Risks at Tieto are categorized as strategic, operational, financial, and compliance risks.

Strategic risks are related to market volatility, IT market transformation to new technologies (including the digitalization of the society), change management, ability and speed to re-skill, agility in response to new entrants in the market, dependencies on a few big customers in some business areas, and stabilizing the delivery quality in the dynamic business environment.

Operational risks refer to the changing business model in continuous services, risk and continuity management, customer bidding and requirement analysis, and maintaining high professional standards 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 a great number of changes in requirements in the following areas: internal policies and rules, ethics and integrity, laws (anti-corruption, anti-bribery, insider matters, trade compliance legislation), and other external regulations.

Risks are aggregated by utilizing corporate risk reporting tools, resulting in risk maps that are reviewed by Leadership Teams in the units and the Audit and Risk Committee. 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 could possibly affect both business volumes and price levels, which might result in 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. The company executes tight cost and investment control with continuous investment performance monitoring, accompanied with a clear structure for decision rights. 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 aims at being the leading enterprise cloud provider in the Nordics. This is supported by existing competencies, the choice of right partners and development of cloud skills.

Change and transformation

In large scale adaptation to the market by means of organizational transformation and right-sizing, resistance to change can prolong the transition, which may affect operational efficiency long after the change. In case of extensive outsourcing, saturation could limit the solution portfolio and the cost of offshore locations might increase. Keeping the right balance between resources and focus and clarity in solution portfolios in the home markets and in the emerging markets is essential. 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 re-skill and staff retention measures in response to challenges from new entrants in the market.

Dependence on big customers and few markets or industries

Close to 50% of Tieto’s sales and the majority of profits are generated in Finland, where Tieto’s high market share makes growth challenging. Sweden is the second-biggest market and has clear growth potential. The telecom and financial services customer sectors account for close to half of the company’s sales. Additionally, around half of our current services are non-recurring services. 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 a number of other industries and aims to develop its business mix with a view to providing full stack IT services and thereby strengthen its position amongst both current and new customers. An industrialized and standardized way of providing services and solutions is a means of improving competitiveness and reducing risk.

Service continuity

Zero downtime is the basis of fostering the trust of customers and society. Thus, business continuity planning is a high priority in Tieto’s operational management; this includes careful reviews of the services and systems to avoid single point of failure patterns.
To reduce the service continuity risk and better understand the interdependencies in data centres, IT asset management, configuration management and monitoring systems are constantly reviewed and maintained. In addition to a comprehensive business interruption insurance portfolio, Tieto has recovery procedures and backup systems in place to handle potential service interruptions. Incident analysis, best practices and experiences from previous incidents help in preparing for and mitigating service continuity risk.

Quality costs related to customer bidding and delivery management

Inability to appropriately understand and analyze 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. In some cases, even the company’s brand might be tarnished.

Tieto continuously gathers customer feedback to establish the requirement baselines and checklists for different business areas. Bidding risk management, requirement analysis, delivery management and the quality assurance of the deliveries are continuously improved to mitigate the risk. Also specific risk assessment tools are used to enhance understanding of customer bidding and end-to-end risk management, 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 standard manner.

Retention of employees

In order to respond to fresh competition and demands for new services, we require the ability and speed to re-skill, attract new and retain existing competences and business knowledge for new service models and offerings. Tieto’s success is built on passion, innovation, attracting talent, skills renewal, business knowledge and maturity of the organization. In addition, the performance of its employees and managers both locally and in its delivery centres worldwide are vital to 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 and 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 designed to better correspond to higher credit risks.

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 Tieto’s 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 financial statements.

Compliance risks

In Tieto, governance, risk, and compliance (GRC) are closely linked and consistently defined in corporate policies and guidelines 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 and compliance management tools, Tieto can readily adapt to changes in business conditions, regulations or corporate policies with the necessary compliance risk controls in place.

