

# Corporate Governance



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# Digia Plc's Corporate Governance Statement 2017

## General

This Statement has been issued separately from the Report of the Board of Directors.

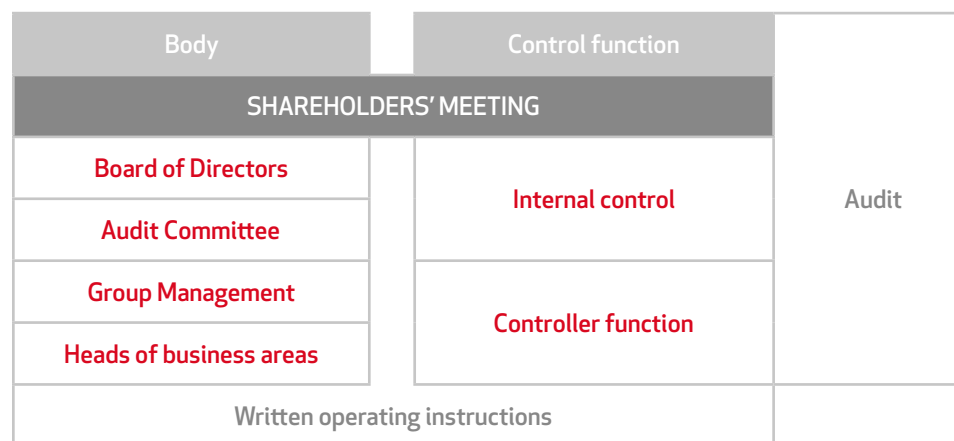
Digia Plc's (hereinafter "Digia") corporate governance system is based on the Companies Act, the Securities Markets Act, general corporate governance recommendations, the company's Articles of Association and its in-house rules and regulations on corporate governance. The company and this Statement adheres 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](http://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 and 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 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 shareholders holding a minimum of 10 per cent 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.

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.

The Chair of the Board, Members of the Board, auditor, anyone nominated for the Board, and the President and CEO should be present at Shareholders' Meetings.

The minutes of Shareholders' Meetings are available to shareholders on the company's website, [www.digia.com/en/investors/governance/annual-general-meeting](http://www.digia.com/en/investors/governance/annual-general-meeting) two weeks after the meeting. The decisions made at Shareholders' Meetings will also be published in a stock exchange release immediately after the meeting.

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.

The 2017 Annual General Meeting was held on 16 March 2017. More information about the decisions made at this meeting are available at [www.digia.com/en/investors/governance/annual-general-meeting](http://www.digia.com/en/investors/governance/annual-general-meeting). No Extraordinary General Meetings were held in 2017.

## 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. The Board should include members of both genders. 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;
- 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 composition of the 2017 Board of Directors was successfully in line with Digia's diversity policy.

### 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 each year, employing an external consultant to assist when necessary.

The Board convened a total of 16 times during 2017 with an attendance rate of 100 per cent.

### 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 parties.

## Board committees

During the 2017 financial year, Digia's Board of Directors had three (3) committees: the Compensation Committee, the Audit Committee, and the Nomination Committee.

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. During the 2017 financial year, the Audit Committee consisted of Pertti Kyttälä (Chair), Seppo Ruotsalainen and Martti Ala-Härkönen. The committee convened four times during the year with full attendance.

### 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. During the 2017 financial year, the Compensation Committee comprised Päivi Hokkanen (Chair), Robert Ingman and Martti Ala-Härkönen. The committee convened four times during the financial year with full attendance.

### Nomination Committee

The Nomination Committee prepares proposals for the Annual General Meeting on the number of members of the Board of Directors, the members of the Board of Directors, the remuneration for the Chair, Vice Chair and members of the Board of Directors, and the remuneration for the Chair and members of the committees of the Board of Directors. During the 2017 financial year, the Nomination Committee consisted of Robert Ingman (Chair), Pertti Kyttälä and Seppo Ruotsalainen. The committee convened five times during the financial year with full attendance.

