

Corporate Governance Statement

2015

The logo for Helix, featuring the word "helix" in a white, lowercase, sans-serif font, slanted upwards to the right, set against a blue triangular background.

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Corporate Governance Statement

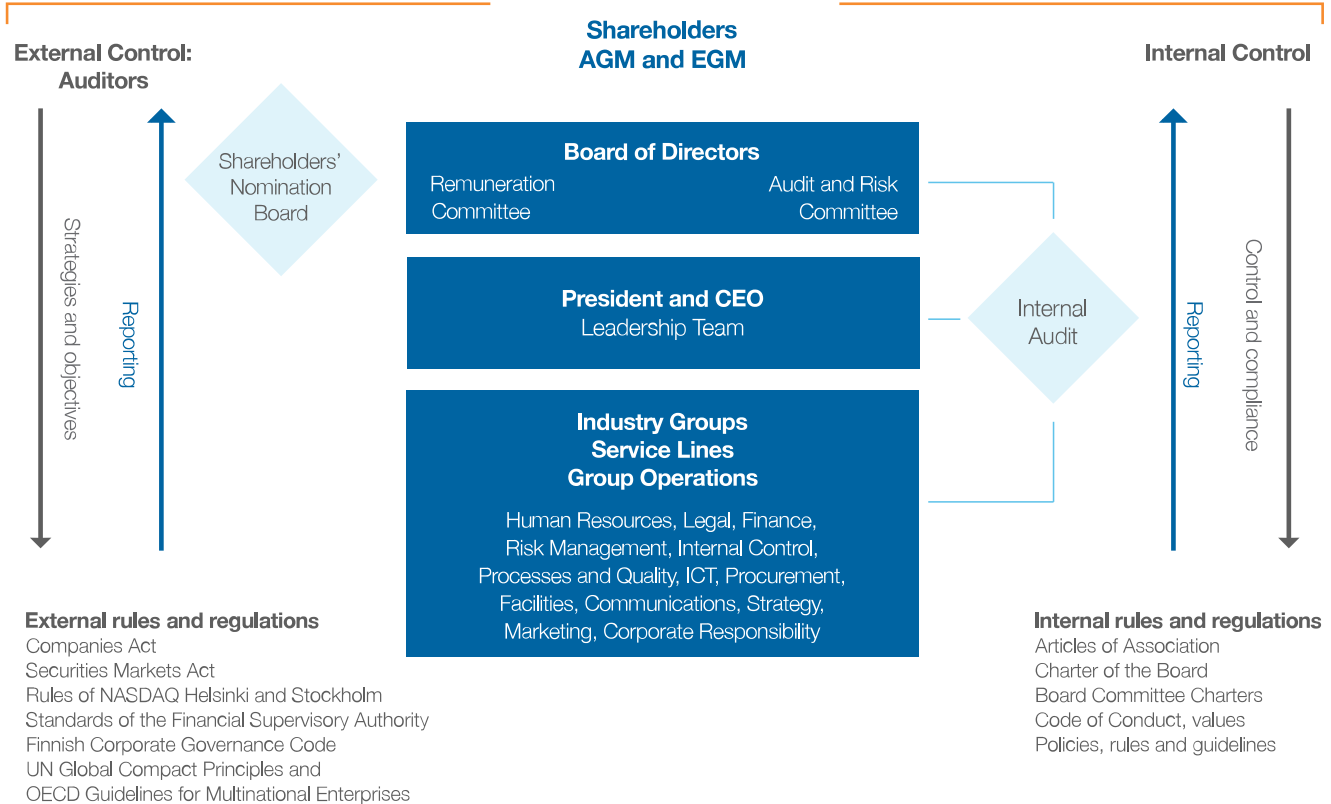
Tieto is committed to good corporate governance. In addition to the relevant legislation and rules of the Helsinki and Stockholm stock exchanges, Tieto complies with the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2015 with the exception of the appointment procedure for electing two personnel representatives in the Board (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. This statement has been issued separately from the report by the Board of Directors and included in the Financial Review 2015.

Tieto's Audit and Risk Committee has reviewed this statement and our independent external auditor, PricewaterhouseCoopers Oy, has verified that the statement has been duly issued and 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.

