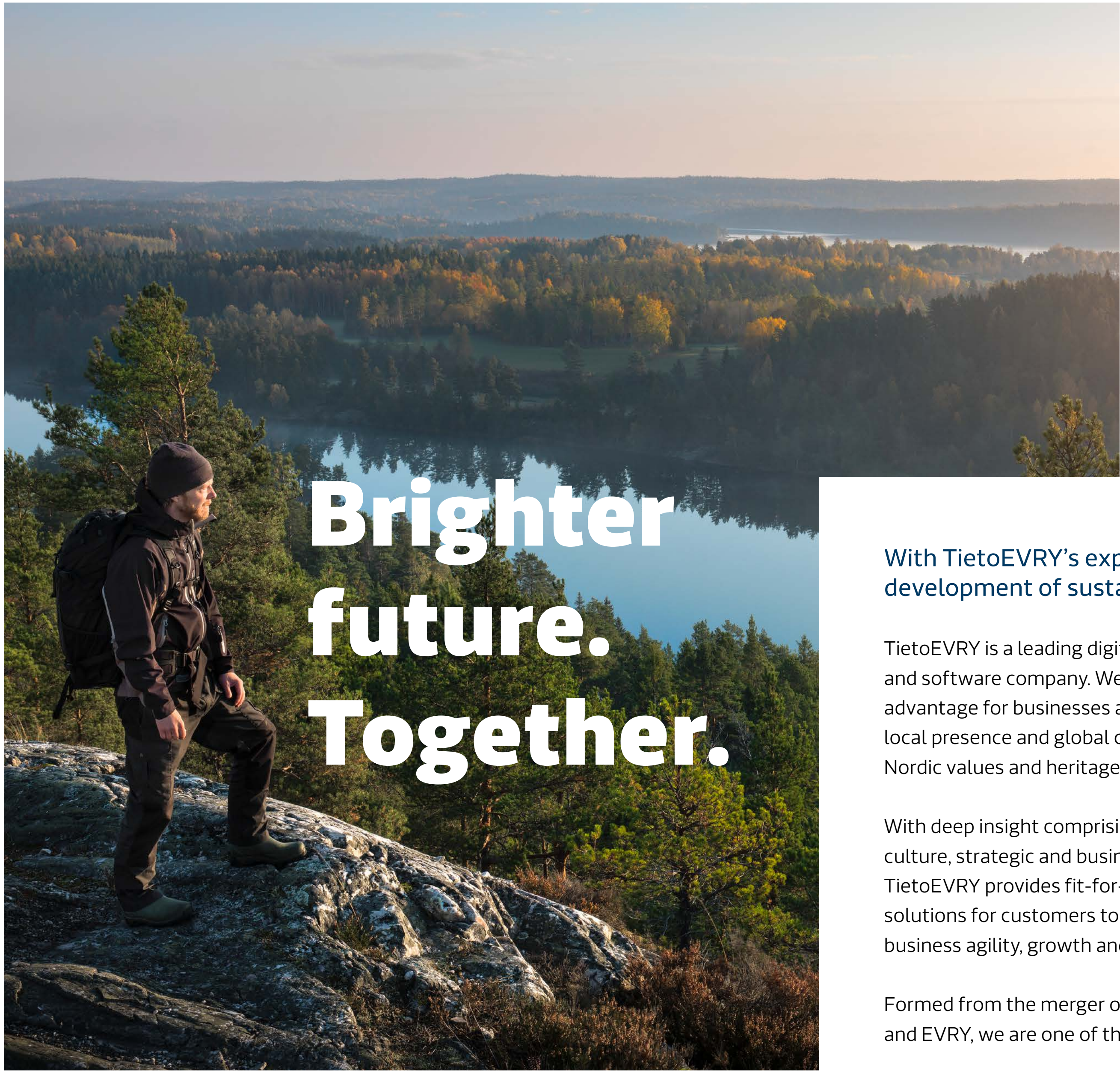
tieto EVRY

Annual Report 2019

Joining forces for digital advantage



With TietoEVRY's expertise, new technologies and data, we empower the development of sustainable businesses and the society.

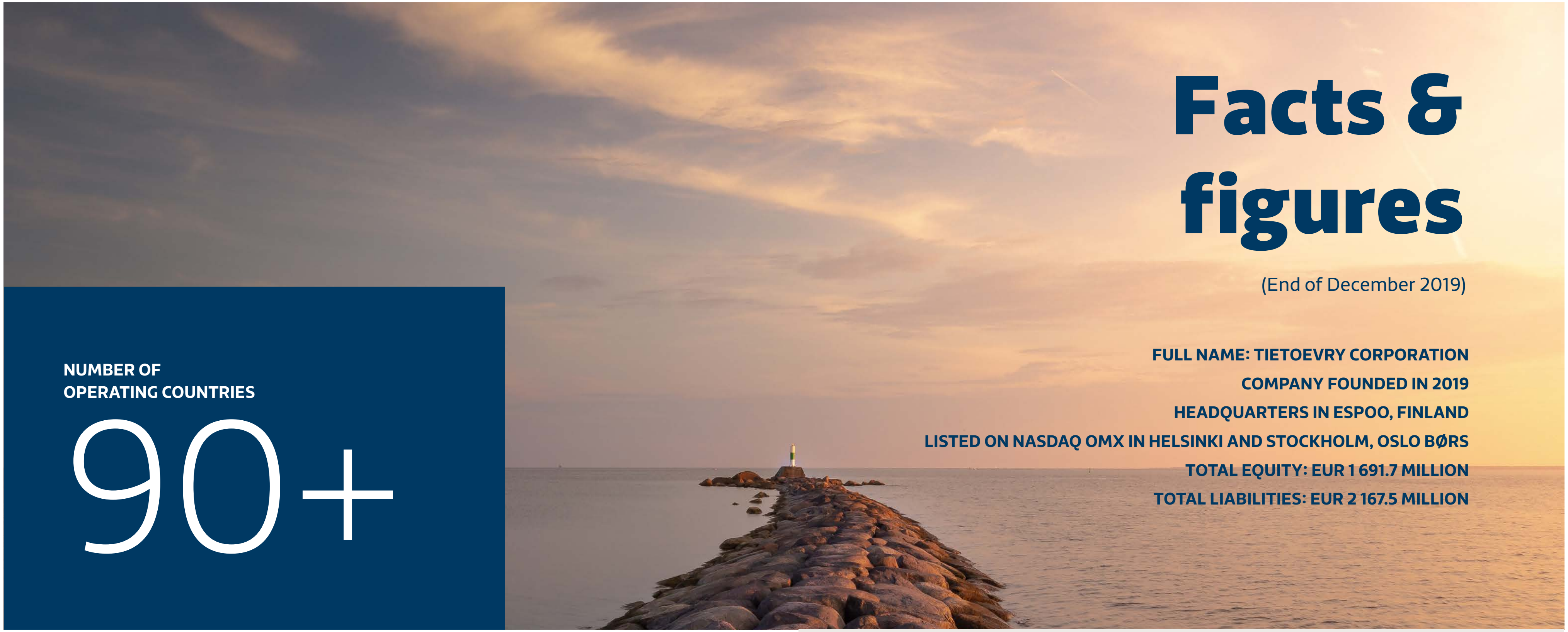
TietoEVRY is a leading digital services and software company. We create digital advantage for businesses and society, with local presence and global capabilities. Our Nordic values and heritage steer our success.

With deep insight comprising customers' culture, strategic and business drivers TietoEVRY provides fit-for-purpose solutions for customers to increase their business agility, growth and innovation.

Formed from the merger of Tieto and EVRY, we are one of the largest communities of technology and business professionals in the Nordics, and we employ approximately 24 000 experts globally.

We have a strong local presence with a leading market position in digital services in Sweden, Norway and Finland. With annual revenue of approximately EUR 3 billion, TietoEVRY serves customers in over 90 countries.

Read more on the merger →



Facts & figures

(End of December 2019)

FULL NAME: TIETOEVRY CORPORATION
COMPANY FOUNDED IN 2019
HEADQUARTERS IN ESPOO, FINLAND
LISTED ON NASDAQ OMX IN HELSINKI AND STOCKHOLM, OSLO BØRS
TOTAL EQUITY: EUR 1 691.7 MILLION
TOTAL LIABILITIES: EUR 2 167.5 MILLION

NUMBER OF OPERATING COUNTRIES

90+

REVENUE, MEUR

2 951

Based on stand-alone full-year financial information for Tieto and EVRY in 2019 (55% from Tieto and 45% from EVRY).

FULL TIME EMPLOYEES

23 996*

*Total number of employees for TietoEVRY.

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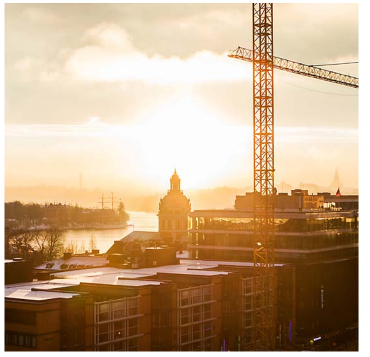

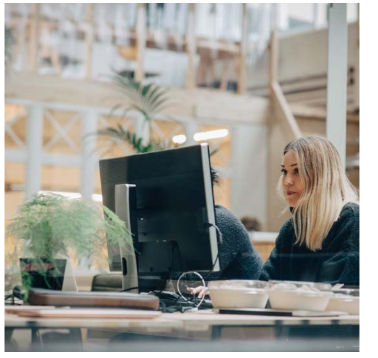

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TietoEVRY 2019

The non-financial disclosures in the annual report 2019 covers only Tieto. Financial reporting for 2019 covers TietoEVRY with EVRY consolidated as from 5 December.

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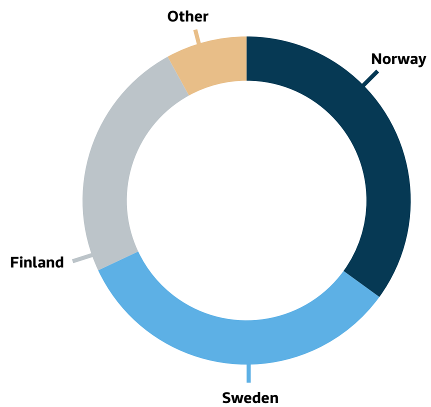
Highlights 2019

Year 2019 was as a historical year for us, bringing transformation and new opportunities.

We announced a plan to join forces with the Norway-based IT consulting company EVRY, to create the leading Nordic digital services and software company and the largest community for business and technology professionals.

Read more here →

REVENUE BY COUNTRY *



*Based on stand-alone financial information for Tieto and EVRY in 2019.

ADJUSTED EBIT

11.3%

DIVIDEND YIELD

4.6%

2019

Q1

Personal data & ethics. Tieto joins MyData Global as a founding member to promote the ethical processing of personal data. The organization strives for a fair and sustainable digital society and aims to improve people's self-determination regarding their personal data.

Launch of a new strategy. Tieto launches a new strategy to create great everyday experiences in the data-rich world.

Support for health and welfare. Tieto signs an agreement with City of Stockholm to deliver digital support for welfare and healthcare services with a contract until 2026.

Q2

Continuing a good partnership. Tieto was entrusted as a main IT partner for the Norwegian industrial company Lyse to support Lyse with innovation, competitiveness and customer experiences.

Data to support conscripts' health and wellbeing. A pilot project between the Finnish Defence Forces, Suunto and Tieto enables conscripts and reservists to track their physical activity and wellbeing.

Building the future. Tieto and EVRY announced they are joining forces to create a leading Nordic digital services company.

Q3

Societal impact. Tieto joins Almedalen in Sweden and SuomiAreena in Finland to drive societal discussions and awareness around digitalization and its role in the development of Nordic societies.

A new strategic partnership. Tieto supports Glaston in transforming its ICT environment to better serve current and future business needs.

Equality for better work. Tieto is named a top three tech company in the world in Equileap's gender ranking.

On site audits. Tieto takes big steps towards a sustainable supply chain with the first on-site audits of suppliers in high-risk-countries.

