

Digia Plc's CORPORATE GOVERNANCE STATEMENT 2016

GENERAL

This Statement has been issued separately from the company's Annual Report.

Digia Plc's (hereinafter "Digia") corporate governance system is based on the Companies Act, the Securities Markets Act, general corporate governance recommendations, the company's Articles of Association and its in-house rules and regulations on corporate governance. The company (and this Statement) adheres to the Governance Code for Listed Finnish Companies issued by the Finnish Securities Market Association, which entered into force on 1 January 2016. The Corporate Governance Code can be read on the Finnish Securities Market Association's website www.cgfinland.fi.

Digia's corporate governance principles are integrity, accountability, fairness, and transparency. This means that:

- The company complies with applicable legislation and regulations.
- When organising, planning, managing and running its business operations, the company abides by the applicable professional requirements that have been generally approved by its Board members, who demonstrate due care and responsibility in performing their duties.
- The company is prudent in the management of its capital and assets.
- The company's policy is to keep all parties in the market actively, openly and equitably informed of its businesses and operations.
- The company's management, administration and personnel are subject to the appropriate internal and external audits and supervision.

GENERAL OVERVIEW OF GOVERNANCE

Responsibility for Digia's operations is held by the Shareholders' Meeting, Board of Directors, and the President & CEO assisted by the Group Management Team.

SHAREHOLDERS' MEETINGS

Digia's highest decision-making body is the Shareholders' Meeting at which shareholders exercise their voting rights on company matters. The Annual General Meeting (AGM) is held once a year before the end of June on a date set by the Board of Directors. Each company share entitles the holder to one vote at a Shareholders' Meeting.

The Annual General Meeting should convene annually within three (3) months of the date on which the financial year ends. An Extraordinary General Meeting must be held if the Board of Directors deems it necessary, or if requested in writing by a company auditor or shareholder holding a minimum of ten per cent (1/10) of the company's shares, for the purpose of discussing a specific issue.

The Finnish Companies Act and Digia's Articles of Association define the responsibilities and duties of the Shareholders' Meeting. Extraordinary General Meetings decide on the matters for which they have been specifically convened.

Digia's policy is that the Chairperson of the Board, Members of the Board, auditor, anyone nominated for the Board, and the President & CEO should be present at Shareholders' Meetings.

The minutes of Shareholders' Meetings will be available for shareholders to read at Digia's internet pages, within two weeks of the meeting, www.digia.com/en/investors/governance/annual-general-meeting. The

decisions made at the meeting will also be published in a stock exchange release immediately after the meeting.

In order to participate in a Shareholder's Meeting, a shareholder must be entered in the Digia shareholder register maintained by Euroclear Finland Oy on the record date for the Shareholders' Meeting, and must also have registered for the meeting at the latest by the date given in the invitation.

Shareholders have the right to add a relevant item (as specified in the Companies Act) to the agenda for the Shareholders' Meeting, as long as the request is made in writing to the Board of Directors in time for the item to be added to the notice of meeting. Digia will announce the date by which shareholders must present a requested AGM agenda item to the company's Board of Directors. This deadline will be published on Digia's website. The date will be announced at the latest by the end of the financial year preceding the Annual General Meeting.

BOARD OF DIRECTORS

Activities and tasks

The Board of Directors is elected by the Shareholders' Meeting, and is in charge of Digia's administration and the appropriate organisation of the company's operations. Under the Articles of Association, the Board of Directors must consist of a minimum of four and a maximum of eight members. The Nomination Committee will present the Shareholders' Meeting with its proposal for the composition of the new Board of Directors to be appointed.

The majority of Board members must be independent of the company and a minimum of two of those members must also be independent of the company's major shareholders. Neither the CEO nor other company employees working under the CEO's direction may be elected members of the Board.

The term of all Board members expires at the end of the Annual General Meeting following their election. A Board member can be re-elected without limitations on the number of successive terms. The Board of Directors elects its Chair and Vice Chair from amongst its members.