Governance at Tieto



Annual General Meeting

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 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 2016 and previous meetings, shareholders and participation possibilities please visit the company's [website](#).

Tieto's AGM 2015

- In 2015, the AGM convened on 19 March at Scandic Park hotel in Helsinki, Finland. Altogether 602 shareholders and 48 630 413 shares (66.0% of the total outstanding shares) were represented at the meeting.
- No Extraordinary General Meetings were held in 2015.

Shareholders' Nomination Board (SNB)

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 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. Term of the office of the SNB members expires when 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 www.tieto.com/investors/tietos-governance/shareholders-nomination-board.

The SNB preparing the proposals to AGM 2016 consists of the following representatives announced by Tieto's 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 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

Nominated by Varma Mutual Pension Insurance Company:

Timo Sallinen
Main occupation: Head of Listed Securities, Varma Mutual Pension Insurance Company
Year of birth: 1970
Nationality: Finnish
Education: MSc. (Econ.)

Representing the Board of Directors of Tieto Corporation:

Markku Pohjola

The Nomination Board decided that Martin Oliw shall act as Chairman. The SNB convened 4 times and provided Tieto's Board of Directors on 25 January 2016 with its proposals for the AGM 2016. 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, Sari Pajari, Markku Pohjola, Endre Rangnes, Jonas Synnergren and Lars Wollung be re-elected and in addition Johanna Lamminen and Harri-Pekka Kaukonen are proposed to be elected as new Board members. Eva Lindqvist and Teuvo Salminen have informed that they are not available for re-election. 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/about-us/management-tieto/proposed-board-members.

The Shareholders' Nomination Board proposes that the remuneration of the Board of Directors will be annual fees and remain unchanged as follows: 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 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 member of the Board of the 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's shares

purchased from the market. The shares will be purchased within two weeks from the release of the interim report 1 January–31 March 2016. 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 long-term shareholding of the Board members will benefit all the 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.

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 has 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. The company seeks to promote that the diversity principles shall be included in the written charter of the SNB and taken into account in the candidate search.

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 the recommendation 5 "Election of the Board of Directors" of the Corporate Governance Code 2015. The personnel representation is based on the Finnish Act on Personnel Representation in the Administration of Undertakings and 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 2015

Name	Born	Nationality	Education	Main occupation
Markku Pohjola (Chairman)	1948	Finnish	BSc. (Econ.)	Professional Board member
Kurt Jofs (Deputy Chairman)	1958	Swedish	MSc. (Eng.)	Entrepreneur, investor and Board member
Eva Lindqvist	1958	Swedish	MSc. (Eng.), MBA	Professional Board member
Sari Pajari	1968	Finnish	MSc. (Eng.)	SVP, Supply Chain and Business Development, Metsä Board Oyj
Endre Rangnes	1959	Norwegian	BBA (Econ.)	Professional Board member
Teuvo Salminen	1954	Finnish	MSc. (Econ.), Authorised Public Accountant	Professional Board member
Jonas Synnergren	1977	Swedish	MSc. (Econ.)	Partner, Cevian Capital AB
Lars Wollung	1961	Swedish	MSc. (Econ.), MSc. (Engineering)	Professional Board member
Esa Koskinen (Personnel representative)	1955	Finnish	MSc. (Econ.)	Test Engineer
Anders Palklint (Personnel representative)	1967	Swedish	MSc. (Electrical Engineering)	Senior Project Manager

Independency and attendance at Board and its Committees' meetings in 2015

	Member since	Independent	Board	Audit & Risk Committee	Remuneration Committee	Temporary committee ¹⁾
Markku Pohjola	2009	Yes	11/11	-	6/6	5/5
Kurt Jofs	2010	Yes	9/11	-	5/6	5/5
Eva Lindqvist	2010	Yes	10/11	6/6	-	-
Sari Pajari	2012	Yes	11/11	-	6/6	-
Risto Perttunen ²⁾	2008	Yes	1/1	-	2/2	-
Endre Rangnes	2014	Yes	10/11	1/1	4/6	
Teuvo Salminen	2010	Yes	11/11	6/6	-	5/5
Jonas Synnergren	2012	No	11/11	6/6	-	5/5
Lars Wollung ³⁾	2015	Yes	10/10	4/5	-	-
Esa Koskinen	2014	-	11/11	-	-	-
Anders Palklint	2014	-	10/11 ⁴⁾	-	-	-

¹⁾ Temporary committee related to the company's strategy work.