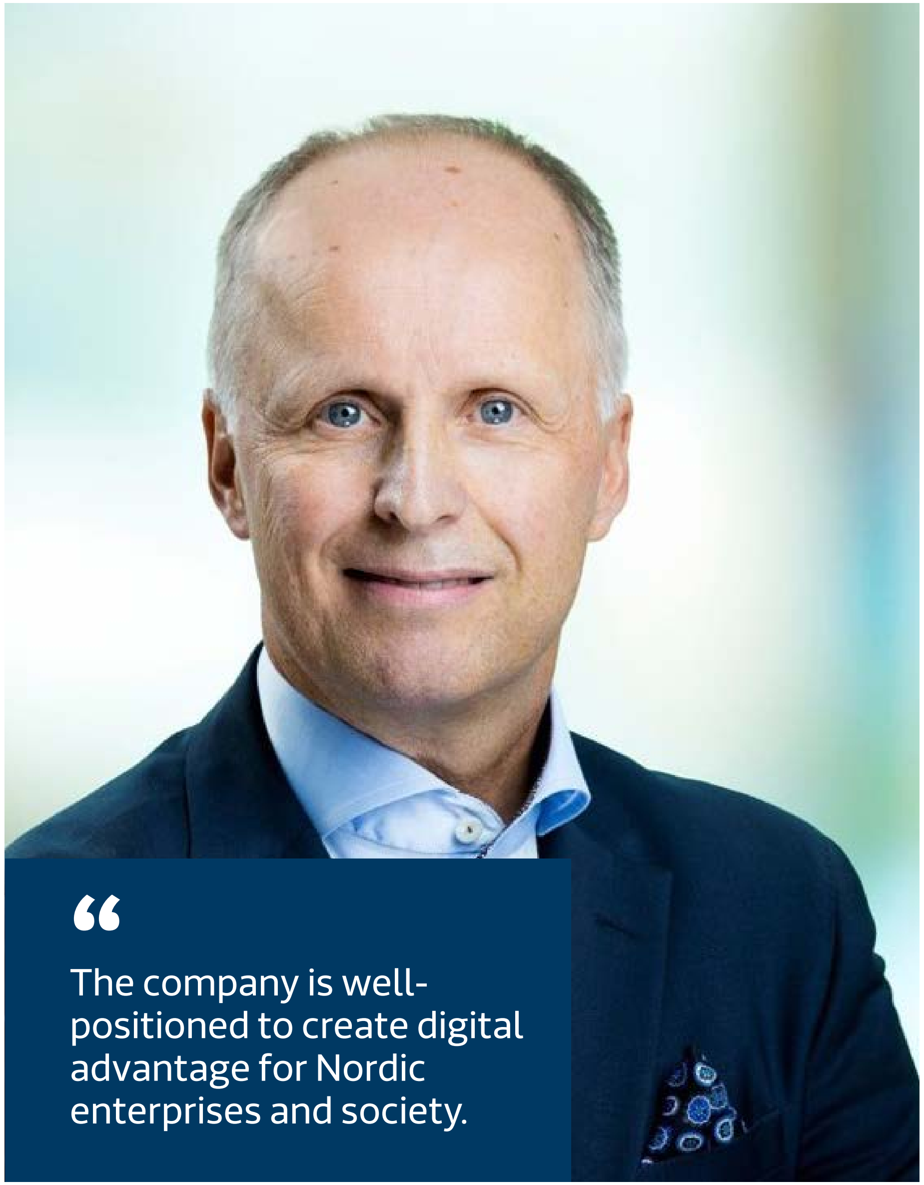
Q4

Preventing traffic accidents with AI. The City of Tampere and Tieto deploy a pilot solution that uses AI and IoT technology to boost pedestrian traffic safety.

Gender equality ranking renewed. Tieto is re-certified by the Swiss EDGE Certified Foundation and recognized for our initiatives in pursuing gender equality in our operations in Sweden.

A significant milestone. Tieto and EVRY joined forces and TietoEVRY, with TietoEVRY legally established on December 5th.

Expanding strategic partnership. At the end of the year, Tieto extends and broadens a strategic partnership with UPM, a leading biofore company.



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The company is well-positioned to create digital advantage for Nordic enterprises and society.

CEO STATEMENT

An exceptional year of transformation and exciting new opportunities

2019 was a historic year for Tieto. We joined forces with EVRY, the Norway-based consulting and technology company, to create TietoEVRY, a leading Nordic digital services and software company and the largest community for business and technology professionals. Together, we will accelerate digitalization and create digital advantage for our customers and society as a whole.

2019 was an extraordinary year for us at Tieto. We started the year by taking the next big leap in the company renewal to enhance the competitiveness of customers and the company alike. We launched a new strategy aiming to accelerate customers' design and data-led innovation and renewal in the Nordics and capture the opportunities in the data-driven world. We have made good progress on executing our strategy, transforming our operations and ways of working to a networked mode for increased agility and collaboration. This enables us to serve our customers with the best possible solutions that integrate our expertise, software and services.

Tieto and EVRY to join forces

In June we announced one of the most remarkable mergers ever in the Nordic IT industry: Tieto and EVRY joining forces. The companies jointly create one of the most competitive digital services and software companies in the Nordics, and the transaction was considered highly complementary from a geographical, offering and customer perspective. With combined revenue of close to EUR 3 billion, leading digital consulting practices, competitive industry specific software and scalable technology platforms, the company is well-positioned to create digital advantage for Nordic enterprises and society. Altogether TietoEVRY is serving thousands of enterprise and public sector customers in more than 90 countries.

Creating digital advantage for businesses and society

After meeting all regulatory conditions, on December 5th, 2019 we were able to complete the merger and TietoEVRY was legally established. The operational and cultural integration started in December and joint operations were kicked-off in January 2020. The integration work will be the key focus area for us in 2020 and beyond as we continue to implement the operating model, leadership, identity, as well as build a unified company culture. We have received positive feedback regarding the merger from all our key stakeholders, which has been very encouraging and inspiring.

Together, we can now offer our customers a wider range of services and capabilities enabling business agility, growth and innovation. We are doing this by leveraging our joint strengths: the leading customer experience capabilities, our large community of data science and analytics experts, and our competitive offering of multi-cloud services, driving adoption of public cloud technologies, while ensuring business continuity and efficiency. Our software assets modernize core processes across the Financial services, Healthcare, Public services, Manufacturing and Energy sectors, while our advanced software R&D services digitalize our customers products.

Building on our Nordic values

A highly dynamic industry like ours calls for constant attention to employee wellbeing and skills development. We are delighted for the results of employee engagement surveys showing continuous positive development regardless of the big transformations taken place during the year. The cultural audit shows surprising level of similarity across the Tieto's and EVRY's company cultures, building a good foundation for the integration and continued culture work.
Our future success will be built on our Nordic heritage and values of openness, trust and diversity. Also this year, our work for diversity and inclusion has been receiving external recognition. We were among the top three of global tech companies in Equileap's 2019 Global Gender Equality Ranking. TietoEVRY has also been listed on the 2020 Bloomberg Gender-Equality Index (GEI), which recognizes companies setting an example in advancing women's equality in the workplace.
Our recently announced partnership with Microsoft on public cloud services strengthens the company's position as the leading multi-cloud provider with both private and public cloud capabilities. As a part of our partnership, we have a development program underway for certifying 3 000 Microsoft Azure professionals at TietoEVRY. This is an excellent learning opportunity for our experts, allowing us to create the largest Azure community in the Nordic region.

Market outlook

The Nordic IT market continues to be positively dynamic with a healthy demand for both new data centric services and efficiency improvement. New services built around design, data and cloud-native applications continue to drive growth, while infrastructure and cloud services continuously play a significant role in customers' business continuity and efficiency improvement. In total, the market is expected to grow 2–3% in 2020. The consulting market is growing above market average and a significant part of technology spend is driven by solutions deriving value from data. The core of customers' digital agenda is formed around continuous, agile adaptation to the dynamic market conditions and creating superior experiences to their customers. Rapidly developing cloud technologies, ecosystems and advanced analytics are enablers of our customers' growth and efficiency. This provides significant business opportunities for consulting, software and services providers supporting the renewal of customers operations and business models.

Shaping the future of our societies

We aim to maximize the positive effect of our operations on the societies around us. In 2019, we participated in public discussions at SuomiAreena in Finland, Almedalen in Sweden and Arendalsuka in Norway, highlighting the role of new technologies in future innovations and the skills required in the changing work-life. We took part in societal discussion on topics such as AI regulation and ethics as well as Europe's successful digital transformation. And our employees continued the engagement with Startup Refugees in Finland to help refugees and asylum seekers to strengthen digital competencies and integrate into the labor market. Advancing digital equality in the societies in which we operate has been the core purpose for our societal partnerships across the world.
Our Sustainability 2020 plan, focused on a few key areas – minimizing environmental impact, being an ethical forerunner and creating value for all stakeholders – has been completed with most of the targets achieved. The process for creating a new long-term sustainability plan with stretched targets for the combined TietoEVRY is ongoing.

2019 – a year of change and innovation

In early 2019 Tieto announced its new strategy aiming to create great everyday experiences and improve our customers' competitiveness. The changes both in strategy and operations were carefully managed, elevating customer experience, employee engagement as well as financial performance. This renewal, together with the operational simplification, enabled us to improve our cost structure and performance throughout the second half of 2019. Tieto's adjusted operating margin rose to more than 11% and our cash flow reached healthy levels. This development was supported by the highest performance to date in our Hybrid Infra business as well as continued good performance in the Product Development Services.

EVRY delivered a solid performance with growth in strategic areas. During the year, EVRY implemented several strategic initiatives to improve profitable organic growth and we are pleased to see the choices are showing favourable results. The development was strongest in Financial Services, where organic revenue growth was 6%, supported by good inflow of new agreements throughout the year.

The development of today's businesses and society are driven by the combination of new skills and technologies. As TietoEVRY, we are fortunate to have a significant and meaningful role in realizing the data-driven society – opening new opportunities for innovation, learning and business growth. With our 24 000 professionals we empower sustainable development in our societies. We look towards the future with confidence and are inspired about our vision of creating digital advantage for businesses and society. I would like to sincerely thank our customers, employees, partners and shareholders for the year 2019, and look forward to our continued close collaboration.

KIMMO ALKIO
President and CEO
TietoEVRY

TIETOEVRY 2019

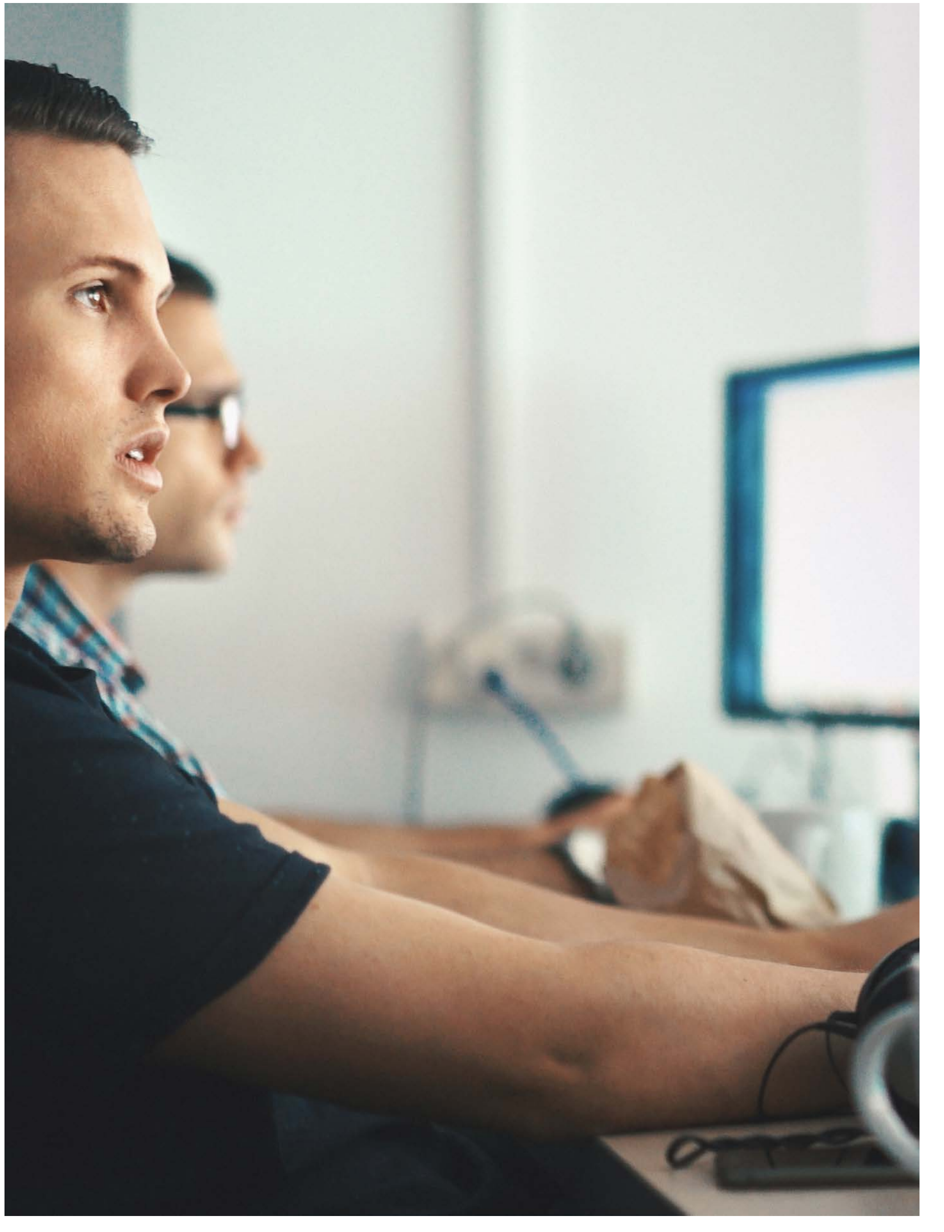
Merger

Tieto and EVRY joined forces. It stands for more business opportunities, increased societal impact, the best talent and exciting technologies to work with.