## The Members of Digia Plc's Board of Directors in 2017

Member of the Board	Born in	Education	Main occupation	Holding 31 Dec 2017*	Member since
Martti Ala-Härkönen	1965	DSc (Econ.), Lic.Sc. (Tech.)	CFO, Caverion Corporation	20,000	2016
Päivi Hokkanen	1959	MSc. (Econ.)	CEO, ITprofs Oy	10,833	2012
Robert Ingman, Vice Chair	1961	MSc. (Tech.), MSc. (Econ.)	Chair of the Board, Ingman Development Oy Ab	6,026,000	2010
Pertti Kyttälä, Chair	1950	MSc. (Econ.)	Managing Director, Peranit Ltd	18,978	2005
Seppo Ruotsalainen	1954	Lic.Sc. (Tech.)	Board professional	2,000	2012

\* Includes related parties and related party holdings

## The attendance of Board and Committee members at meetings in 2017

	Board meetings	Audit Committee	Compensation Committee	Nomination Committee
Martti Ala-Härkönen	16/16	4/4	4/4	
Päivi Hokkanen	16/16		4/4	
Robert Ingman	16/16		4/4	5/5
Pertti Kyttälä	16/16	4/4		5/5
Seppo Ruotsalainen	16/16	4/4		5/5

## President and 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. Timo Levonranta has been President and CEO of Digia Plc since 1 May 2016.

## Group Management Team

The Group Management Team supports the President and 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. On 31 December 2017, the Management Team comprised eight members. The Team meets once every two weeks 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 Team's decisions. Members of the Management Team are tasked with implementing these decisions within their own areas of responsibility.

## Management Team members on 31 Dec 2017

Name	Born in	Education	Area of responsibility	Holding on 31 Dec 2017*	Member since
Timo Levoranta	1965	MSc. (Tech.), MSc. (Econ.)	President and CEO	48,607	2016
Kristiina Simola	1965	MSc. (Econ.)	CFO	0	2017
Mika Kervinen	1968	L.L.M, Trained on the bench	General Counsel	2,255	2016
Ari Rikkilä	1967	MSc. (Tech.)	Senior Vice President, Sales and Marketing	20	2017
Heikki Honkala	1968	Vocational Qualification in Business Information Technology	Senior Vice President, Industry Solutions	0	2017
Teemu Virtanen	1978	BSc.	Senior Vice President, Information Management Services	6,371	2016
Tuomo Niemi	1962	MSc. (Econ.), MSc. (Tech.)	Senior Vice President, Financial Sector	0	2017
Juhana Juppo	1971	MSc. (Computer Science)	CTO and Senior Vice President, Horizontal Services	0	2016

\* Includes related parties and related party holdings

## Internal control and risk management related to financial reporting

### Control functions and control environment

The company has a controller function that reports to the CFO and is tasked with ensuring the accuracy of monthly financial reporting. The CFO 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. The company's CFO monitors compliance with these instructions. The company also has the separate reporting facilities required for monitoring business operations and asset management.

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



## Internal control

Internal control helps to ensure the reliability of the Digia Group's financial reporting. Digia's financial administration unit provides guidance on financial reporting matters.

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.

Digia has not established a separate function responsible for internal auditing. The need for an internal audit function is regularly assessed. With the company's current business volume, its legal and financial management functions are able to handle internal auditing tasks.

## Risk management and major risks

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. Part of this process involves identifying, planning and implementing risk management measures, and then monitoring their impact.

The main operational risks monitored under Digia's risk management are related to customers, personnel, deliveries, IT, 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. Two major personnel-related risks are competence development and finding the correct expertise. These risks are systematically managed by developing our personnel's competence and through continual recruitment management and subcontractor management.

Internal – and as required also external – audits of major projects and continuous services are conducted with a view to enhancing project and service risk management and securing the success of customer deliveries. The Group's certified quality systems are also regularly evaluated. During 2017, the Group increased the efficiency of its project delivery reporting practices with regard to both corporate governance and finance. Further enhancements to reporting and monitoring will be made in 2018.

Data security audits are carried out to manage data security risks, and the company also continually develops working models, practices and processes that promote data security. Security training for all personnel is organised as required.

The Management Team 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 appropriate protection for 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.

Digia has assessed the corporate liability risks associated with its own operations and business relations, and has adequate and appropriate processes in place to predict and take precautions against these risks.

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 also adheres to its own insider guidelines, which supplement Nasdaq Helsinki's guidelines. Digia's General Counsel is responsible for insider issues.

### Insiders

Digia's insiders are 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
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 (3) days of the transaction. Digia also keeps a record of this information on the company's website.