²⁾ Board member until 19 March 2015.

³⁾ Board member as from 19 March 2015.

⁴⁾ Substituted in one meeting by Robert Spinelli.

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 2015

- The Board convened 11 times in 2015 and the average attendance was 97.8%.
- The Board met once 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 2015. 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. The Audit and Risk Committee, however, 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 2015, 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
- 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 2015

- The committee convened 6 times in 2015 and average attendance was 96.6%.
- The main issues considered by the Remuneration Committee were approving the short-term incentive (STI) results for 2014, reviewing the remuneration for the Leadership Team, following up progress on 2015 bonus performance criteria, and approving the Long-Term Incentive Programme (LTI) 2015 nominations. The remuneration committee approved STI framework for 2016 and Long-Term Incentive program for year 2016.

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. The Chairman and the members are elected by the Board. 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 2015, 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
- Jonas Synnergren
- Lars Wollung.

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 2015

- The committee convened 6 times in 2015 and attendance was 96%.
- In addition to its regular agenda items, the committee focused on monitoring of the project and delivery management.

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 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 2015

Kimmo Alkio

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

Håkan Dahlström

Executive Vice President, Public, Healthcare & Welfare
Born 1962
Nationality Swedish
Education MSc. (Eng.)
Joined the company in 2014

Lasse Heinonen

Chief Financial Officer, Executive Vice President, Head of Telecom, Media and Energy (acting)
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
Education MSc. (Eng.)
Joined the company in 2001

Ari Karppinen

Executive Vice President, Managed Services
Born 1957
Nationality Finnish
Education 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

Katariina Kravi

Executive Vice President, Human Resources
Born 1967
Nationality Finnish
Education LL.M., trained on the bench
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 company's website www.tieto.com/Investors.

Internal control, risk management and internal audit

Internal control and risk management

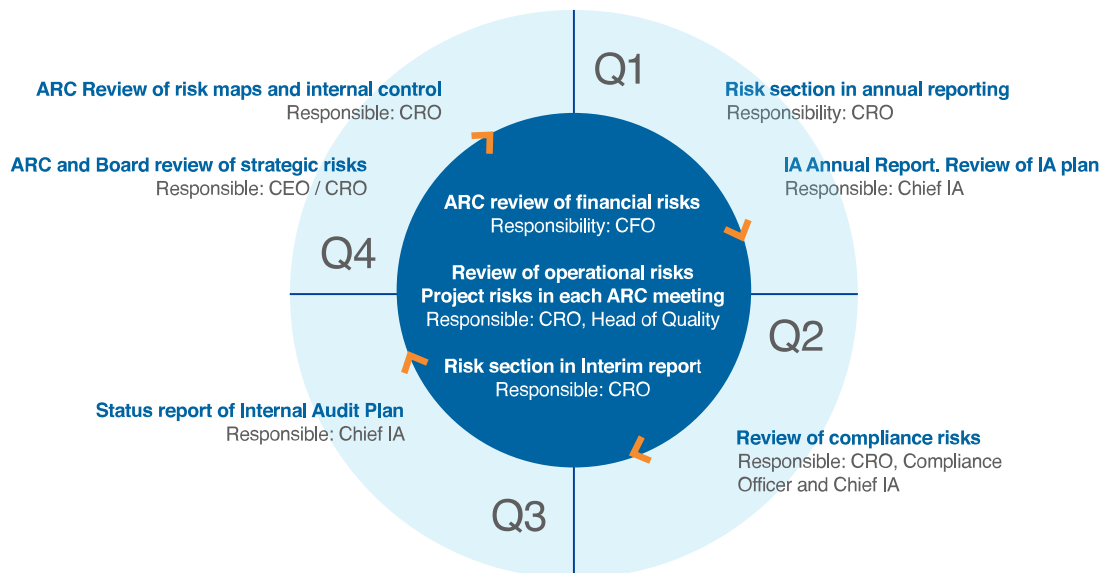
Tieto’s internal control framework supports the execution of the strategy and ensures regulatory compliance. The foundation for internal control is set by the risk management framework, financial control, internal audit and the supporting policies.