Auditors

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

The ARC proposes to the AGM that the auditor to be elected at the AGM be reimbursed according to the auditor’s invoice and in compliance with the purchase principles approved by the committee. Further, ARC proposes to the AGM that the firm of authorized public accountants PricewaterhouseCoopers Oy be re-elected as the company’s auditor for the financial year 2015.

Auditing

The 2014 AGM re-elected the firm of authorized public accountants PricewaterhouseCoopers Oy as the company’s auditor for the financial year 2014. PricewaterhouseCoopers Oy notified the company that authorized public accountant Tomi Hyryläinen acts as chief auditor. In 2014, Tieto Group paid the auditors a total of EUR 0.7 (1.0) million in audit fees, of which EUR 0.7 (1.0) million to the Group’s auditor PricewaterhouseCoopers Oy, and a total of EUR 1.0 (1.5) million for other services, of which EUR 0.9 (1.4) to the Group’s auditor.
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 for how the company shall compensate its employees are defined in Tieto’s HR Policy. The policy is globally applied at 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 of Tieto 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 2014, the annual remuneration of the Board of Directors is the following:

- EUR 72 000 to the Chairman,
- EUR 48 000 to the Deputy Chairman and
- EUR 31 500 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 a Board Committee unless the same individual is also the Chairman or Deputy Chairman of the Board. In addition, a remuneration of EUR 800 is paid for each Board meeting and for each permanent or temporary committee meeting.

Further, AGM 2014 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 the Board in 2014

<table>
<thead>
<tr>
<th>Annual remuneration</th>
<th>Meeting based, EUR²</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR (60%)³</td>
<td>Shares (40%)³</td>
</tr>
<tr>
<td>EUR 195 300</td>
<td>EUR 164 800</td>
</tr>
</tbody>
</table>

1 The Board members have not received any other benefits.
2 Board member until 20 March 2014.
3 In 2014, the Board and ARC held two per capsulam meetings. No compensation is paid for per capsulam meetings.
4 Gross compensation before taxes.
5 Shares were purchased and delivered in May 2014.
Board of Directors’ shareholdings in Tieto

<table>
<thead>
<tr>
<th>Name</th>
<th>At 31 Dec 2014</th>
<th>At 31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Markku Pohjola (Board and RC Chairman)</td>
<td>23 949</td>
<td>22 500</td>
</tr>
<tr>
<td>Kurt Jofs (Deputy Chairman)</td>
<td>10 589</td>
<td>9 623</td>
</tr>
<tr>
<td>Teuvo Salminen (ARC Chairman)</td>
<td>9 369</td>
<td>8 403</td>
</tr>
<tr>
<td>Eva Lindqvist</td>
<td>3 544</td>
<td>2 910</td>
</tr>
<tr>
<td>Sari Pajari</td>
<td>2 377</td>
<td>1 743</td>
</tr>
<tr>
<td>Risto Perttunen</td>
<td>6 344</td>
<td>5 710</td>
</tr>
<tr>
<td>Endre Rangnes</td>
<td>634</td>
<td>N/A</td>
</tr>
<tr>
<td>Jonas Synnergren</td>
<td>2 377</td>
<td>1 743</td>
</tr>
</tbody>
</table>

5 Board member as from 20 March 2014.

Remuneration of the Leadership Team

Remuneration of the Leadership Team members consists of

- base salary and benefits
- short-term incentives: an annual bonus
- long-term incentives, such as option or other share-based programmes and pension plans.

Short-term incentives

The purpose of the annual bonuses is to reward performance that surpasses expectations. Tieto’s bonus system is based on company-level and individual measurable targets. 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. The bonus for the President and CEO as well as other Leadership Team members is 30% of the annual base salary when the performance measures up to the expected level; the maximum bonus is 60%. The amount of bonuses is decided by the Board of Directors after the financial statements have been prepared and the bonuses are then paid by the end of May.