TietoEVRY, formed from the merger of Tieto and EVRY, is creating a leading Nordic digital services and software company with local presence and global capabilities. Building on the Nordic values of openness, trust and diversity, TietoEVRY is one of the largest communities of technology and business professionals in the Nordics employing approximately 24 000 experts globally. With its expertise, new technologies and data TietoEVRY empowers the development of sustainable businesses and the society.

With deep insight into comprising customers' culture as well as their strategic and business drivers, TietoEVRY provides fit-for-purpose solutions for customers to increase their business agility, growth and innovation:

- Leading customer experience capabilities realizing end-to-end digital journeys
- Larger community of data science and analytics experts enabling data-driven innovation and growth
- Stable, scalable and secure multi-cloud services driving adoption of public cloud technologies while ensuring business continuity, quality and efficiency
- Active and increased investments into end-to-end automation covering business processes, applications and technology infrastructure accelerating speed and agility in customers' operations
- Differentiating software assets modernizing core processes across Financial services, Healthcare, Public services, Manufacturing and Energy sectors
- Advanced software R&D services digitalizing customers' products



The merger creates value for shareholders through scale, longer-term revenue synergies, as well as innovation through combined targeted investments – and cost synergies of around EUR 75 million annually. The company expects that a significant part of the cost synergies will materialize within the first 12 months.

The merger of EVRY into Tieto was completed on 5 December 2019. A total of 44 316 519 new shares of the company were issued, increasing the total number of shares in TietoEVRY to 118 425 771 shares. Additionally, EVRY's shareholders received a cash consideration of NOK 5.28 per EVRY share, EUR 192 million in total.

Trading on the Nasdaq Helsinki Ltd, Nasdaq Stockholm AB and on the Oslo Børs commenced 5 December 2019.

2019	Revenue	EBIT Adj.	EBIT Adj. %
Tieto	EUR 1.614 billion	EUR 182 million	11.3%
EVRY	EUR 1.337 billion	EUR 161 million	12.1%

Timeline into 2020

2019

18 June
Merger plan announced

15 October
Group Leadership

5 December
Merger completed

2020

1 Jan
TietoEVRYstarting operations

New structure adopted

Capital Markets Day

Digital advantage

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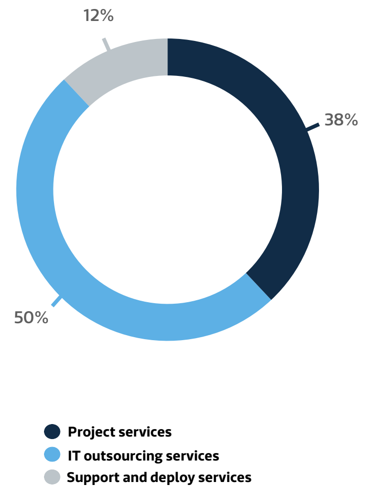
DIGITAL ADVANTAGE

Market opportunity and our strategy

IT market development

- Digital transformation continues
- Customers aim to improve agility to adapt to rapid market changes and enable fast time to market
- Innovations focus on driving superior experiences to customers
- Business continuity and cost optimization as a continued driver

NORDIC IT SERVICES MARKET*

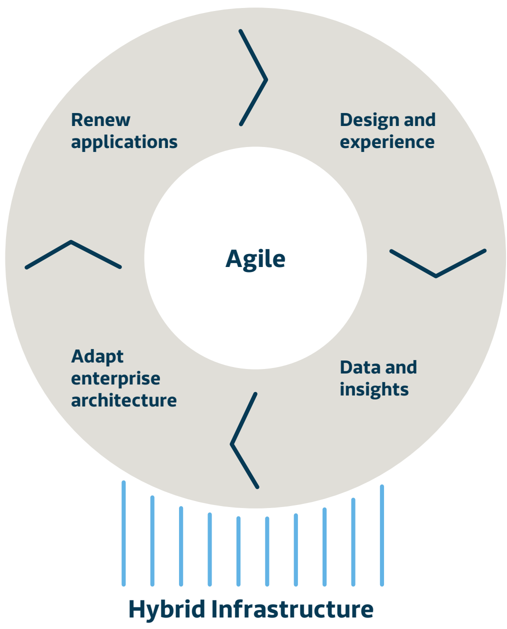


*incl. core markets Finland, Sweden and Norway

The Nordic IT market remained dynamic during the year. New services built around design, data and cloud-native applications continue to drive growth. At the same time, spending on traditional infrastructure services continues to decline and consequently, overall market growth is anticipated to remain at 2–3%.

Consulting services' growth is above the market average and a significant part of technology spend is driven by solutions deriving value from data. Customers are aiming to enhance their operational agility to continuously adapt to the dynamic market – and to deliver superior experiences to their customers through innovation. These form the core of customers' digital agenda as rapidly developing technologies, ecosystems and advanced analytics are enabling growth and efficiency improvement. This change provides significant opportunities to consulting, software and services providers to support customers' in their renewal of operations and business models.

DATA AT THE CORE OF INNOVATION AND VALUE CREATION



Services built around data and design, cloud adoption, multi-cloud management and automation are anticipated to see double-digit growth over the next few years. In parallel, business continuity and efficiency continue to be of high importance both to our customers and to TietoEVRY. The global market for product development services continues to develop favourably as the demand for advanced software engineering is expected to increase across several industry sectors.

Strategy to create digital advantage to businesses and society

The change towards a more personalized and real-time world is accelerating and data is the key enabler of this development. TietoEVRY will continue develop offerings and capabilities to help customers succeed in the data-driven world and drive their digital advantage and enhanced competitiveness further.

Services to accelerate customers' digital agenda

TietoEVRY has chosen to focus on services enabling customers' competitiveness and providing TietoEVRY with the strongest growth potential. The company supports clients in their digital transformation through the design of differentiating service experiences, smart use of data and hybrid cloud solutions. The related services range from consulting to implementation and running the solutions.

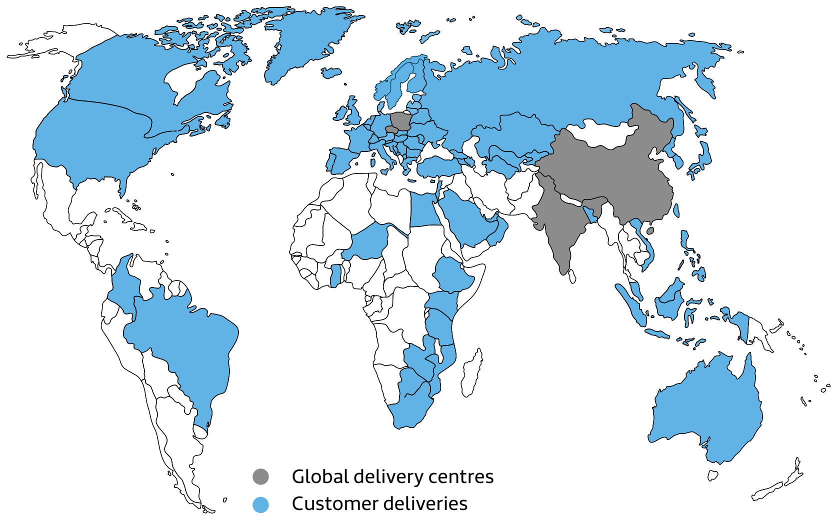
Strategic choices include:

- Focus on Nordic enterprises and public sector, building on deep customer knowledge
- Services and global capabilities to accelerate customers' digital agendas – Digital Consulting, Cloud & Infra, Industry Software, Financial Services Solutions and Product Development Services
- International expansion enabled by selected Industry Software products, Financial Services and Product Development Services
- Healthy investments driving future competitiveness

Investments in scalable industry software continue

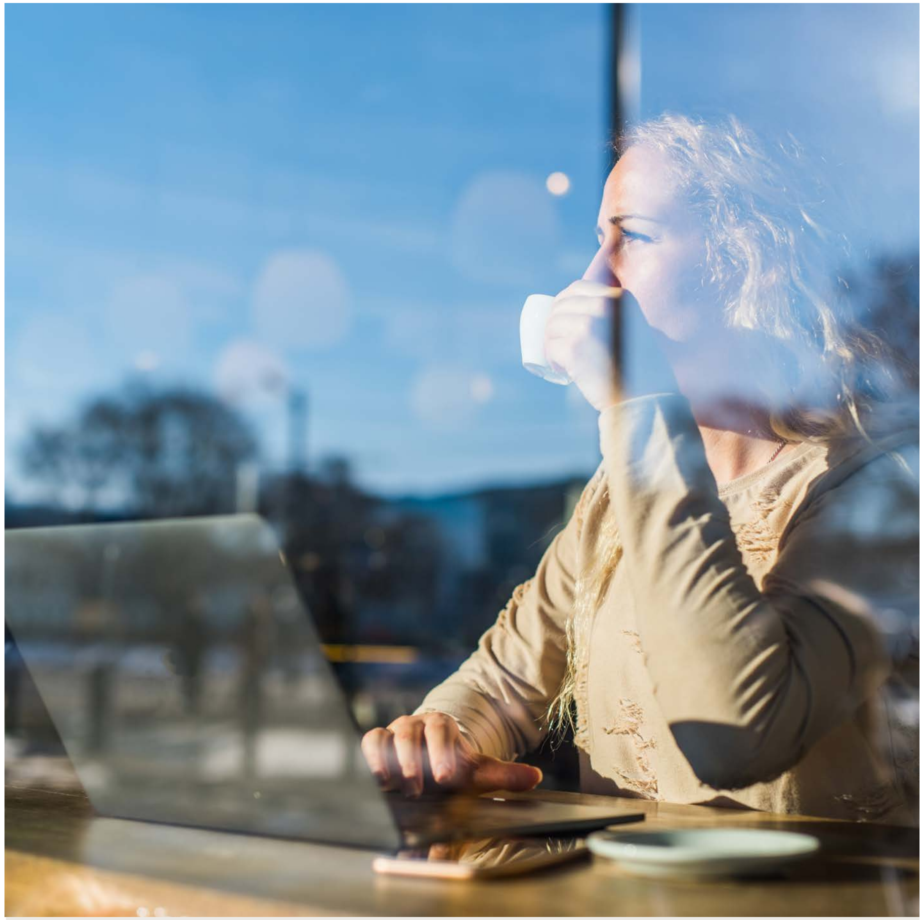
In addition to capabilities in digital consulting, TietoEVRY continues to invest in scalable software businesses and drive international expansion of selected globally competitive businesses. With strong capabilities and leading industry software, TietoEVRY is well positioned to deliver value for customers' business-critical processes.

With its active investments in end-to-end automation covering business processes, applications and technology infrastructure, TietoEVRY is well positioned to accelerate speed and agility in customers' operations.



Services focus	Nordic	International
Digital Consulting	●	
Cloud & Infra	●	
Industry Software	●	●
Financial Services Solutions	●	●
Product Development Services (PDS)		●
Global capabilities and ecosystems		

*As at 31 December 2019



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TietoEVRY's operating model is designed to drive customer value and speed across markets and technologies.

DIGITAL ADVANTAGE

Operating model

TietoEVRY's operating model is designed to drive customer value and speed across markets and technologies. The operating model consists of Country Teams, Service Lines and Support Functions. In addition, Product Development Services, providing advanced software R&D services, will operate as a separate unit, serving their customers globally.