Board Diversity Policy

The Board of Directors has defined a Board diversity policy. It states that the requirements of the company's size, market position and industry should be duly reflected in the Board's composition. It should be ensured that the Board as a whole will always have sufficient expertise in the following areas in particular:

- the company's field of business,
- experience in managing a company of similar size,
- the nature of a listed company's business operations,
- management accounting,
- risk management,
- mergers and acquisitions, and
- Board work.

The Board should include members of both genders. The composition of the 2016 Board of Directors was successfully in line with Digia's diversity policy. Both genders are represented on the Board.

The Board of Directors' rules of procedure

The Board has prepared and approved written rules of procedure for its work. In addition to the Board duties prescribed by the Companies Act and other rules and regulations, Digia's Board of Directors is responsible for the items in its rules of procedure, observing the following general guidelines:

- Good governance requires that, instead of needlessly interfering in routine operations, the Board of Directors should concentrate on furthering the company's short- and long-term strategies;
- The Board's general task is to steer the company's business with a view to maximising shareholder value over the long term, while taking account of the expectations of various stakeholder groups; and
- Board members are required to act on the basis of sufficient, relevant and up-to-date information in a manner that serves the company's interests.

The Board of Directors' rules of procedure cover the following tasks:

- Defines the Board's annual action plan and provides a preliminary meeting schedule and framework agenda for each meeting;
- Provides guidelines for the Board's annual self-assessment;
- Provides guidelines for distributing notices of meetings and advance information to the Board, and procedures for keeping and approving minutes;
- Defines job descriptions for the Board's Chairperson, members and Secretary (the latter position is held by the General Counsel or, if absent, the CEO); and
- Defines frameworks within which the Board may set up special committees or working groups.

The Board evaluates its activities and working methods at regular intervals, employing an external consultant to assist when necessary.

The Board convened a total of 16 times during 2016, and the attendance rate averaged 93 per cent. The table on page 5 shows members' attendance rate at meetings.

Board Members

The Members of Digia Plc's Board of Directors in 2016

Member of the Board	Born in	Education	Main occupation	Holding 31 Dec 2016 **	Member since
Martti Ala-Härkönen*	1965	DSc (Econ.), Lic.Sc. (Tech.)	CFO, Caverion Corporation	0	2016
Päivi Hokkanen	1959	MSc. (Econ.)	CIO, A-Katsastus Group	8 170	2012
Robert Ingman Vice Chair	1961	MSc. (Tech.), MSc. (Econ.)	Chair of the Board, Ingman Group Oy Ab	4 520 000	2010
Pertti Kyttälä Chair	1950	MSc. (Econ.)	Managing Director, Peranit Ltd	3 000	2005
Seppo Ruotsalainen	1954	Lic.Sc. (Tech.)	Board professional	0	2012

Member of the Board	Born in	Education	Main occupation	Holding 31 Dec 2016 **	Member since
Leena Saarinen ***	1960	MSc. (Food technology)	Board professional	-	2012–2016
Tommi Uhari ***	1971	MSc. (Tech.)	Board professional	-	2010–2016
Kai Öistämö ***	1964	D.Tech., MSc. (Tech.)	Board professional	-	2015–2016

* member as of 16 March 2016

** includes related-party holdings and related party entities

***member until 16 March 2016

Independence of the members of the Board of Directors

The Board of Directors assesses the independence of its members on an annual basis. Of the aforementioned current members of the Board, Päivi Hokkanen, Martti Ala-Härkönen, Pertti Kyttälä and Seppo Ruotsalainen are independent of the company and its major shareholders. The last assessment noted Pertti Kyttälä's more than ten-year continuous membership of the Board. However, it was not deemed to affect his independence overall. Robert Ingman is independent of the company. Robert Ingman is not independent of the company's major shareholders due to his holdings in related party entities.