Share-based long-term incentives

Tieto has two types of share-based long-term incentive arrangements: the Long-Term Incentive Programme and option programmes.

The terms and conditions of the share-based plans are approved by the Board of Directors. Long-Term Incentive Programme 2012–2014 currently covers the Leadership Team members and approximately 105 key employees. The first performance period began on 1 January 2012 and the final performance period ended on 31 December 2014. Individual performance periods are followed by a restriction period of two years for the executive management or one year for the other participants, during which the earned shares are not disposable.

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. Key principles of Tieto’s share plans, such as the basis and size of rewards, are described on the company’s website (www.tieto.com/Investors).

Tieto has not established any new option plans since AGM 2009. The terms and conditions of option programmes (2009 A, 2009 B and 2009 C) were approved by the AGM and option allocations were approved by the Board of Directors with a view to rewarding individual performance. The current programmes cover the Leadership Team and around 150 employees. Further information about Tieto’s option programmes is available on the company’s website (www.tieto.com/Investors).

Pension plans

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

Most of the additional schemes are classified as defined contribution plans.\(^7\) 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.

In the arrangements for most Finnish members of additional pension plans, annual payments to the plans managed by a pension insurance company amount to 15% or 23% of the participants annual base salary. The accumulated pension, including return on capital investment, is paid to the participant during a period starting at the age of 60–70, as individually decided by the participant. The annual expenditure related to the pension plans of the President and CEO and CFO amounts to 23% of their annual base salary, while that of other Finnish Leadership Team members covered by the additional pension plans amounts to 15% of their annual base salary.

The company provides Leadership Team members based outside Finland with individual pension plans according to local practices.

\(^7\) The exception is the scheme of one member who is covered by a fund-based pension system previously adopted by Tieto.
Remuneration of the President and CEO

The table below summarizes the remuneration and the main terms and conditions of the President and CEO’s employment.

<table>
<thead>
<tr>
<th>President and CEO</th>
<th>Kimmo Alkio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary</td>
<td>From January to March EUR 500 000/year (EUR 41 667/month) and from April to December EUR 550 000/year (EUR 45 833/month) including car benefit. Total EUR 537 500.</td>
</tr>
<tr>
<td>Additional success-based incentive</td>
<td>Tieto paid in January 2015 to the President and CEO an additional success-based incentive. The incentive was based on reaching, by the end of 2014, the challenging targets set by the Board of Directors in accordance with the company’s strategic and financial objectives. The initial bonus was set at EUR 1 000 000. Based on the results, the Board of Directors approved a bonus of EUR 500 000, which consisted of 10 688 treasury shares and a cash payment.</td>
</tr>
<tr>
<td>Basis of bonus</td>
<td>Target 30% of base salary based on the Group’s external revenue, profit, TCV and strategy implementation when achievements meet the targets. Maximum 60% of base salary based on the Group’s external revenue, profit, TCV and strategy implementation when achievements exceed the targets. Weighting of the reward factors:</td>
</tr>
<tr>
<td></td>
<td>• Profit of the company 30%</td>
</tr>
<tr>
<td></td>
<td>• External revenue of the company 20%</td>
</tr>
<tr>
<td></td>
<td>• TCV 20%</td>
</tr>
<tr>
<td></td>
<td>• Strategy implementation 30%</td>
</tr>
<tr>
<td>Options</td>
<td>2009 C option programme: right to subscribe for 30 000 shares.</td>
</tr>
<tr>
<td></td>
<td>• In accordance with the director’s agreement, the options 2009 C allocated to the President and CEO had a transfer restriction until 2 January 2015.</td>
</tr>
<tr>
<td></td>
<td>• The fair value of the option rights is EUR 330 000.8</td>
</tr>
<tr>
<td>Long-Term Incentive programme 2012-2014</td>
<td>The reward to be paid to the President and CEO at target corresponds to 50% of his annual gross salary and at maximum 120% of his annual gross salary. In spring 2013 a total of 4 006 shares were transferred as a reward from Performance Period 2012 to the President and CEO. The shares are under transfer restriction according to the terms of the programme. The fair value of these allocations amounts to EUR 581 250.9 Further information is available on the company’s website (<a href="http://www.tieto.com/investors">www.tieto.com/investors</a>).</td>
</tr>
<tr>
<td>Share-based reward plan</td>
<td>Entitled to a total of 9 200 shares if the criteria set for the plan are met. The plan will run until the end of 2016. The fair value of these allocations amounts to EUR 19 892.10</td>
</tr>
<tr>
<td>Share ownership guideline</td>
<td>The recommended minimum investment in the company’s shares corresponds to the executive’s one-time annual gross base salary.</td>
</tr>
<tr>
<td>Expenditures related to share-based incentives (including option programmes)</td>
<td>EUR 328 868</td>
</tr>
<tr>
<td>Retirement age</td>
<td>63</td>
</tr>
<tr>
<td>Pension expenditure</td>
<td>In 2014, EUR 217 526</td>
</tr>
</tbody>
</table>