The Country Teams comprise the full capability of TietoEVRY including the Service Lines and Support Functions. Country teams drive customer experience, quality and performance in the respective country. Country teams are established in Norway, Sweden and Finland.

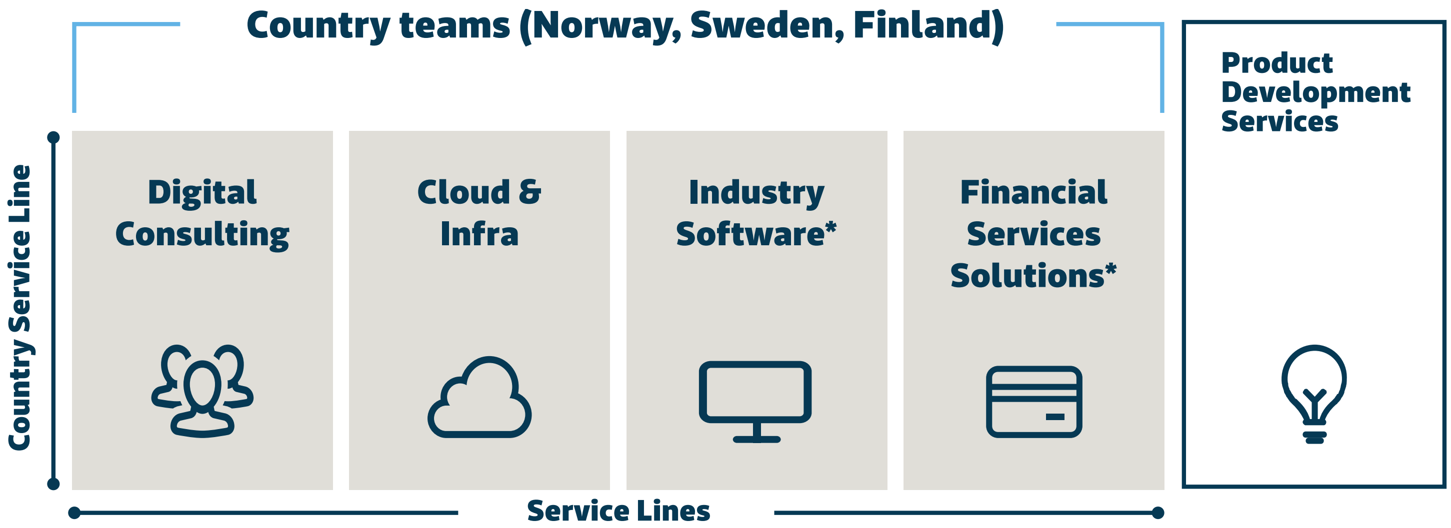
Service Lines are designed to bring competitive and scalable services to our customers and make all the capabilities available for each of the countries.

TietoEVRY has four distinct Service Lines:

- Digital Consulting
- Cloud & Infra
- Industry Software and
- Financial Services Solutions

Following businesses drive their own go-to-market independent of Country teams:

- Select international businesses in Industry software and Financial Services Solutions
- Local businesses in Austria, Lithuania, Latvia and Estonia
- Non-Nordic customers served from India and Ukraine

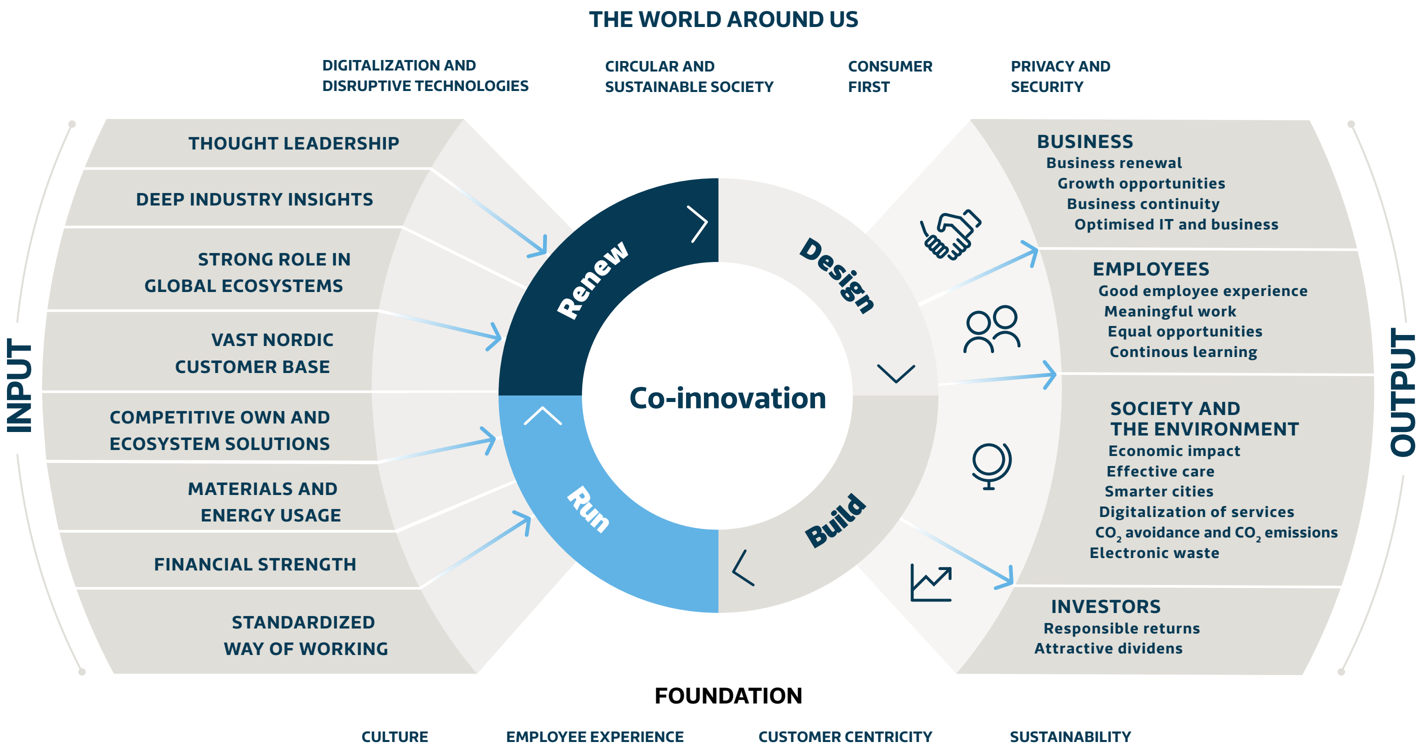


* Select businesses with own international go-to-market beyond country teams

DIGITAL ADVANTAGE

Our value creation model

In a data-driven world, every bit of information can provide sustainable value. Our value creation model is based on our strategic aim to create great everyday experiences in the data-rich world. This annual report provides an overall picture of our ability to create this value. We have made use of The International Integrated Reporting Framework in preparing our value creation model.



How our operations create value for our stakeholders

Our main role is to create digital advantage for businesses and society. Our role varies from advisory and design of services to building and running systems and solutions. We look at the world from our customers' perspective and aim to offer the best services and solutions from our wide-ranged portfolio. This enables our customers to focus on their core business and create value in their respective domains.

Through our fundamentals, we are able to increase customer value and accelerate innovation. We aim to use the opportunities which come in a world increasingly driven by data to create societal, economic and environmental value.

- Through smart technology – digital and mobile services – we enable better everyday life for millions of people.
- Through optimizing business and IT, our customers can benefit from increased scalability and business continuity, while ensuring competitiveness and growth.
- Through our innovative solutions, we help create smarter cities, promote effective care and increase the efficiency of digital government operations.
- Through our robust financial governance and consistent profit improvement, we are committed to creating value for our shareholders as well as having a positive economic impact as an employer and taxpayer.

Dashboard

GOALS AND RESULTS FOR EACH SUSTAINABILITY AREA

Sustainability area	Goal	Target 2020	Result 2017	Result 2018	Result 2019	Status	UN Sustainable Development Goal[1]
EQUAL OPPORTUNITIES	Completion of Code of Conduct e-learning for awareness on equality, (% of employees)	100%	88%	87%	90%	Not reached	8 Decent work and economic growth; 10 Reduced inequalities
EMPLOYEE EXPERIENCE	Employee engagement score, %	73%	73%	75%	78%	Target reached	3 Good health and well-being
	% of employees always or often stressed and not able to recover	Keep low	3%	Not reported	11%	Not reached	3 Good health and well-being
ETHICAL CULTURE	Completion of Code of Conduct e-learning, (% of employees)	100%	88%	87%	90%	Not reached	16 Peace, justice and strong institutions
INFORMATION SECURITY AND DATA PRIVACY	Total number of substantiated complaints regarding breaches of customers' privacy and losses of customer data	0	0	1	0	Target reached	16 Peace, justice and strong institutions
SUSTAINABLE SUPPLY CHAIN	New or renewed suppliers agreeing to Tieto's Supplier code of conduct, (%)[2]	100	100	100	100	Target reached	3 Good health and well-being; 7 Affordable and clean energy; 8 Decent work and economic growth; 10 Reduced inequalities; 13 Climate action; 16 Peace, justice and strong institutions
GREENHOUSE GAS EMISSIONS[3]	Reduction of CO_2 emissions from Tieto's indirect energy consumption	50% reduction by 2020, versus 2016 level	-51%	-58%	-53%	Target reached[4]	13 Climate action

Sustainability area	Goal	Target 2020	Result 2017	Result 2018	Result 2019	Status	UN Sustainable Development Goal[1]
SUSTAINABLE IT SOLUTIONS	ktons CO_2 avoided by customers through use of IT services provided by Tieto	Increase customers' avoided Co_2 emissions	75 kton CO_2	76 kton CO_2	78 kton CO_2	Target reached	3 Good health and well-being; 7 Affordable and clean energy; 13 Climate action
FINANCIAL PERFORMANCE	% sales growth	Above market CAGR	3.0%, or 3.6% in local currencies	3.6%, or 6.6% in local currencies	8% *) in local currencies	Target reached	
	% EBIT margin	Long term >10%	9.0%	9.7%	7.2%	Not reached	
	% adjusted margin	Long term >10%	10.5%	10.2%	11.3%	Target reached	
	Annually increasing dividends	Annual increase in absolute terms	Base dividend up by 4%, additional dividend proposal	Base dividend up by 4%, additional dividend proposal	Base dividend up by 2%, additional dividend proposal	Target reached	
	Net debt to EBITDA ratio, limited in the long term	1.5 long term	0.8	0.8	2.7**)	Not reached	
CUSTOMER EXPERIENCE	Net promoter score rNPS (-100 to 100)	35	21	24	Not reported[5]	Not applicable	
	Customer experience Index CXI (1 to 10)	8.2	7.97	7.9	Not reported[6]	Not applicable	

[1] United Nations Sustainable Development Goals: **https://sustainabledevelopment.un.org/**

[2] Scope: Agreements made through Procurement function.

[3] Tieto's CO_2 emission reporting follows the methodology of the Greenhouse Gas Protocol Standard. The greenhouse fas emission reduction goals is reported on market based CO_2-emissions. Cumulative result compared with 2016 baseline.

[4] Aggregated reduction of CO_2 emissions totals 53% comparing to 2016 baseline.

[5] Relationship Net Promoter Score (rNPS) was measured in a different way than previous years. Data is therefore not disclosed as it is not comparable over time.

[6] Customer eXperience Index (CXI) was removed from our measurement process during the year and hence data is not available to report for 2019. New KPIs for Customer Experience will be measured from 2020 and onwards.