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 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 risk management organization is to develop and maintain the company’s risk management framework, including also risk reporting, risk management governance and follow-up of risk exposures consisting of strategic, financial, operational, and compliance risks.



CRO: Chief Risk Officer
IA: Internal Audit

The risk management framework consists of 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. 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.



Continuous development of risk framework

The adaptation of the risk management framework continued successfully during 2015, main achievements were connected to improved automation, which resulted in reduced administration effort, better utilization of framework in daily operative work and enhanced reporting.

The refined process and tools have also contributed to a more matured risk management culture.

The development of the risk management framework is carried out in close co-operation with the units in Tieto and approved by Tieto LT 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. 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 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

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 rapid digitalization of the society), change management, ability and speed to re-skill, agility to response to new entrants in the market, dependencies on few big customers in some business areas, and ensuring the delivery quality in the dynamic business environment.

Operational risks refer to changing business model in business units, risk and continuity management, customer bidding and requirement analysis, and maintaining the high professional standard of the 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 great number of changes of requirements in the areas of internal policies and rules, ethics and integrity, laws (anti-corruption, anti-bribery, insider matters, trade compliance legislation), and other external regulations, such as new EU level Data Protection Act.

Risks are aggregated by utilizing corporate risk reporting tools, resulting in risk maps which are reviewed by Leadership Teams in the units and the ARC. Tieto's major risks as well as the measures for their mitigation are described below.

Market volatility

Changes in the Nordic core markets affect directly on market conditions and result in volatility that might have a negative impact of the 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. 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 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, the change resistance can prolong the transition, which may affect the operational efficiency long after the change.

The change management capacity is concentrated in a common program 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 to response to challenges from new entrants in the market.

Dependence on big customers and few markets or industries

A very big portion of Tieto's sales and the majority of profits are generated in Finland, the high market share in Finland makes the growing in Finland challenging, but possible. Sweden is the second-biggest market and with clear growth potential. Additionally, around half of our current CSI revenue are from short term contracts, but Tieto has a strong order backlog which compensates 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 a number of different industries and aims to develop its business mix with a view to provide full stack IT services and by this, to strengthen its position amongst both current and new customers. An industrialized and standardized way of providing services and solutions is a measure to improve competitiveness and reduce the risk.

Service continuity

Close to 100% availability is the basis of the trust towards customers and to the 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 centers, IT asset management, configuration management and monitoring systems are constantly reviewed, maintained and improved. 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 misjudgments 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 bidding risk management, requirement analysis, delivery management and the quality assurance of the deliveries, is carried out to mitigate the risk. Also specific risk assessment tools are used for better 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

Fresh competition and demands for new services requires ability and speed to re-skill, attract new and retain existing competences and business knowledge for new service models and offerings. Tieto's success builds on passion, innovation, attraction of 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 key 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 & 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 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 the liquidity position of Tieto by maintaining 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.

Governance of risk and compliance

In 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 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 31](#) of the financial statements. Tieto does not currently consider the related party transactions material from the perspective of the company nor such transactions deviate from the company's normal business operations nor are they made on terms that deviate from market equivalent.

Insider administration

Tieto follows the Nasdaq Helsinki Rules of the Exchange and Guidelines for Insiders. In addition, Tieto has issued its own Insider Rule which is kept up-to-date and available to all employees of Tieto. Insiders are on a regular basis being informed on insider rules and given guidance in individual cases.

Board members, Deputy Board members, CEO, auditors, deputy auditors and the Leadership Team members are registered as Tieto's public insiders. Their Tieto's share and securities holdings are available in the insider register www.tieto.com/tieto-investor-information-and-investor-relations/tietos-governance/insiders/insider-register as well as in the service point of Euroclear Finland Ltd.

Employees or other persons or companies who, by virtue of their position or duties, may regularly receive insider information on the company are registered in the permanent company-specific insider register. Project-specific insider registers are established when an issue or arrangement fulfils the project evaluation criteria set up in applicable rules and regulations.

Persons included in the public and company-specific insider registers are allowed to trade with the Tieto's shares or other

securities only during periods commencing on the first day following the publication of an interim report or financial statement bulletin and ending at the close of trading 7 weeks (49 days) thereafter. Those entered in the project-specific insider register shall however be prohibited from trading until the project expires or is made public.