Terms and conditions of the option programmes are available on the company’s website (www.tieto.com/investors).

8 Calculated on the basis of the fair market value of one Tieto 2009 C stock option on 30 December 2014, EUR 11.00.
9 The fair market value for Long-Term Incentive Programme 2012-2014 is the estimated total value of current grants and 31 December 2014 estimates. The number of shares this percentage allocation gives entitlement to will be confirmed after each earning period. In connection to the share delivery, a cash payment was made to cover payroll taxes.
10 The fair market value for the share-based reward plan is calculated using the value of Tieto share on 31 December 2014, EUR 21.51.
11 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.
Leadership Team (excluding the President and CEO)

<table>
<thead>
<tr>
<th></th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total salaries</td>
<td>EUR 2,541,108</td>
</tr>
<tr>
<td>Total benefits</td>
<td>EUR 134,983</td>
</tr>
<tr>
<td>Special payments</td>
<td>EUR 496,364</td>
</tr>
<tr>
<td>Total bonuses 2014</td>
<td>Not yet determined (EUR 0 paid in 2014 for performance year 2013).</td>
</tr>
</tbody>
</table>

Basis of bonus: The basis of bonus as well as target and maximum amounts for bonuses vary between the Leadership Team members. The purpose of the bonus is to reward for:

- company performance and
- individual performance

These two form overall performance evaluation (OPE). OPE for each LT member is confirmed by the Board.

CFO: in addition to individual performance measurement, bonus is based on company performance, measured by the following factors:

- Profit of the company
- External revenue
- Cash flow improvement

Other LT members: in addition to individual performance measurement, the bonus is based on:

- company-related and/or
- own Industry Group- or Service Line-related performance criteria (operative margin, external revenue and other operational targets)

Options:

- **2009 B option programme**: right to subscribe for 10,000 shares. The fair value of the option rights is EUR 76,200.\(^\text{12}\)
  - The fair value of the option rights is EUR 76,200.

- **2009 C option programme**: right to subscribe for 46,125 shares. The fair value of the option rights is EUR 507,375.\(^\text{13}\)
  - The fair value of the option rights is EUR 507,375.

Options terms and conditions are available on the company’s website. See the insider register on the company’s website for updated information on the options held by each member.

Long-Term Incentive Programme 2012–2014:

The reward to be paid to other members of the Leadership Team on the basis of the Long-Term Incentive Programme 2012–2014 at target corresponds to 30–40% of the annual gross salary and at maximum 60–80% of the annual gross salary. The rewards from Performance Period 2012 were paid in spring 2013 and in spring 2014. A total 8,057 are in the possession of current LT members (excl. CEO) and under transfer restriction according to the terms of the programme. The fair value of these allocations amounts to EUR 1,069,006.\(^\text{14}\)

No shares were delivered from Performance Period 2013.