*) Tieto stand-alone 2% in local currencies

**) Based on 12 months for EVRY's EBITDA (in line with the increase in merger related net debt)

DIGITAL ADVANTAGE

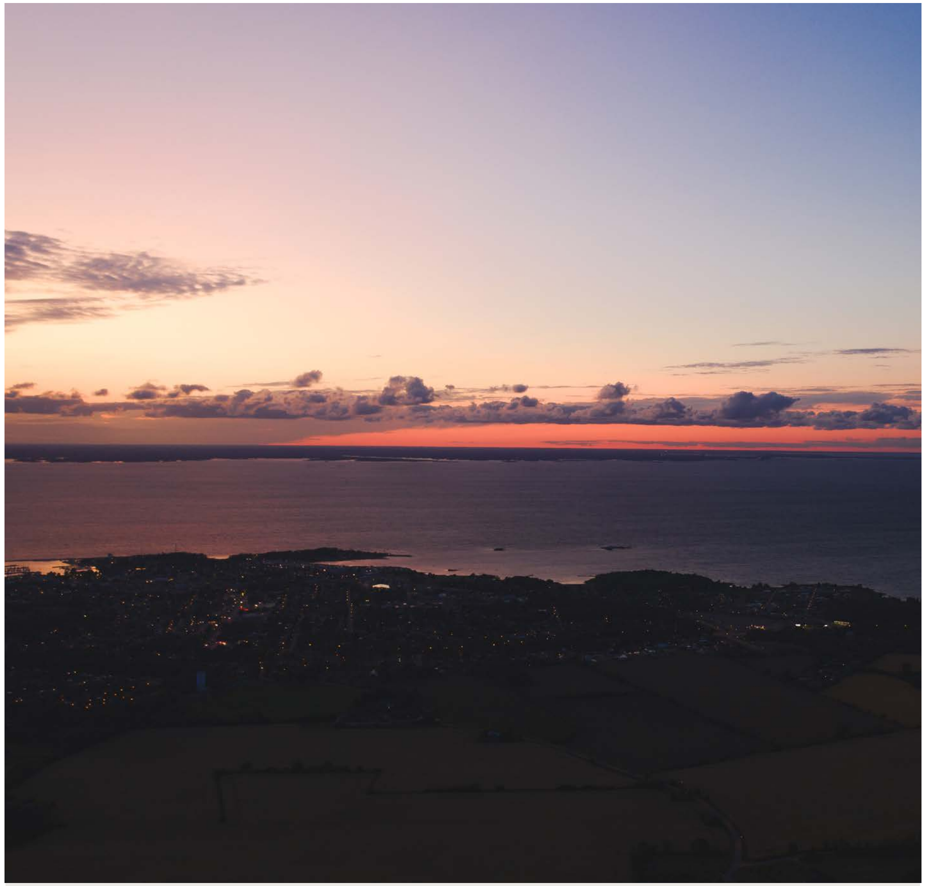
Sustainable business transformation

Creating a data-driven world with great customer experiences requires a sustainable approach.

How we use and benefit from new technologies defines not only the success of our customers, but also the future of our society. Digitalization is the driving force of many modern markets, and the role technology companies play comes with great responsibility as well. IT services that considers all the aspects of sustainability can benefit people, planet and profit alike.

Information security and data privacy are at the core of our industry. In a digitalized world, any disturbance in IT infrastructure or IT systems involving our customers can have an immediate impact on a large number of critical services and users. Our approach to security aims at predicting, preventing, detecting and responding to different types of incidents and attacks – and always ensuring the continuity of our customers' operations.

Technology cuts across industries, with data serving as the fuel for business innovation. Every day an almost unfathomable amount of data points is accumulated, and within it lies information that can make businesses more efficient and enable better health and wellbeing. When using data from individuals and organizations, a strong ethical foundation is required. For that reason we actively develop our own ways of working in a transparent manner, and also take an part actively in societal forums to make an impact that is more far-reaching.



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The role technology companies play comes with great responsibility.

CASE

AI to speed up brain disease research

In Finland, almost every person or someone close to them is affected by diseases causing brain dysfunction at some point of their lives, and about 800 brain tumours are diagnosed annually. To be diagnosed with a severe or chronic illness has a tremendous impact not only on the individual themselves, but also for the friends and family around them. Research is key to finding ways to prevent and treat these diseases.

Patient treatment is based on research. Research helps identify the causes and mechanisms of various brain diseases and find evidence-based ways to prevent and treat them. One of the challenges medical research in Finland has faced has been data collection from medical records. Researcher's usually spend most of their time gathering information. That's time that could be spent on actual research and creative thinking.

UNLIMITED CAPABILITY

To address the challenge, a brain tumour research team working with Tampere University Hospital TAYS and Neurocenter Finland started a joint pilot project with Tieto in March 2019. With Tieto's extended experience and artificial intelligence (AI) capabilities for the health care sector, a solution was delivered to the researcher's within just a few months. The solution uses natural language processing to recognize phrases and words from medical records it has been taught. The tool then structures the gathered data according to set labels and transfers it to a data lake where researchers can access it in real time. AI has the ability to master big data with sophisticated algorithms, thereby saving time and money for research.

"The tool enables the researcher to quickly and efficiently analyze patient populations that may be of clinical significance", says neurosurgeon and Associate Professor Joonas Haapasalo from TAYS. "Artificial intelligence can also be used to select patient populations of interest for clinical use, whose clinical data can be combined with tumour tissue that has been removed from a patient during surgery. This means that we can, for example, develop new drug treatments."

FUTURE BENEFITS

"We have been very happy with the outcomes and the agile and effective AI solution," says Mikael von und zu Frauenberg, Director, Neurocenter Finland. "We want to enhance brain tumour research at several Finnish university hospitals by making the access to research data faster and at least semi-automated. When doctors can make use of patient data and compare that with the data gathered in brain tumour research, that leads to more personalized treatment and medication plans for patients."

AI-based solutions are becoming a significant part of health care. By using and analyzing the huge amount of data in the health and welfare sector, it is possible to identify and prevent illness at an early stage. One of the unique factors in the pilot project with Neurocenter Finland is the data lake information architecture of the collected data. In five to ten years, the data lakes at hospitals would ideally have a basic information architecture which supports similar research projects. The pilot project between Neurocenter Finland and Tieto is creating a foundation for future research projects to collect data more easily than today.

SUSTAINABLE BUSINESS TRANSFORMATION

Sustainable IT solutions

We see a future where information is the biggest driver for social, economic and environmental value. Part of our responsibility as a key actor in this development is to continuously assess our impact – identifying and quantifying the impacts technological development has on the environment and society. We must also consider the ethical aspects related to the use of advanced technology and be a forerunner in the area.

How we work

At the core of our business is the belief in the potential of modern technology to drive positive change for people, businesses and planet. Technologies such as AI and IoT, for example, offer tremendous possibilities for customers as they seek to make their operations more sustainable. But rapid technological change also poses risks in areas such as inclusion and privacy. We believe that sustainability in business should go beyond compliance and tying risk management to focus on creating positive impacts and business opportunities. With sustainable IT, we investigate, understand, and communicate about the verifiable socio-economic impacts our services and products have for businesses, users or citizens and as well as society more broadly.

Each business unit in Tieto is responsible for the development of sustainable IT solutions. Projects identifying and quantifying positive impacts from IT solutions are carried out in co-operation between relevant business units and our sustainability experts on a case-by-case basis.

Although there are no regulatory requirements for measuring and reporting avoided CO_2 emissions, this is a high priority in our environmental management system. Since 2010, we have measured the positive impacts of IT by calculating the CO_2 emission avoidance enabled by replacing paper with our digital transaction services and other identified services. In 2017, for the first time we set a numeric goal for sustainable IT with the aim of further decrease both our and our customers' CO_2 emissions.

Sustainable IT Solutions

Avoided CO_2 emissions from use of IT services

Result 2019
78
kton CO_2

Target 2020
Increase customers' avoided CO_2 emissions

Progress

In 2019, we continued our efforts to analyze and quantifying the impacts of our solutions. We have further applied our impact assessment model that was developed in 2018 to solutions and services to investigate their impacts and identify potential risks related to them. In 2019, we estimated the avoided CO_2-emissions from the use of our services to 78 ktonnes CO_2. The performance and evaluations of it forms a good basis for expanding and developing additional measures for customer's avoided emissions going forward.

During the year we also studied the socioeconomic impact of the new technologies such as AI and machine learning for preventive healthcare. The focus for our study was preventative diabetes care in Sweden, and the benefits of data centric care such as cost savings for public health care, productivity savings as well as a healthier population were verified through the results.

Tieto is an active driver in many projects utilizing new technology for better citizens' health and wellbeing. In 2019, we explored using data to improve the fitness of Finnish conscripts in a pilot jointly with the Finnish Defense Forces and Suunto, a leading sports watch manufacturer. Data was also the key element in a pilot with the Finnish Olympic Committee and Polar, a leader in wearable sports and fitness technology, to test a new system for gathering and analyzing the performance data of athletes. Meanwhile, an AI solution fron Tieto is making it easier for researchers to access medical records, speeding up research and making brain disease treatment more efficient and patient centric.

Our focus on ethics in the development and application of advanced technology continued throughout the year on a national and international level. Tieto was one of the first Nordic companies to join the European AI Alliance established by the European Commission. The members of the alliance are complementing and supporting the work of AI HLEG in preparing AI ethics guidelines and ensuring Europe's competitiveness in AI. Our CEO Kimmo Alkio chaired the working group Data and platform economy for Finland's Artificial Intelligence Programme, finalized in spring 2019. In Sweden, Tieto is supporting the Swedish industry code for AI in developing guiding principles on how the industry must act when designing, implementing and managing systems and services concerning AI.

Looking ahead

A company's ability to be able to verify its impact on society and the environment is becoming a more important factor in decisions investors make about where they will invest. Equally, employees are more attracted to companies that can communicate a purpose beyond just financial performance. Our impact assessments have been well received by our stakeholders and there is a demand for further expanding the work. Our aim is to conduct both qualitative and quantitative impact assessment projects also in 2020.

Ethics and technology will continue to be a top priority for us going forward. We continue to develop AI use-cases as well as expand our understanding of the ethics around their use. Our goal is to further expand and recruit new roles such as AI ethics engineers and AI quality assurance experts to accelerate this work. Our aim is to develop and enforce best practices to address biases, transparency, security and safety of AI.

While we continue to be active in public discussion, we also see our employees as key resources in understanding the sustainability impact of advanced technologies. Awareness campaigns around different aspects of sustainable IT will continue in 2020. To increase awareness and employee skills in the area, training on sustainable IT, covering CO_2 handprint, socio-economic impact and AI ethics will be organized for selected employee groups, such as sales and product development.

TietoEVRY's new long-term sustainability plan will combine our joint ambitions, plans and activities for the development of Sustainable IT solutions for the next years.

SUSTAINABLE BUSINESS TRANSFORMATION

Information security and data privacy

Data, business critical and personal, lies at the heart of our services. Whether at rest or in transit, both personal and business-critical data require top level security measures. Good visibility and resilience against cyber threats as well as our security services are the cornerstones of our business. Our focus is to continuously improve our security processes and the security services we provide to customers. Where data is stored, and how it is handled and moved, is extremely important to our customers. We work to keep information safe under all circumstances.

How we work

The importance of information and cyber security as well as privacy is continuously increasing. We must make sure that they are part of any process, delivery or work that we do. Risk management, business continuity, awareness and well-functioning security services are all important building blocks for establishing good cyber security resilience and meeting stakeholders' expectations. Our Security Operations Centre (SOC) has a key role in predicting, preventing, detecting and responding to different types of incidents and attacks.

Our comprehensive approach to information security and data privacy covers three areas: confidentiality, integrity, and availability of services and data. Updated every year, these policies guide our information security and data privacy actions and consist of:

- Tieto's Security Policy
- Tieto's Privacy Policy
- Tieto's Risk management Policy
- Tieto's Business Continuity Management Policy
- Tieto's Information Classification Rule
- Tieto's Data Transfer Rule

Information Security and Data Privacy

Total number of substantiated complaints regarding breaches of customers' privacy and losses of customer data

Result 2019	Target 2020
0	0

Our Information Security Management System (ISMS) provides mandatory information regarding security processes. Our Group level responsibility for security and data privacy arrangements is managed by our Chief Security Officer as well as our Chief Risk Officer, who heads the central risk management function.

Throughout our business units, security officers, risk coaches and privacy officers constantly support the organization on security and privacy topics. Our Security Services unit provides security services to our customers and for Tieto internal use. Our internal Computer Incident Response Team handles security incidents, in co-operation with internal and external stakeholders (such as authorities and customers). Our Governance, Risk Management and Compliance (GRC) platform supports the daily work of our security organization in areas like risk management, privacy risk assessments, security incident management and audit follow-up.

We handle any security incidents through our Security Major Incident Management (MIM) process. This supports efficient management of incidents and aims to minimize the impact on customers and end-users by restoring business-critical IT services and maintaining constant communication with relevant stakeholders. It also defines communication and mitigation actions based on the sensitivity and criticality of the incident.

Regular internal and external audits are conducted on our processes and management of information security and data privacy. Audit results are followed up by the Tieto Leadership Network and by our Board of Directors Audit Risk Committee. We also conduct annual ISO 27001 and ISAE 3402 audits for our data centres and customer specific infrastructure services, which describe and document the adequate internal controls for information security and financial reporting.