BOARD COMMITTEES

In 2016, Digia's Board of Directors had three committees: the Compensation Committee, the Audit Committee, and the Nomination Committee. At its meeting on 28 April 2016, the Board approved the 2016 rules of procedure for its committees.

These committees do not hold powers of decision or execution; their role is to assist the Board in decision-making concerning their areas of expertise. The committees report regularly on their work to the Board, which has decision-making and collegial responsibility over their actions.

Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors in ensuring that the company's financial reporting, accounting methods, financial statements and any other financial information provided by the company comply with legislation and are balanced, transparent and clear. In 2016, the Audit Committee consisted of Pertti Kyttälä (Chairman), Seppo Ruotsalainen, Martti Ala-Härkönen, Leena Saarinen (until 16 March 2016) and Tommi Uhari (until 16 March 2016). The committee convened four times during the year with full attendance. The table below shows members' attendance at meetings.

Compensation Committee

Digia's Compensation Committee is tasked with preparing and following management remuneration schemes in order to ensure that the company's targets are met, that the objectivity of decision-making is maintained, and that the schemes are transparent and systematic. In the 2016 financial year, the Compensation Committee comprised Päivi Hokkanen (Chair), Robert Ingman, Martti Ala-Härkönen, Leena Saarinen (until 16 March 2016)

and Kai Öistämö (until 16 March 2016). The committee convened eight times during the year with full attendance. The table below shows members' attendance rate at meetings.

Nomination Committee

The Nomination Committee prepares proposals for the Annual General Meeting on (a) the number of members of the Board of Directors, (b) the members of the Board of Directors, (c) the remuneration for the Chair, Vice Chair and members of the Board of Directors, and (d) the remuneration for the Chair and members of the committees of the Board of Directors. In 2016, the Nomination Committee consisted of Robert Ingman (Chair), Pertti Kyttälä, Seppo Ruotsalainen and Tommi Uhari (until 16 March 2016). The Nomination Committee convened four times during the year with full attendance. The table below shows members' attendance at meetings.

The attendance of Board and Committee members at meetings in 2016

	Board meetings	Audit Committee	Compensation Committee	Nomination Committee
Martti Ala-Härkönen*	11/12	3/3	6/6	-
Päivi Hokkanen	16/16	-	8/8	-
Robert Ingman	16/16	-	8/8	4/4
Pertti Kyttälä	16/16	4/4	-	4/4
Seppo Ruotsalainen	16/16	4/4	-	2/2
Leena Saarinen **	4/4	1/1	2/2	-
Tommi Uhari **	3/4	1/1	-	2/2
Kai Öistämö ***	3/4	-	2/2	-

* member as of 16 March 2016

** member until 16 March 2016

PRESIDENT & CEO

The company's Chief Executive Officer is appointed by the Board of Directors. The CEO is in charge of Digia's business operations and administration in accordance with the instructions and regulations issued by the Board of Directors, and as defined by the Finnish Limited Liability Companies Act. The CEO may take exceptional and far-reaching measures, in view of the nature and scope of the company's activities, only if so authorised by the Board of Directors. The CEO chairs the Group Management Team's meetings. The CEO is not a member of the Board of Directors, but attends Board meetings.

The Board of Directors approves the CEO's service contract, which contains a written definition of the key terms and conditions of the CEO's employment. Juha Varelius was Digia Plc's President & CEO until 30 April 2016, and was succeeded by Timo Levoranta.

GROUP MANAGEMENT TEAM

The Group Management Team supports the President & CEO in the routine management of the company. The CEO appoints Management Team members and decides on the terms and conditions of their service contracts.

The CEO chairs meetings of Digia's Management Team. The Management Team consists of ten members. The Team meets once a week to assist the CEO in strategic planning, strategy implementation, operative

management, and preparing items for consideration by the Board of Directors. The Board draws up annual action and financial plans, sets their associated targets, and monitors their progress. It also prepares significant investments, mergers and acquisitions. The CEO is responsible for the Management Group's decisions. Members of the Management Group are tasked with implementing these decisions within their own areas of responsibility.