### Closed window

Anyone working in a managerial position at Digia, or who otherwise receives financial information, 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, half-year 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 a KHT auditor or KHT audit firm approved by the Auditing Board of the Central Chamber of Commerce. 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.

### Auditors' fees in 2017

€	2017
Audit	78,628
Other statutory duties	24,180
Tax counselling	527
Other services	40,036
<b>Total</b>	<b>143,425</b>



# Digia's Board of Directors, 31 December 2017



## **Pertti Kyttälä**

### **Chair Of The Board**

b. 1950, MSc. (Econ.)

Digia Board member since 2005 and Chair of the Board since 2010. Chair of the Board's Audit Committee and member of the Nomination Committee.

Managing Director of Peranit Ltd.

His previous positions include CEO at Radiolinja Ltd 1999–2003, IT Director at Helsinki Telephone Company 1997–1999, Managing Director at Samlink Ltd 1994–1997 and Managing Director and Deputy Managing Director at Sp-palvelu Ltd 1991–1994.

A Member of the Directors' Institute of Finland.

Independent of the company and its major shareholders.



## **Robert Ingman**

### **Vice Chair of The Board**

b. 1961, MSc. (Tech.), MSc. (Econ.)

Digia Board Member since 2010 and Vice Chair of the Board since 2012. Chair of the Board's Nomination Committee and member of the Compensation Committee.

Chair of the Board:

Ingman Group Oy Ab 2009–, Oy Ingman Finance Ab 2009–, Halti Ltd 2012–, Etteplan Plc 2009 and 2013–, Ingman Development Oy Ab 2013–, CRI Invest and Consulting OÜ 2014–, and Qt Group Plc 2016–

Member of the Board:

Evli Pankki Plc 2010–, M-Brain Ltd 2011–, Massby Facility and Services Ltd. Oy 2012–, PK Oliver AS 2013–, and Ingman Baltic Sea Finance OÜ 2015–

Independent of the company.



## **Martti Ala-Härkönen**

### **Member of the Board**

b. 1965, DSc (Econ.), Lic.Sc. (Tech.)

Digia Board member since 2016. Member of the Board's Audit Committee and Compensation Committee.

CFO of Caverion Plc.

He has previously worked as CFO for Cramo 2006–2016, Senior Vice President, Finance and Administration at WM-data Oy 2004–2006, Senior Vice President for Business Development and Chief Financial Officer at Novo Group Plc 1998–2004 and Finance Manager, Manager Corporate Finance at Postipankki Plc 1995–1998.

Independent of the company and its major shareholders.

# Digia's Board of Directors, 31 December 2017



**Päivi Hokkanen**

**Member of the Board**

b. 1959, MSc. (Econ.)

Digia Board member since 2012. Chair of the Board's Compensation Committee.

CEO at ITprofs Oy.

Her previous positions include CIO and Executive Group member at A-Katsastus Group Oy 2012–2017, CIO at Sanoma Plc 2009–2012 and Stockmann Plc 2002–2009, Director at SysOpen Plc 1998–2002 and various positions at Cap Gemini Plc 1995–1998 and Kansallisaika Ltd 1984–1995.

Member of the Board of Directors of MPY Palvelut Oy since November 2017, Member of the Board of Directors' Institute of Finland, and Member of ICT Leaders Finland ry since 2016.

Independent of the company and its major shareholders.



**Seppo Ruotsalainen**

**Member of the Board**

b. 1954, Lic.Sc. (Tech.)

Digia Board member since 2012. Member of the Board's Audit Committee and Nomination Committee.

Currently works as a board professional holding board chair, board member, investor and strategic advisor roles in various technology and software companies.

His previous positions include President and CEO at Tekla Corporation 1998–2003, SVP at F-Secure Corporation 2008–2009, EVP at Oy LM Ericsson Ab 1994–1998, and Sales Director at Hewlett Packard 1982–1993. He has also been Chair of the Board of Commit Oy, AniLinker Oy, Fountain Park Oy and the Finnish Information Association (TIVIA) 2004–2006.

Member of the Directors' Institute of Finland and FiBAN (Finnish Business Angels Network), and Chair of the Board at MPY, Softera Oy and Viabile Ltd.

Independent of the company and its major shareholders.