Progress

In 2019 we received zero substantiated complaints regarding breaches of customers' privacy and losses of customer data. Security and privacy require active development based on changing operating environment and evolving threats. Tieto has continued developing security and privacy processes and protective measures throughout the year to keep our good security and privacy level. Several internal and external audits have given us assurance of effectiveness of our work, as has the achievement of our long-term goal.

Throughout 2019 we continued our efforts to further increase information security awareness among employees by various means, such as e-learning courses, simulations, conferences and training programmes. All employees were required to complete mandatory security e-learning, focusing on our Security Policy, information security and IT security, privacy, physical (premises) security and travel security. Mandatory trainings for all employees on our Code of Conduct e-learning (including information security and data privacy topics) as well as on General Data Protection Regulation (GDPR) were also conducted throughout the year.

Throughout 2019 Tieto has continued its systematic, holistic and continuous privacy governance work to ensure our ongoing fulfillment of GDPR obligations. Our internal Privacy Engineering framework is a mandatory model to ensure Privacy by Design requirements in service and product development. We have an appropriate framework in production for fulfilling contractual obligations in personal data processing with customers and service vendors. Project and continuous service delivery areas have GDPR-related rules and processes implemented in daily production. Tieto's global privacy governance model also covers our Data Controller role and obligations set for the company in the GDPR. Through active continuous communication and mandatory and optional trainings, we ensure that employees have general GDPR awareness and necessary privacy competence and knowledge. We have continued close co-operation with a third party to perform ISAE 3000 GDPR assessments to demonstrate our readiness towards GDPR. We are continuously evaluating our GDPR compliance and privacy maturity level and as well as developing our privacy governance model.

Looking ahead

As our data-dependent offerings and services increase, we are committed to developing them in such a way that we respect the rights of data subjects as well as adhere to privacy regulation. To continue to live up to our stakeholders' expectations and comply with legislation, we will maintain our active dialogue on cyber security issues with stakeholders on a societal level.

At an organizational level, we will implement further improvements in our GRC platform, mainly to improve our business continuity management. We will also use feedback on, and experience from, our Privacy Engineering guideline to fine tune and improve its usability internally.

Activities to build internal competence and capacity in information security and data privacy will continue through the coming year through mandatory trainings and other activities.

SUSTAINABLE BUSINESS TRANFORMATION

Sustainable supply chain

We understand that our and our suppliers' performance have an impact on sustainable development. By making sure our suppliers are cost-efficient and reliable, we ensure business continuity and effectiveness. We also expect our suppliers to uphold human rights, labour rights, health and safety legislation, business ethics, and environmental practices. Through requirements and co-operation with our suppliers, we can support them in applying sustainable practices. This enables us to deliver on our promise to create value for our stakeholders.

How we work

Our suppliers provide a wide range of products and services needed to support our own operations and deliver solutions to our customers. These include hardware, software and IT consultant resources, as well as human resources services, facility management and travel services.

Our Group-level Procurement is responsible for all procurement activities. Procurement managers, who work closely with the business, are responsible for ensuring our Procurement Policy is followed and that the Supplier Code of Conduct is accepted and confirmed by all of our suppliers. Discussions on ethical and environmental topics are a regular part of procurement procedures.

Our Supplier Sustainability Programme is our operative framework to ensure sustainability in our supply chain. The overall aims of the programme are to strengthen risk management and ensure co-operation with long-term key suppliers with the aim of upholding sustainable business operations within their respective businesses. Signing Tieto's Supplier Code of Conduct is a fundamental aspect of the programme and a basic threshold for all our suppliers. Another building block is a risk review model that supports us in guiding our prioritized actions – such a self-assessments and on-site audits – in relation to our suppliers. We also conduct sanction checks, as well as other on-boarding checks, prior to entering

Sustainable supply chain

New or renewed suppliers agreeing to Tieto's Supplier Code of Conduct, (%) [1)]

Result 2019	Target 2020
100%	100%

[1)] Scope: Agreements made through Procurement function

a co-operation with a new supplier. We also conduct supplier management reviews that consist of sparring sessions with selected suppliers to get a better understanding of their sustainability performance and to strengthen our collaboration.

We conduct annual performance follow-ups within the area of sustainable supply chain to make sure that we are on-track to reach the goals of the programme. Those include having all new and renewed suppliers signing Tieto's Supplier Code of Conduct, conducting self-assessment of prioritized product categories, and ensuring our e-waste recycling partners are acting sustainably.[1)]

Progress

In 2019, the total monetary value of procurement amounted to EUR 600 million (EUR 615 million), representing 37% of revenues. Approximately 172 of our suppliers represent as much as 80% of the company's spending. The vast majority of purchases take place in the Nordic countries. Purchases from suppliers invoicing from Finland, Sweden or Norway represent over 88% of the total annual purchase volume.

For several years, our Group-level Procurement unit has continuously worked towards consolidating our supplier base to mitigate supply chain-related risks and enable us to develop our suppliers and improve compliance. The consolidation efforts continued in 2019 and the total number of suppliers continued to decrease. Our total number of suppliers was 5 590 in 2019, compared to 7 200 in 2014.

Tieto managed to reach the 2020 long-term goal of having 100% new or renewed suppliers agreeing to Tieto's Supplier Code of Conduct, ratio (%). Completion of the goals is a result of a structured and committed way of working by the Procurement team as well as a strong Supplier Code of Conduct Rule.

During the year, we took several steps to further develop our Supplier Sustainability Programme to be in line with developments in legislation and stakeholders' expectations. Major changes included the development and implementation of a new Child Labour Action Plan and a Supplier Phase-out-plan, and the development of a clause library for Code of Conduct deviations. We also implemented our revised and updated Supplier Code of Conduct, including new chapters on human trafficking, privacy and living wage.

Our work with supplier management reviews with selected suppliers continued during 2019 and our focus during the year was on anti-corruption and whistle-blowing.

At the end of the year, we also conducted on-site audits at selected suppliers in high-risk markets through an external auditor and plan to

[1)] Agreements done through the Procurement process.

> At the end of the year we also conducted on-site audits at selected suppliers in high-risk markets through external auditor and plan to follow up on the result early 2020.

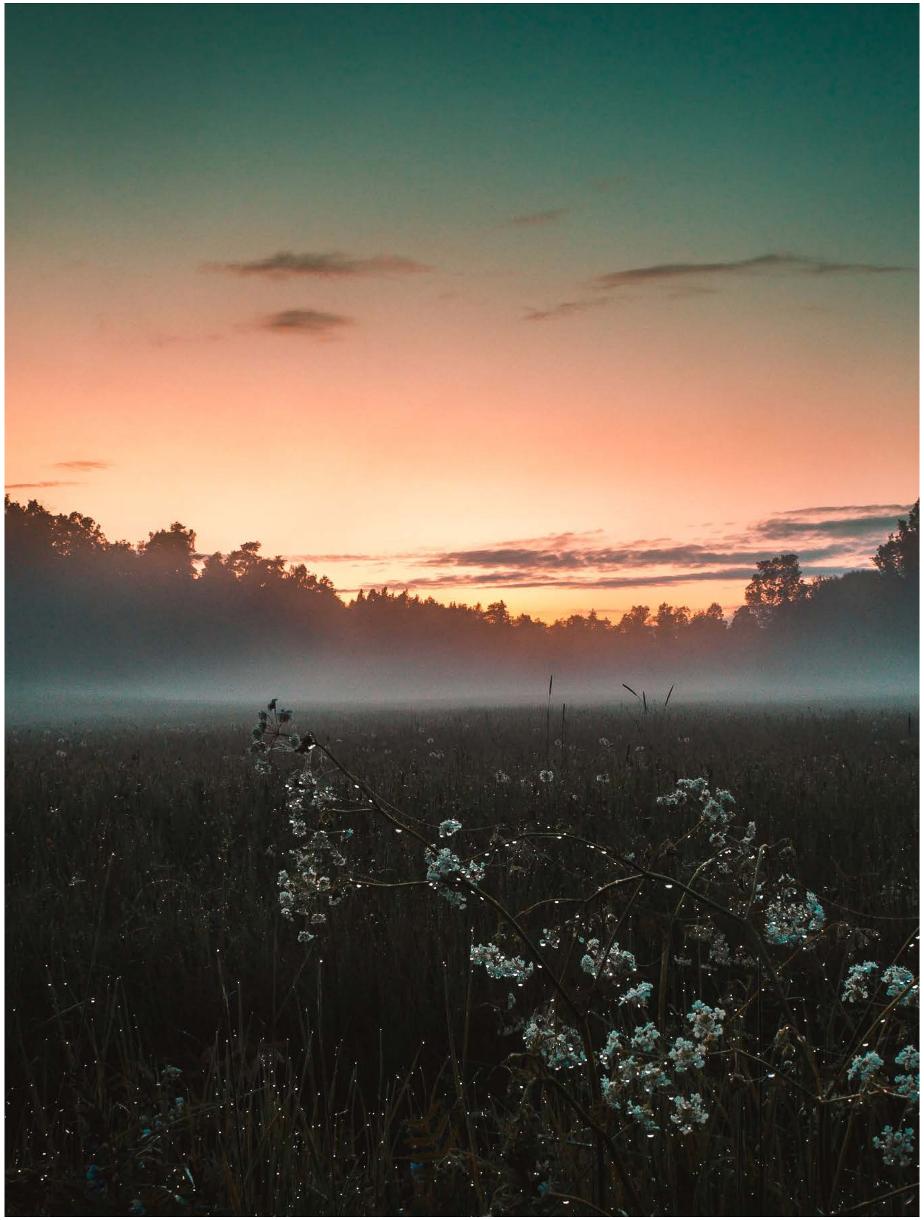
follow up on the result in 2020.
Efforts to increase awareness and capabilities within sustainable supply chain management also continued during the year with the launch of training programmes for the Group Procurement unit. We also automated and simplified our supplier self-assessment tool to improve screening of our supplier base.

Our aim is that all external businesses undertaking regular provision of goods, services, technology or sub-contractors are compliant with the minimum requirements stated in our Supplier Code of Conduct Rule. By the end of 2019, the coverage represented 87% (86%) of spend among regular suppliers. In total, 49% (46%) of all of our regular suppliers[2)] had accepted our Supplier Code of Conduct Rule by the end of the year.

Looking ahead

We will continue to evaluate, improve and adjust our Sustainable Supply Chain programme to make sure we have a proper and up-to-date risk management approach in place. Our aim is also that our actions and activities help our suppliers and partners conducting business in a sustainable manner. For 2020, some of our prioritized activities are:

- Follow-up on findings from on-site audits with the aim of jointly improving our suppliers' sustainability performance
- Extend our base for on-site audits to more high-risk markets
- Automate and simplify our supplier self-assessment tool to improve screening of our supplier base
- Continue conducting thematic supplier management reviews with key suppliers
- Further implementation of our revised Supplier Code of Conduct Rule, including internal and external capacity building and training



[2)] Regular suppliers are defined as "At least 1 invoice/month, total 12 invoices and 20 000 Euro of spend annually"

SUSTAINABLE BUSINESS TRANSFORMATION

Customer experience

Solving the needs of customers is not only a matter of day-to-day business, but requires time, dedication and concrete actions in all the different touchpoints along a customer's journey. To best serve the needs of our customers and wider society, a continuous stakeholder dialogue, feedback sessions and efforts improving quality are required. The combined efforts of the whole company are essential to provide a great customer experience.

How we work

Customer Experience continued as one of the top priorities and a key factor for differentiation in Tieto's new strategy launched in 2019. Understanding the needs and expectation of customers and end users is essential to common success.

As a part of the new strategy, we introduced networked ways of working to enhance collaboration across the company. Autonomous teams were given greater decision-making authority in their daily work. The new company culture program highlighted everyone's role and responsibility in creating great customer experiences.

All Tieto employees have access to customer feedback data. Employees are encouraged to continuously follow the feedback given, implement improvements based on the feedback and communicate the improvements back to the customer. To identify structural improvement needs, we use customer feedback, and the findings from internal and external audits.

Customer experience is monitored monthly in the leadership teams at all levels of the organization. Based on the analysis, corrective actions are taken, and improvements made as needed.

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Understanding the needs and expectations of customers and end users is essential to common success.

Our approach to ensuring a positive customer experience:

Customers

Our key customers are invited to participate in an Annual Relationship Experience survey. This company-level survey measures our customer relationship and the most important areas for our customers. Additionally, customers are invited to a Delivery Experience survey to give frequent feedback on projects and continuous services. Our customer teams analyze the results and consider appropriate actions with the customer to close the feedback loop.