2016 Management Group members

Name	Born in	Education	Area of responsibility	Holding 31 Dec 2016 *	Member since
Timo Levoranta	1965	MSc. (Tech.), MSc. (Econ.)	President & CEO	70	2016
Tuula Haataja	1964	MSc. (Econ.)	CFO	30 698	2013
Mika Kervinen	1968	L.L.M, Trained on the bench	General Counsel	0	2016
Erkki Talvela	1953	MSc. (Econ.)	Senior Vice President, Sales Marketing and Communications	0	2016
Samuli Aho	1968	Vocational Qualification in Business Information Technology	Vice President, eSolutions and Associations	1 000	2016
Tommi Flink	1975	MSc. (Information Technology)	Vice President, Financial Solutions and Services	7 213	2016
Tom Puusola	1967	upper secondary school graduate in Technical Science	Vice President, Horizontal Services	15 606	2012
Teemu Virtanen	1978	BSc.	Vice President, Integration and Information Management	0	2016
Marko Saarinen	1969	MBA	Vice President, Digital Services	0	2016
Juhana Juppo	1971	MSc. (Computer Science)	CTO, Technologies	0	2016
Juha Varelius	1963	MSc. (Econ.)	President & CEO **	- **	2007-2016

* Includes related-party holdings and related party entities

** Until 30 April 2016

INTERNAL CONTROL AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

Control functions and control environment

The company has a controller function tasked with verifying monthly reports. This controller function reports on the financial performance of the company and its divisions to Management, the Board of Directors, and the Board's Audit Committee.

The company uses a reporting system that compiles subsidiaries' reports into consolidated financial statements. There are also written directives for completing the financial reports of subsidiaries. Compliance with these directives is monitored by the controller function. The company also has the separate reporting facilities required for monitoring business operations and asset management.

The Group's finance unit provides instructions for drawing up financial statements and interim financial statements, and compiles the consolidated financial statements. The finance unit has centralised control over the Group's funding and asset management, and is in charge of managing interest rate risks.

Internal risk control

As a general rule, authorisation is distributed in such a way that no individual may independently perform measures unbeknown to at least one other individual. For example, the company's bookkeeping and asset management are managed by separate persons, and two authorised persons are required to sign on behalf of the company.

The Group's business is divided into areas of responsibility led by Senior Vice Presidents (SVPs) reporting to the CEO. Reporting and supervision are based on annual budgets that are reviewed monthly, on monthly income reporting, and on updates of the latest forecasts.

The SVPs report to the Group Management Team on development matters, strategic and annual planning, business and income monitoring, investments, potential acquisition targets and internal organisation matters related to their areas of responsibility. Each area of responsibility also has its own management team.

Digia's operational management and supervision adhere to the corporate governance system described above.

The Group's administration unit is in charge of HR management and policy, real estate properties, and ensuring appropriate working conditions at all locations. The legal affairs unit guides and monitors agreements made by the company, and ensures the legality of the Group's operations.

Digia has not yet established a separate function responsible for internal control. With the company's current business volume, its legal and financial management functions are able to handle internal control tasks.

Risk management

The purpose of the company's risk management process is to identify and manage risks in a way that enables the company to attain its strategic and financial targets. Risk management is a continuous process by which the major risks are identified, listed and assessed, the key persons in charge of risk management are appointed, and risks are prioritised according to an assessment scale that compares the effects and mutual significance of risks.

The main operational risks monitored under Digia's risk management are related to customers, personnel, projects, data security, immaterial rights, and goodwill.

The company manages customer risks by actively developing its customer portfolio structure and avoiding any potential risk positions.

Personnel risks are evaluated and managed using a quarterly performance review and development discussion process in which key personnel participate. To enhance personnel commitment, the company strives to systematically improve the efficiency of internal communications via regular personnel events and by increasing the management's visibility.