# Digia's Management Team on 31 December 2017



**Timo Levoranta**

**President and CEO**

b. 1965, MSc. (Tech.), MSc. (Econ.)

President and CEO, and Group Management Team Member since 1 May 2016.

Previously, Levoranta was Senior Vice President, Digia's domestic business 2016. Before joining Digia, he has served in many different managerial positions in the ICT industry, most recently as the CEO of TDC Finland Oy 2011–2014. He has also worked as Senior Vice President, Sales and Marketing, at Outokumpu Oyj 2008–2011 and in various managerial positions at TeliaSonera 2002–2008 and Sonera 1995–2002.



**Kristiina Simola**

**CFO**

b. 1965, MSc. (Econ.)

Digia Management Team member since 14 August 2017.

Her previous positions have included CFO at Digitalist Group Plc 2015–2017, Deputy Managing Director and Group CFO of Mirasys Oy 2012–2015, Senior Manager and Finance Transformation Business Lead at Deloitte Oy 2010–2012, and CFO at Profit Software Oy 2007–2010.



**Mika Kervinen**

**General Counsel**

b. 1968, LL.M., Master of Laws with court training

Digia Management Team member since 1 May 2016.

Before joining Digia, he was Senior Legal Counsel at Fondia 2015–2016 and director of the business support unit at TDC Finland Oy 2012–2014. He has also worked as an in-house counsel in various specialist and supervisory positions in Nokia's network business companies 2004–2012, Telia-Sonera Oyj 1998–2012 and Kesko Corporation 1996–1998.



**Ari Rikkilä**

**Senior Vice President, Sales and Marketing**

b. 1967, MSc. (Tech.)

Digia Management Team member since 16 May 2017.

Before joining Digia, Rikkilä worked for Accenture as a Nordic sales lead for cloud services 2017. He has also held leadership positions at other companies, such as Tieto 2016–2017 and ALSO Group 2014–2016, and been CEO of Nervogrid 2013–2014 and Efecte Corp 2010–2013. He was Country Manager at CA Technologies Inc 2006–2010, Sales Director at Cisco Systems Inc 1999–2006, and Sales Manager at Elisa 1995–1999.

# Digia's Management Team on 31 December 2017



**Heikki Honkala**

**Senior Vice President, Industry Solutions**

b. 1968, Vocational Qualification in Business Information Technology

Digia Management Team member since 1 April 2017.

Previously, Honkala was Head of Digia's Microsoft Business Solutions 2016–2017. Before joining Digia, he has been Sales Director of Horizontal Services 2015–2016 and Director of Integrations & CRM Business 2012–2014 at CGI Finland Oy, Service Director of Integrations & MDM unit 2010–2012 and Business Manager of Integration unit 2004–2010 at Logica Finland Oy, Project Manager at WM-data Oy 1998–2004, and Head of Design 1997–1998 and IT Planner 1990–1997 at Novo Group Oyj.



**Juhana Juppo**

**CTO and Senior Vice President, Horizontal Services**

b. 1971, MSc. (Computer Science)

Digia Management Team member since 19 September 2016.

Before joining Digia, his previous positions have included Director, Business Development at Finanssi-Kontio 2013–2016, Service Director at CGI Finland 2011–2013, and CTO at Capgemini 2005–2011.



**Tuomo Niemi**

**Senior Vice President, Financial Sector**

b. 1962, MSc. (Econ. and Bus. Adm.), MSc. (Tech.)

Digia Management Team member since 1 June 2017.

Before joining Digia, he served in leadership positions 2003–2017 and as a Senior Consultant 1996–2003 at Accenture. He has also worked in managerial positions at ICL Personal Systems 1992–1996, as a consultant at Andersen Consulting 1989–1991, and as Product Manager at Nokia Data 1988–1989.



**Teemu Virtanen**

**Senior Vice President, Information Management Services**

b. 1978, BSc.

Digia Management Team member since 1 May 2016. Member of the Domestic segment's management team 2015–2016.

Head of Digia's integration business 2013–2017, various managerial positions in the integration business sector of Digia's Digital Services unit 2010–2012 and Integration Solutions unit 2009–2010, and project management and supervisory duties in electronic services, communications systems and integration solutions in Digia's Industry and Trade division 2007–2008. He also worked for Sentera Plc 2005–2006 and Key Partners Oy 2005. Before joining Digia's predecessor, he held project management and specialist positions associated with publication systems at Casdev Active Oy 2001–2004.