Employees

Customer executives are accountable and responsible for the customer feedback and corresponding actions. People at different levels of the organization are involved in analyzing the data and planning the improvement actions. Employees are recognized when customers have been particularly satisfied with their contribution.

Partners and subcontractors

Where they play a role in a customer delivery, all partners and subcontractors are trained and work accordingly to Tieto processes.

Tieto's shareholders

The results from Relationship Experience feedback are followed through monthly reporting and the integrated annual report.

We address our work with customer experience in Tieto's Quality Policy, which stipulates the continuous interaction with customers and the use of customer feedback in developing Tieto's operations. For us, every piece of customer feedback holds the promise of further conversation and further insight. For this, customer experience is a key area in goal setting.

Progress

In 2019, Tieto renewed the Customer Experience measurement processes and mechanism to create the most optimal way to gather relationship feedback from our customers. We concentrated on ensuring sufficient customer feedback coverage as well as predicting the holistic company level view more accurately. Our focus for the renewal was on business value for our customers and closing the feedback loop. Both the relationship level experience process and the operative feedback process were renewed.

Through the operative customer feedback process Delivery Experience, we frequently gathered feedback on topics relevant for our customers at different points of their delivery lifecycles. The main purpose is to measure that we fulfill customer expectations and keep our promises. Together with customers we jointly planned and followed up on the improvement actions originating from this feedback.

The quality of Tieto's products and services is one of the main elements impacting customer experience. During 2019, we established several different programs and projects to improve quality and, with it, customer experience. Programs have been dedicated to different business areas like Hybrid Infra and different competence areas like project management.

We continued to use customer feedback to identify the need for quality initiatives and improvements, ranging from individual and operational improvements to established development programs. Several internal and external audits were conducted during the year. For example, external audits have resulted in 12 renewed ISO 9001 Quality Management system certifications in different business areas.

Tieto's Customer Feedback measurement process was under renewal during year 2019. Our KPI 9.1 Relationship Net promoter Score (rNPS) was measured in a different way than previous years and data is therefore not disclosed as data is not comparable over time. Our KPI 9.2 Customer eXperience Index (CXI) was reduced from our measurement process during the year and hence data is not available to report for 2019. New KPI's for the are Customer Experience will be measured and disclosed from 2020 and onwards.

Looking ahead

Customer experience continues to be a key development area for the company. We will further develop our capabilities towards an user-centric ways of working by scaling what we have learned as well as best practices to the wider organization with customer experience ambassadors and networks. We also focus on creating a holistic and data-driven view of our customers' experiences at different touchpoints along their journey with us. Our ambition is to continue working with predictive models that utilize data to improve customer experience in real time.

FOCUS AREAS

Company level	**Purpose**	**Frequence**	**Outcome**
Customer Feedback Process	Measuring customer relationship and delivery success	Minimum 1–2 times per year/delivery and customer*	Improvement actions on customer and systematic level
Quality Assurance	Monitoring deliveries and processes	24/7*	Identified actions and process improvements
Process audits	Monitoring deliveries and processes	2019*	12 ISO 9001 certificates
Business area specific			
Hybrid Infra Quality Improvement program	Focusing to the selected improvement areas	Program during 2019	Improvement actions on customer and systematic level

* continued to 2020

DIGITAL ADVANTAGE

Culture – collaborate, include and grow

The highly dynamic business environment places constant demands on us to attract and retain the right competencies to deliver our strategy. We invest in employee experience, encourage curiosity, and work to create a culture based on continuous learning, diversity and inclusion as integral parts in it. Opportunities to participate in customer projects that have a positive impact on society further contribute to a meaningful work environment for our employees.

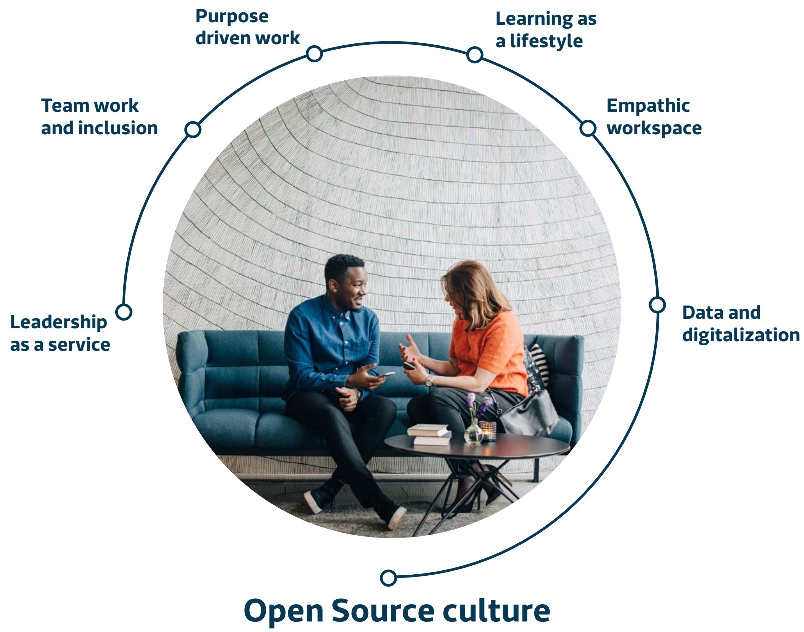
Our dynamic business environment impacts the skills we need to thrive. As society digitizes faster than ever, industries merge and even more companies become technology companies, the need for new skills is constant and competition over talent increases. To make our customers more competitive, we need expertise with deep knowledge of IT and the latest technologies, together with an understanding of specific industry and customer needs. Knowledge of digitalization, local market environments, legislation and regulations are also important parameters for our customers. We need to both re-skill and up-skill our current employees as well as recruit new talent.

Our main efforts in creating value for employees are grounded in our work with Employee Experience and Equal Opportunities. Through our ambitious efforts, we have the possibility to attract, retain and develop the very best talent and create an environment where everyone can utilize their strengths.

Our people

Our consistent efforts to make Tieto a great place to work are paying off. In 2019 we recruited 2 701 new employees to Tieto, in professions such as software developers, architects and consultants. Our commitment to diversity and inclusion is shown in the composition of our employees. We are proud of our 32 nationalities represented at our headquarters in Espoo, Finland, and 31 nationalities at our Stockholm office in Sweden. Targeted efforts to recruit young professionals (aged 30 or younger) were also successful and during the year 1 501 were onboarded.

In 2019 we also announced the merger with the Norway-based IT-consultancy company EVRY. Through the merger we are creating the largest community of technology and business professionals in the Nordics, employing approximately 24 000 experts globally.



> Through our ambitious efforts, we have the possibility to attract, retain and develop the very best talent.

Listing to the voice of our employees

Tieto supports freedom of association and collective bargaining as defined in the International Labour Organization Declaration on Fundamental Principles and Rights at Work and stated in our Code of Conduct. Local employment laws and practices, collective agreements, and individual contract terms are followed. In the countries of operation where collective bargaining is not applied – such as China and India – Tieto facilitates local forums where these topics can be addressed. One example is the Anti-Harassment Committee (AHC) in India, a body with representatives from various units of Tieto India, addressing complaints of harassment.

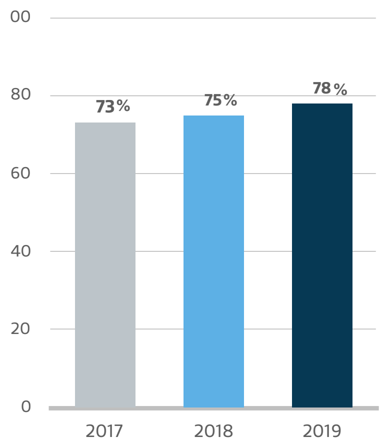
The European Works Council (EWC) in Tieto is our Personnel Representative Body (PRB), allowing us to utilize our employees' expertise in decision-making concerning, for example, business operations, financial matters and personnel considerations. The Head of Human Resources is responsible for facilitating the EWC meetings based on the needs and suggestions of the EWC members. In addition to the EWC, there are country-specific forums that follow the local practices and legislation, with company and employee representatives meeting to discuss the business and employment issues. Our personnel elect two members and two deputy members to the company's Board of Directors. This is done by the personnel representatives in accordance with the Personnel Representation Cooperation Agreement. One of the aims of personnel representation is increased unity in decision making concerning issues such as business operations, financial and employment related topics.

People & Culture driving the agenda for employee value creation

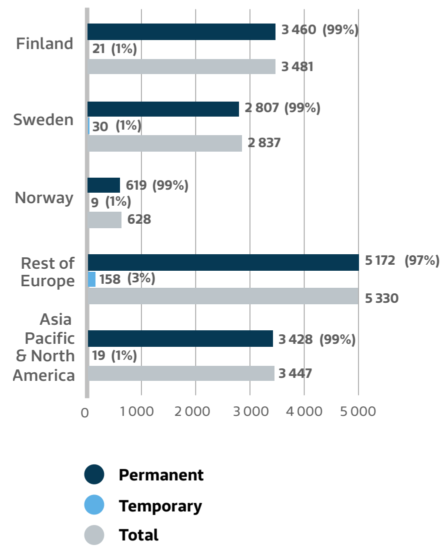
Tieto's People & Culture function is responsible for developing people practices in our company. The function is led by the group-level Head of HR while country HR teams are responsible for country-specific HR operations. People & Culture introduced a new Interaction Model to better serve business demands and to enhance our manager, employee and candidate experience.

The Human Resources (HR) Policy serves as the overall strategic direction for our people practices and applies to all employees and operations globally. This policy states that Tieto supports and respects the principles set out in the United Nations Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

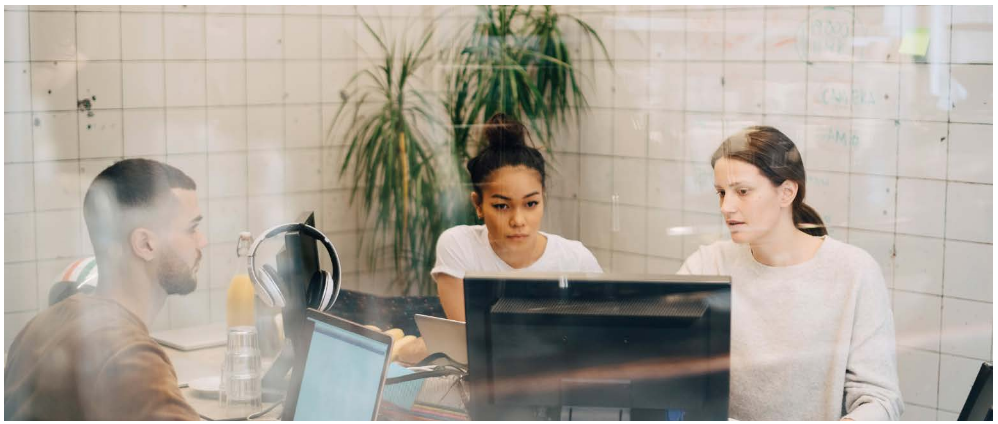
EMPLOYEE ENGAGEMENT SCORE, %*



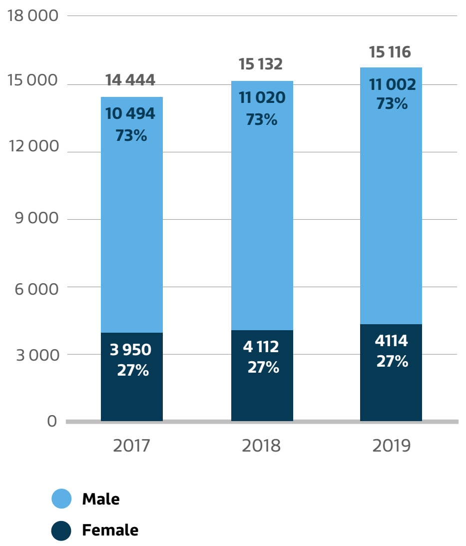
TOTAL NUMBER OF EMPLOYEES BY EMPLOYMENT CONTRACT BY REGION, DEC 31 2019*



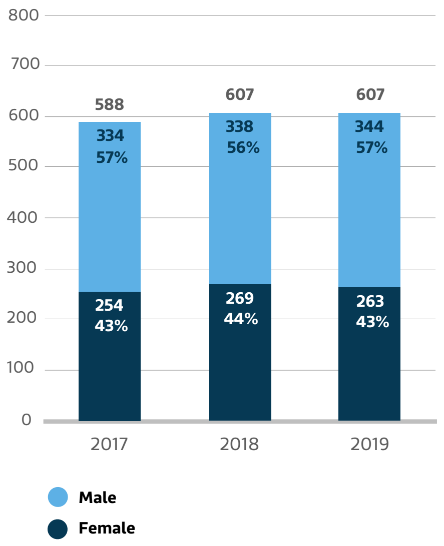
*Due to the merger of Tieto and EVRY being completed in December, figures in personnel sections cover only Tieto.