Company requires its public insiders to check the information declared to the company annually and checks at least once a year the trading of insiders with duty to declare based on the register information. The company may also arrange other checks applicable to permanent insiders. The company may, when necessary, case by case, supervise the trading of securities of its insiders more accurately for example if a permanent insider deals with a large volume of securities or the trading of securities is continuous.

In Tieto, the General Counsel is in charge of insider issues. The permanent insider registers of Tieto are maintained in the insider register system of Euroclear Finland Ltd. Project-specific insider registers are maintained by Tieto's Legal department.

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.

ARC proposes to the AGM that the auditor to be elected at the Annual General Meeting be reimbursed according to the auditor's invoice and in compliance with the purchase principles approved by the committee. The committee proposes that the firm of authorized public accountants PricewaterhouseCoopers Oy be re-elected as the company's auditor for the financial year 2016.

Auditing

The AGM 2015 re-elected the firm of authorized public accountants PricewaterhouseCoopers Oy as the company's auditor for the financial year 2015. PricewaterhouseCoopers Oy notified the company that authorized public accountant Tomi Hyryläinen acts as chief auditor. In 2015, Tieto Group paid the auditors a total of EUR 0.7 (0.7) million in audit fees, of which EUR 0.7 (0.7) million to the Group's auditor PricewaterhouseCoopers Oy, and a total of EUR 1.0 (1.0) million for other services, of which EUR 0.9 (0.9) million to the Group's auditor.

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 for how the company shall compensate its employees are defined in Tieto's HR Policy and related Rules. 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 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 2015, the annual remuneration of the Board of Directors is the following:

- 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, a remuneration of EUR 800 is paid for each Board meeting and for each permanent or temporary committee meeting.

Further, the AGM 2015 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 2015 ⁵⁾

	Annual remuneration		Meeting based, EUR ⁶⁾
	EUR (60%) ⁷⁾	Shares (40%) ⁸⁾	
Markku Pohjola (Board and RC Chairman)	33 200	1 543	17 600
Kurt Jofs (Deputy Chairman)	21 000	976	15 200
Teuvo Salminen (ARC Chairman)	21 000	976	17 600
Eva Lindqvist	13 800	641	12 800
Sari Pajari	13 800	641	13 600
Risto Perttunen ⁹⁾	N/A	N/A	2 400
Endre Rangnes	13 800	641	11 200
Jonas Synnergren	13 800	641	17 600
Lars Wollung ¹⁰⁾	13 800	641	11 200
In total	EUR 144 500	Shares 6 700	EUR 119 200

⁵⁾ The Board members have not received any other benefits.

⁶⁾ In 2015, the Board did not hold per capsulam meeting. No compensation is paid for per capsulam meetings.

⁷⁾ Gross compensation before taxes.

⁸⁾ Shares were purchased and delivered in May 2015.

⁹⁾ Board member until 19 March 2015.

¹⁰⁾ Board member as from 19 March 2015.

Board of Directors' shareholdings in Tieto

Name	At 31 Dec 2015	At 31 Dec 2014
Markku Pohjola (Board and RC Chairman)	26 000	23 949
Kurt Jofs (Deputy Chairman)	11 565	10 589
Teuvo Salminen (ARC Chairman)	10 345	9 369
Eva Lindqvist	4 185	3 544
Sari Pajari	3 018	2 377
Risto Perttunen ⁹⁾	N/A	6 344
Endre Rangnes	1 275	634
Jonas Synnergren	3 018	2 377
Lars Wollung ¹⁰⁾	641	N/A

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 for company and individual performance. 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 is 50% and for other Leadership Team members 30% of the annual base salary when the performance is at expected level; the maximum bonus for President and CEO is 100% and for other Leadership Team members 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 Plans and option programmes.

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

Long-Term Incentive Programme 2012-2014 covered the Leadership Team members and approximately 85 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 year for the executive management or one year for the other participants, during which the earned shares are not disposable.

Long-Term Incentive Plan (LTI) 2015 covers Leadership Team members and approximately 130 key employees. The plan consists of Performance Shares and Restricted Shares. The performance period is three years from 1 January 2015 till 31 December 2017. If the set performance metrics and other requirements are met the shares are delivered to the participants in spring 2018.