# Digia's salary and remuneration report 2017

This salary and remuneration report contains a summary of the financial benefits, remuneration system and associated decision-making procedures pertaining to members of Digia Plc's Board of Directors, CEO and other executives.

## A) Decision-making procedures concerning remunerations

### Board of Directors

Digia Plc's Nomination Committee draws up a proposal for the emoluments to be paid to Board members and the grounds for reimbursement of expenses. The Shareholders' Meeting decides on the emoluments payable to Board members and the grounds for reimbursement of expenses.

### CEO and other executives

Digia Plc's Compensation Committee draws up a proposal for the CEO's salary, emoluments and other benefits. The Compensation Committee works with the CEO to draw up a proposal for the salaries, emoluments and other benefits payable to other executives. External experts and market analyses are employed whenever necessary. The Board of Directors decides on the salary, emoluments and other benefits payable to the CEO. The Board of Directors decides on the salaries, emoluments and other benefits payable to other executives on the basis of the CEO's proposal.

Digia has an agreement with Evli Awards Management Ltd for the coordination of the company's share-based incentive schemes, their associated share management, and the payment of incentives to individuals in accordance with the terms and conditions of the schemes. The share-based incentives paid to the CEO and other executives during the 2017 financial year were paid by Evli Awards Management Ltd in accordance with the aforementioned agreement, using Digia shares that were managed by Evli and acquired and financed by Digia for use in incentive schemes for the company's key personnel.

## B) Key remuneration principles

### Board remunerations

The 2017 Annual General Meeting decided on the paying of monthly remunerations of EUR 2,500 to Board members, EUR 3,500 to the Vice Chair and EUR 5,500 to the Chair for their work on the Board for the duration of the term expiring at the end of the 2018 Annual General Meeting. In addition, remunerations of EUR 1,000 to the chair and EUR 500 to other members are paid per each Board and Board Committee meeting.

The company does not grant stock options or share-based remuneration for work on the Board.

### Management incentives

As of 3 February 2017, Digia Plc's Board of Directors decided to establish a new long-term share-based incentive scheme. In principle, the target group consists of the CEO and the management of the company. The scheme is designed to conjoin the goals of the company's owners and management in order to increase the value of the company and to commit the executive management to the company and its long-term objectives. The new scheme replaced the previous share-based incentive scheme, which ran until 2017.

The long-term incentive scheme covers the calendar years 2017–2019. It offers the participants the opportunity to earn company shares if the targets set by the Board of Directors for three-year bonus period are reached.

The targets are based on the company's revenue and earnings per share (EPS). The EPS meter has three earning periods, the years 2017, 2018 and 2019, for which the Board sets targets at the beginning of each earning period. The earning period of the Revenue meter is 2017–2019, and the target revenue has been set at the 2019 target revenue level. During the bonus period, the CEO of the company and other members of the scheme have the right to a bonus the total value of which may not exceed the equivalent of 500,000 Digia Plc shares. If the requirements are met, the share-based bonus based on the scheme is paid for both meters after the bonus period has ended in 2020. All bonuses under this scheme will be paid as a 50/50 combination of shares and cash. Primarily, the cash portion of the bonus will be used to cover taxes and other comparable costs arising from the scheme.

As a rule, the bonus is not paid if a member resigns or the member's employment or post is terminated prior to the date of payment of bonuses in accordance with the incentive scheme. Under certain conditions, the Board has the option to decide on possible bonuses already received and on bonuses for the current earnings period in accordance with the pro-rata principle.

### President and CEO

The remuneration package for Timo Levoranta comprises a monthly salary in accordance with his service contract, a bonus payable on the attainment of annually set targets, and potential share bonuses payable to the CEO in accordance with approved share-based incentive schemes.

- On the basis of the bonus scheme of 2017, the CEO will be paid an annual bonus equivalent to 3 times his monthly base salary upon the attainment of annual targets tied to net sales and operating profit budgets set by the Board of Directors. 70 per cent of this bonus is tied to the net sales targets and 30 per cent to operating profit targets. If these targets are exceeded, the bonus increases to a maximum amount equivalent to 9 times his monthly base salary. The maximum bonus is payable if the net sales target is exceeded by at least 8.2 per cent and the operating profit target by at least 19.3 per cent. Both targets are evaluated biannually, independently and irrespective of each other. However, if operating profit falls below 70.2 per cent of the set target, no bonus will be paid, irrespective of the net sales outcome.
- The long-term incentive scheme is described above.