Key project audits are carried out with a view to enhancing project risk management and securing the success of project deliveries to customers. The Group's certified quality systems are also regularly evaluated and the Group has increased the efficiency of its project delivery reporting practices for corporate governance and finance.

Data security audits are carried out to manage data security risks. The company also continually develops working models, practices and processes that promote data security. The Management Group is tasked with systematically managing risks associated with business integration, shared operating models and best practices, as well as their integrated development. Typical risks in the software business relate to the appropriate protection of the company's own immaterial property rights (IPRs) and violation of third parties' IPRs. These are managed through extensive internal policies, standard contracts, and appropriate supervision and analysis.

With respect to IFRS-compliant accounting policies, the Group actively monitors goodwill and its associated impairment tests as a part of prudent and proactive risk management practices within financial management.

In addition to operational risks, the company is subject to financial risks. Digia Plc has centralised internal and external financing and the management of financial risks within the finance function of the Group's parent company. This function is responsible for the Group's liquidity, the sufficiency of financing, and the management of interest rate and currency risks. The Group is exposed to several financial risks in the normal course of business. The Group's risk management seeks to minimise the adverse effects of changes in financial markets on the Group's earnings. The primary types of financial risks are interest rate risk, credit risk, and funding risk. The general principles of Digia's risk management are approved by the Board of Directors, and the Group's finance function and business divisions are jointly responsible for their practical implementation.

INSIDER ADMINISTRATION

Digia complies with the current Guidelines for Insiders issued by NASDAQ Helsinki. Digia's General Counsel is responsible for insider issues. Digia revised its insider administration to comply with the EU Market Abuse Directive and Regulation (596/2014), which came into force on 3 July 2016.

Insiders

Since the Market Abuse Directive came into force, Digia's insiders have been divided into:

1. permanent insiders, which include the CEO and members of Digia's Board of Directors and Management Team;
2. project-specific insiders, which include those who receive insider information relating to a specific project due to their position or tasks; and
3. a list of those who receive financial information.

Permanent insiders are not listed in project-specific insider registers.

Management's business transactions

Members of Digia's Management and those in their close circle must report all business transactions involving Digia's financial instruments to both Digia and the Financial Supervisory Authority. The managerial positions covered by this obligation are: the CEO, members of the Management Team, and members of Digia's Board of Directors.

Digia will issue a stock exchange release on all personal business transactions made by members of Digia's Management and those in their close circle. These releases will be issued within three days of the transaction. Digia also keeps a record of this information on the company's website.

Closed window

Insiders may not trade in the company's securities during a period of 30 days before the publication of one of the company's business reviews, interim reports or financial statement bulletins. Project-specific insiders may not trade in the company's securities whilst the project is ongoing.

Reporting misconduct

Digia Plc has a 'whistle blowing' channel for reporting suspected market abuse. This channel seeks to promote compliance with good governance in the company's routine activities, and to prevent and detect misconduct.

It can be used to report market abuse and the violation of operating principles, regulations and instructions, either confirmed or suspected.

Anyone can make an anonymous report using the form on Digia's intranet. All reports are directed to Digia's legal unit.

All reports will be processed confidentially and professionally in accordance with the Personal Data Act, with regard to both the informant and suspect.

AUDITOR AND AUDITOR'S FEES

Auditor and auditor's fees

Digia has one official auditor, who must be an Authorized Public Accountant. The auditor is elected until further notice.

The Annual General Meeting elects the auditor and decides on their fees.

KPMG Oy Ab, a firm of Authorised Public Accountants, is the Group's auditor. Virpi Halonen, Authorised Public Accountant, has been chief auditor since 2015.

The fees paid the Auditor in 2016

EUR 1,000	2016
Audit	95
Other statutory assignments	-
Tax counselling	-
Other services	108
Total	203