The authorizations required by the Board to perform repurchase of 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 company's website www.tieto.com/Investors.

Tieto has not established 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 reward individual performance. The current programmes cover the Leadership Team and around 95 employees. Further information about Tieto's option programmes is available on 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, the Leadership Team members are provided with additional pension schemes.

Most of the additional schemes are classified as defined contribution plans.¹¹⁾ 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.

President and CEO

Kimmo Alkio	
Salary	EUR 550 000/year (EUR 45 833/month) including car benefit. Total EUR 550 000.
Benefits	EUR 2 409
Additional success-based incentive	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 10 688 treasury shares and a cash payment.
Bonus 2015	Not yet determined (EUR 265 000 paid in 2015 for performance of year 2014).
Basis of bonus	Target 50% of base salary based on the Group's external revenue, profit, TCV and strategy implementation when achievements meet the targets. Maximum 100% 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: <ul style="list-style-type: none"> • Profit of the company 30% • External revenue of the company 20% • TCV 20% • Strategy implementation 30%
Long-Term Incentive Programme 2012–2014	The reward to be paid to the President and CEO at target corresponds to 50% annual gross salary and at maximum 120% annual gross salary. In spring 2015 a total of 12 742 shares were transferred as a reward from Performance Period 2014 and 2012–2014 to the President and CEO. The shares are under transfer restriction according to the terms of the programme. The fair value of the rewards paid in 2015 amount to EUR 636 028 ¹²⁾ . Further information is available on company's website www.tieto.com/Investors .
Share-based reward plan	Entitled to a total of 9 200 shares if the criteria set for the plan is met. The plan will run until the end of 2016. The fair value of these allocations amounts to EUR 227 424. ¹³⁾
Long-Term Incentive Plan 2015	Entitled to 20 000 Performance Shares if the target levels of the performance metrics are met, 40 000 shares at maximum. Performance period of the plan is 2015–2017. The fair value of these allocations amounts to EUR 494 400. ¹⁴⁾
Share ownership guideline	The recommended minimum investment in the company's shares corresponds to the executive's one time annual gross base salary.
Expenditures related to share-based incentives	EUR 315 896
Retirement age	63
Pension expenditure	In 2015, EUR 221 000. In addition to the statutory pension provision: a defined contribution pension plan where the expenditure is 23% of the annual base salary. ¹⁵⁾
Period of notice	If the agreement is terminated by Tieto, the period of notice is 12 months. If the agreement is terminated by the President and CEO, the period of notice is 6 months.
Severance payment	If the agreement is terminated by Tieto, the 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 someone acquires ownership of over 50% of the company's shares or the company is merged with another company as a merging company and if the agreement is terminated by either party within nine months after such acquisition or merge, the company shall pay a severance payment equivalent to the base salary and the short-term target incentive for six months and 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. Should the CEO stay in the company after an acquisition or a merge, he is entitled to the above mentioned outcome of the most recent long-term incentive plan after twelve months after such an acquisition or a merge. If the agreement is terminated by the President and CEO, except in the event of the above mentioned over 50% take over or the merge, the severance payment shall not be paid.

¹¹⁾ The exception is the scheme of one member who is covered by a fund-based pension system previously adopted by Tieto.

¹²⁾ The fair market value for Long-Term Incentive Programme 2012–2014 is the total value of current grants using the value of Tieto share on 31 December 2015, EUR 24.72. 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.

¹³⁾ The fair market value for Share-Based reward plan is calculated using the value of Tieto share on 31 December 2015, EUR 24.72.

¹⁴⁾ The fair market value for Long-term Incentive Plan 2015 is calculated using the latest performance estimates and value of Tieto share on 31 December 2015, EUR 24.72

¹⁵⁾ 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 company's website 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) ¹⁶⁾