Share-based reward plan:

Leadership Team members are entitled to a total of 26,300 shares if the criteria set for the plan are met. The plan will run until the end of 2016. The fair value of these allocations amounts to EUR 565,713.\(^\text{15}\)

Expenditures related to share-based incentives (including option programmes):

EUR 803,204

Share ownership guideline:

The recommended minimum investment in the company’s shares corresponds to the executive’s one-time annual gross base salary.

Retirement age:

According to applicable local regulations.

Pension expenditure:

In 2014, in total EUR 1,015,004.

CFO: in addition to the statutory pension provision, a defined contribution pension plan where the expenditure is 23% of the annual base salary.\(^\text{16}\)

Most other Leadership Team members based in Finland with no prior pension plans: in addition to the statutory pension provision, defined contribution pension plans where the expenditure is 15% of the annual base salary.\(^\text{16}\)

The company provides Leadership Team members based outside Finland with individual pension plans according to local practices.

Period of notice:

Various terms, between 6 and 12 months.

Severance payment:

Various terms, amounts corresponding to the periods of notice.

\(^{12}\) Calculated on the basis of the fair market value of one Tieto 2009 B stock option on 30 December 2014, EUR 7.62.

\(^{13}\) Calculated on the basis of the fair market value of one Tieto 2009 C stock option on 30 December 2014, EUR 11.00. The 15 October 2013 grant, 10,125 of the 2009 C options include a performance criterion (Telecom, Media and Energy operative margin 2014) that must be attained in order for this grant to vest.

\(^{14}\) The fair market value for Long-Term Incentive Programme 2012–2014 is the estimated total value of current grants and 31 December 2014 estimates. The number of shares this percentage allocation gives entitlement to will be confirmed after each earning period. In connection to the share delivery, a cash payment was made to cover payroll taxes.

\(^{15}\) The fair market value for the share-based reward plan is calculated using the value of the Tieto share on 31 December 2014, EUR 21.51.

\(^{16}\) 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.
<table>
<thead>
<tr>
<th>Sharesholding of the Leadership Team</th>
<th>Shares at 31 Dec 2014</th>
<th>Shares at 31 Dec 2013</th>
<th>Options at 31 Dec 2014</th>
<th>Options at 31 Dec 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kimmo Alkio</td>
<td>15,973</td>
<td>15,973</td>
<td>30,000</td>
<td>60,000</td>
</tr>
<tr>
<td>Håkan Dahlgren</td>
<td>1,000</td>
<td>N/A</td>
<td>0</td>
<td>N/A</td>
</tr>
<tr>
<td>Kolbjørn Haarr</td>
<td>1,171</td>
<td>0</td>
<td>39,000</td>
<td>46,000</td>
</tr>
<tr>
<td>Lasse Heinonen</td>
<td>8,731</td>
<td>8,731</td>
<td>15,000</td>
<td>18,000</td>
</tr>
<tr>
<td>Per Johanson</td>
<td>1,079</td>
<td>1,079</td>
<td>0</td>
<td>8,000</td>
</tr>
<tr>
<td>Ari Järvelä</td>
<td>2,478</td>
<td>2,478</td>
<td>9,000</td>
<td>15,000</td>
</tr>
<tr>
<td>Ari Karppinen</td>
<td>6,539</td>
<td>6,539</td>
<td>8,000</td>
<td>28,000</td>
</tr>
<tr>
<td>Satu Kliskinen</td>
<td>1,050</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Katarina Kravi</td>
<td>1,090</td>
<td>1,090</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Antti Vasara</td>
<td>4,640</td>
<td>3,000</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

17 Leadership Team member as from 1 April 2014.

The compensation of the whole Leadership Team in 2014 is also summarized in note 7 of the financial statements. The remuneration statement is available on the company’s website (www.tieto.com/investors).
Tieto’s online Annual Report is available at
www.tieto.com/ar2014