The company may terminate the CEO's service contract with six (6) months' notice. Upon such termination, the CEO will receive remuneration for the notice period and severance pay equalling six (6) months' regular monthly salary. The CEO's retirement age is as stipulated by law, and the CEO is not covered by any separate pension agreements with the company.

The share bonus paid to the CEO therefore involves no vesting periods limiting the sale of share.

### Group Management Team

As of 31 December 2017, the Group Management Team consisted of eight persons: CEO, CFO, General Counsel, Senior Vice President of Sales and Marketing, and four Senior Vice Presidents of business segments. Further

information on the senior management is found on the company's website:

[www.digia.com/en/investors/governance/ceo-and-management](http://www.digia.com/en/investors/governance/ceo-and-management).

The total remuneration package for these executives comprises a monthly salary and a bonus payable on the attainment of annually set targets. The earnings criteria and terms and conditions governing the bonus for members of Digia's Management Team in 2017 are the same as those governing the bonus for the CEO, except that the maximum annual bonus for Management Team members is equivalent to six (6) months' base salary. In addition, the senior management is included in the long-term incentive scheme described above.

The retirement age of all executives is as stipulated by law, and no one has a supplementary pension agreement with the company.

## C) Remuneration report

### Board remunerations

The following emoluments were paid to members of Digia's Board of Directors for Board and Committee work during the 2017 financial year:

€	2017
Martti Ala-Härkönen	38,500
Päivi Hokkanen	38,500
Robert Ingman	50,500
Pertti Kyttälä	80,000
Seppo Ruotsalainen	38,000
<b>Total</b>	<b>245,500</b>

### President and CEO's remuneration

The President and CEO was paid the following as salary and other benefits during the 2017 financial year:

€	2017
Salary (including fringe benefits)	249,840
Bonuses	22,905
Share-based incentive	46,752
Monetary bonus from shares	46,016
<b>Total</b>	<b>365,513</b>

## Remunerations of other executives

Other executives were paid the following as salary and other benefits during the 2017 financial year:

€	2017
Salary (including fringe benefits)	1,309,429
Bonuses	78,960
Share-based incentive	58,285
Monetary bonus from shares	57,367
<b>Total</b>	<b>1,504,041</b>

As of 31 December 2017, this included the following persons:

- Mika Kervinen, General Counsel, Group Management Team Member since 1 May 2016
- Kristiina Simola, Chief Financial Officer, Management Team member since 14 August 2017
- Ari Rikkilä, Senior Vice President, Sales and Marketing since 16 May 2017
- Juhana Juppo, CTO, Senior Vice President, Horizontal Solutions, Group Management Team Member since 19 September 2016
- Heikki Honkala, Senior Vice President, Industry Solutions, Group Management Team Member since 3 April 2017
- Tuomo Niemi, Senior Vice President, Financial Sector, Group Management Team Member since 1 June 2017
- Teemu Virtanen, Senior Vice President, Information Management Services, Group Management Team Member since 1 May 2016

Membership in the Group Management Team ended during 2017 for the following persons:

- Samuli Aho, Senior Vice President, Customised Solutions, Group Management Team Member until 30 June 2017
- Tommi Flink, Senior Vice President, Financial Sector Solutions and Services, Group Management Team Member until 31 May 2017
- Tuula Haataja, CFO, Group Management Team Member until 12 August 2017
- Tom Puusola, Senior Vice President, Horizontal Solutions, Group Management Team Member until 5 June 2017
- Erkki Talvela, Commercial Director, Group Management Team Member until 15 May 2017
- Marko Saarinen, Senior Vice President, Digital Services, Group Management Team Member until 30 November 2017

## Auditor and auditor's fees

Digia has one official auditor, who must be a KHT auditor or KHT audit firm approved by the Auditing Board of the Central Chamber of Commerce. The auditor is elected until further notice.

The Annual General Meeting elects the auditor and determines 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 12 March 2015.

€	2017
Audit	78,682
Other statutory duties	24,180
Tax counselling	527
Other services	40,036
<b>Total</b>	<b>143,425</b>