Total salaries	EUR 2 945 502
Total benefits	EUR 131 200
Special payments	EUR 0
Total bonuses 2015	Not yet determined (EUR 565 077 paid in 2015 for performance year 2014).
Basis of bonus	<p>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</p> <ul style="list-style-type: none"> • company performance and • individual performance <p>These two form overall performance evaluation (OPE). OPE for each LT member is confirmed by the Board.</p> <p>CFO: in addition to individual performance measurement, bonus is based on company performance, measured by the following factors</p> <ul style="list-style-type: none"> • Profit of the company • External revenue • Cash flow improvement <p>Other LT members: in addition to individual performance measurement, bonus is based on</p> <ul style="list-style-type: none"> • company and/or • own Industry Group or Service Line -related performance criteria (operative margin, external revenue and other operational targets)
Options	<p>2009 C option program: right to subscribe 2 500 shares</p> <ul style="list-style-type: none"> • The fair value of the option rights is EUR 39 000 ¹⁷⁾. <p>Terms and conditions of the option programmes 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.</p>
Long-Term Incentive Programme 2012–2014	<p>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.</p> <p>In spring 2015 a total of 22 305 shares were transferred as a reward from Performance Period 2014 and 2012–2014 to the Leadership Team members. The shares are under transfer restriction according to the terms of the programme. The fair value of the rewards paid in 2015 amount to EUR 1 140 483. ¹⁸⁾</p> <p>Further information is available on the company's website www.tieto.com/Investors.</p>
Share-based reward plan	Leadership Team members are entitled to a total of 23 900 shares if the criteria set for the plan is met. The plan will run until the end of 2016. The fair value of these allocations amounts to EUR 590 808 ¹⁹⁾ .
Long-Term Incentive Plan 2015	Leadership Team members are entitled to 90 000 Performance Shares if the maximum levels of the performance metrics are met and 7 600 Restricted Shares. Performance period of the plan is 2015–2017. The fair value of these allocations is EUR 2 412 672. ²⁰⁾
Expenditures related to share-based incentives (including option programmes)	EUR 765 371
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	<p>In 2015, in total EUR 1 032 783.</p> <p>CFO: In addition to the statutory pension provision: a defined contribution pension plan where the expenditure is 23% of the annual base salary ²¹⁾.</p> <p>Most other Leadership Team members based in Finland with no pension plans implemented earlier: In addition to the statutory pension provision: defined contribution pension plans where the expenditure is 15% of the annual base salary ²¹⁾.</p> <p>The company provides Leadership Team members based outside Finland with individual pension plans according to local practices.</p>
Period of notice	Various terms, between 6 and 12 months.
Severance payment	Various terms, amounts corresponding to the periods of notice.

¹⁶⁾ Figures include also remuneration of Kolbjørn Haarr (LT member until 20 March 2015) and Antti Vasara (LT member until 1 August 2015).

¹⁷⁾ Calculated on the basis of the fair market value of one Tieto 2009 C stock option on 31 December 2015, EUR 15.60.

¹⁸⁾ The fair market value for Long-Term Incentive Programme 2012–2014 is the total value of current grants using the value of Tieto share on 31 December 2015, EUR 24.72. In connection to the share delivery, a cash payment was made to cover payroll taxes.

¹⁹⁾ The fair market value for Share-Based reward plan is calculated using the value of Tieto share on 31 December 2015, EUR 24.72.

²⁰⁾ The fair market value for Long Term Incentive Plan 2015 is calculated using the latest performance estimates and value of Tieto share on 31 December 2015, EUR 24.72

²¹⁾ 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

	Shares at 31 Dec 2015	Shares at 31 Dec 2014	Options at 31 Dec 2015	Options at 31 Dec 2014
Kimmo Alkio	39 403	15 973	0	30 000
Håkan Dahlström	1 000	1 000	0	0
Kolbjørn Haarr ²²⁾	N/A	1 171	N/A	39 000
Lasse Heinonen	13 278	8 731	2 500	15 000
Per Johanson	4 465	1 079	0	0
Ari Järvelä	4 956	2 478	0	9 000
Ari Karppinen	10 504	6 539	0	8 000
Satu Kiiskinen	3 398	1 000	0	0
Katariina Kravi	3 550	1 090	0	0
Antti Vasara ²³⁾	N/A	4 640	N/A	0

²²⁾ Leadership Team member until 20 March 2015.

²³⁾ Leadership Team member until 1 August 2015.

The compensation of the whole Leadership Team in 2015 is also summarized in [note 7](#) of the financial

statements. Remuneration statement is available on company's website www.tieto.com/Investors.

Tieto's online Annual Report is available at
www.tieto.com/ar2015

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