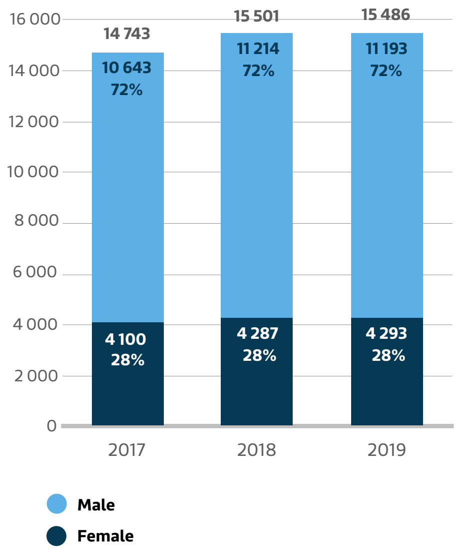
FULL-TIME EMPLOYEES BY GENDER, 2017–2019*



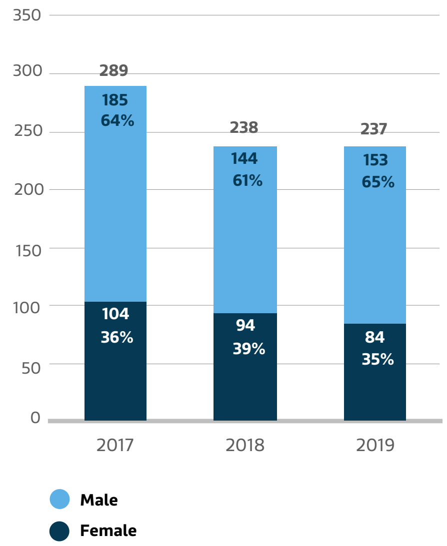
PART-TIME EMPLOYEES BY GENDER, 2017–2019*



PERMANENT EMPLOYMENT CONTRACT BY GENDER, 2017–2019*



TEMPORARY EMPLOYMENT CONTRACT BY GENDER, 2017–2019*



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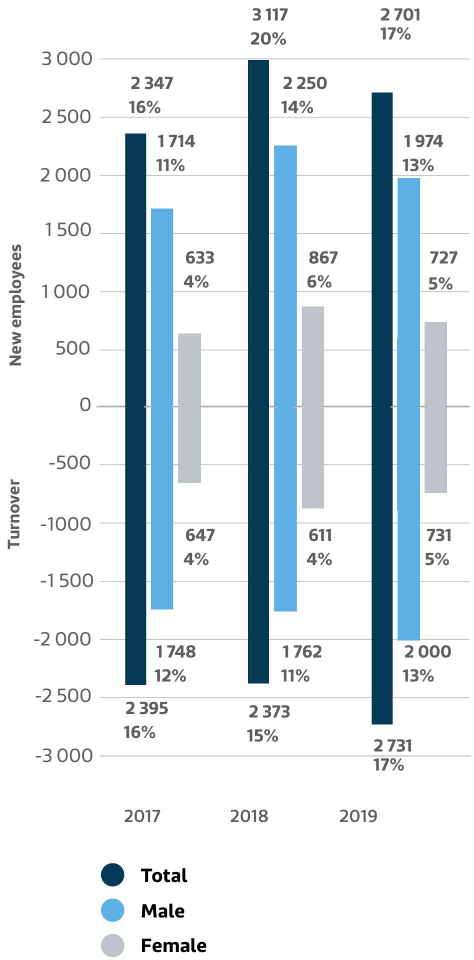
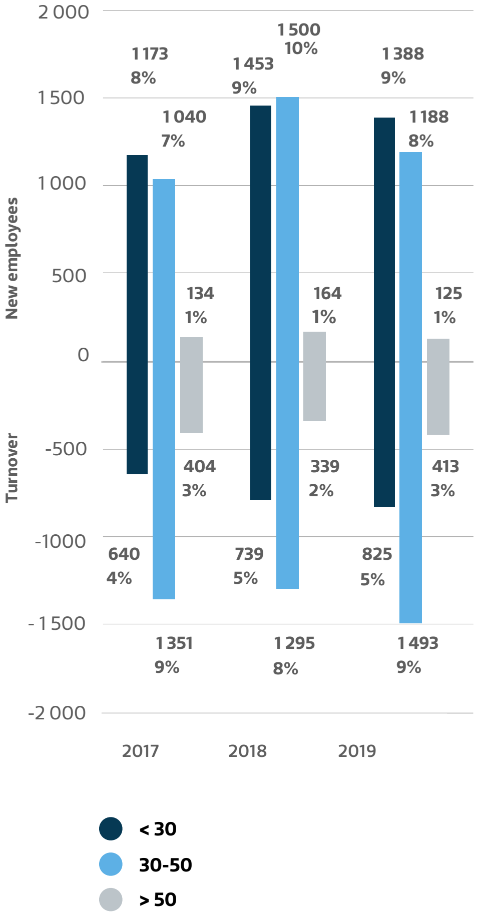
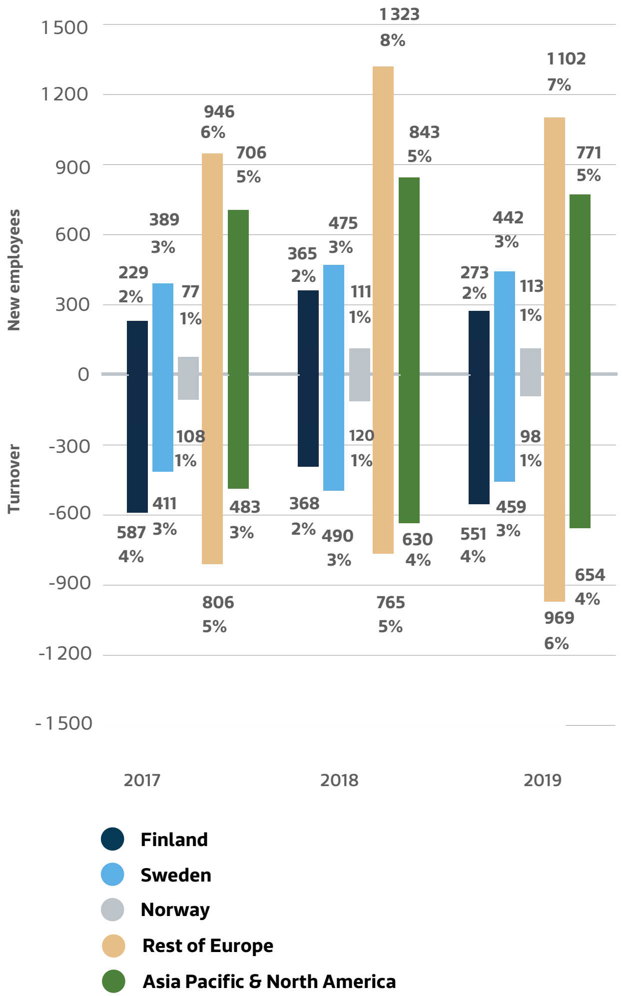
NEW EMPLOYEES AND EMPLOYEE TURNOVER BY GENDER, 2017–2019*



NEW EMPLOYEES AND EMPLOYEE TURNOVER BY AGE GROUPS, 2017–2019*



NEW EMPLOYEES AND EMPLOYEE TURNOVER BY REGION, 2017–2019*



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CASE Inclusion – a business driver that benefits the people

Inclusive teams bring benefits to both people and businesses. Inclusion boosts engagements and creates competitive advantage. In 2019 we initiated a bias training for people in decision-making position at Tieto.

Research shows that diversity brings competitive advantage to an organization, from increased profitability and creativity to stronger governance and better problem-solving abilities. For the individual, an inclusive environment is where everyone is treated with equal respect and dignity to develop oneself and one's career.

Inclusion should be a given driver in any organization. In practice, however, cultivating a truly inclusive environment requires continuous effort and commitment. As a part of our work to make Tieto more inclusive, we launched a Bias training aimed at expanding awareness for unconscious bias that can occur, for example, when leading teams and recruiting new staff.

TOOLS TO MANAGE THOUGHTS

Biases are influenced by our environment and experiences, and they can be difficult to eliminate. One solution to minimize their effects is to be aware of the biases one may have or may encounter. We believe that training is an important tool for increased awareness.

"The training opens your eyes and changes ways of thinking," says Jedrzej Okonowski, Head of Delivery unit Poland, BU Radio in Tieto. "For instance, for me it became visible how tough it can be for a person to come into a an already formed team, where members are very much alike and have worked together for a long time. Also, I realized how important it is for us leaders to inform, encourage and create a safe space for people to speak up, when they don't feel fairly treated or respected. As leaders, it's our duty to observe if something is not right in the team and then be proactive about it. This is something that I try to make my managers more aware of."

Okonowski is located in Poland and manages a team of about 200 employees. In addition, he is a manager for a Tieto site of approximately 350 people. A big part of his daily job is to coach and encourage people and team work.

"When leaders lead by example, the organization will follow," Okonowski says. "Together, we create an inclusive workplace. As we are competing for the best talent, an inclusive culture is a clear advantage. I am confident that our work with inclusion and diversity bring benefits beyond salary levels, it gives us something special to offer to our existing and potential employees. By creating a safe environment where everyone feels included and respected, we build competitive advantage both in terms of recruitment and retention."

Bias training at Tieto started out small-scale, and has been continuously developed through co-creation and feedback from internal stakeholders. We launched the Bias training first in Sweden, making it mandatory for all people managers. From there, it has grown organically to become mandatory for all the leaders in the global business Product Development Services, including some other roles such as scrum masters and project leaders. In some sites in Sweden there have been open sessions for all employees who are interested in joining the training. By end of 2019, approximately 650 employees had participated the Tieto's Bias training (excluding Tieto India where our Bias training is adapted according to local legislation).

CULTURE – COLLABORATE, INCLUDE AND GROW

Ethical culture

A robust ethical business culture is crucial in earning and maintaining the trust of our stakeholders. Expectations are rising for companies to act ethically and with integrity are continuously strengthened both on national and international levels. To ensure we meet the demands our stakeholders place on us, we are putting emphasis on implementing and maintaining responsible business practices across our business operations.

How we work

Tieto as a company, including the Board of Directors and top management, has zero tolerance for unethical business behaviour, and sees implementation of ethical values and work practices as a vital part of the company's responsibility. In addition to adhering to local legislation in operating countries, such as the UK Bribery Act and US Foreign Corrupt Practices Act, Tieto's ethical values are outlined in our company-wide Code of Conduct Policy and related rules, which apply to all employees.

Our business ethics efforts are led by the Vice President, Global Communications and Sustainability in close cooperation with Legal and Internal Audit. Resources allocated to the ongoing work comes from different functions and bodies within the company depending on the nature of the effort. Human Resources has a pivotal role in embedding ethical culture in our work environment and working practices. Read more about our performance in these areas in the sections **Equal Opportunities** and **Employee Experience**. We draw upon a wide range of expertise when assessing potential breaches of our Code of Conduct or looking to strengthen our performance in a particular area. These include functions such as our Compliance, Privacy & Security Board, Internal Escalation Function, Internal Audit, Legal and Compliance office, as well as the Sustainability Steering Group.

Our approach to ethical behaviour is highlighted and embedded in our proactive awareness campaigns, continuous monitoring and follow-up processes. Our risk management approach comprises a risk map for higher-level management, including the Board of Directors. The risk categories are compliance, financial, operational and

Ethical culture

Completion of Code of Conduct e-learning, (%)

Result 2019	Target 2020
90%	100%

strategic. To identify and validate risks of unethical behaviour, we conduct internal as well as external audits when required.

Internal audits are conducted by the Internal Audit function according to the annual plan based on the risk evaluation. The aim is to ensure the company complies with the laws and regulations, as well as policies and guidelines, in all operations. The Internal Audit Policy outlines the internal audit's objectives, intentions and responsibilities. Together with the Escalation Rule, the Internal Audit Policy covers audit activities, governance and escalation handling and applies to all employees.

Internal audits and investigations are also initiated by whistleblowing. Our whistleblowing process allows anonymous and confidential reporting on violations of the Code of Conduct, related rules, or any unethical behaviour to the General Counsel of the company. The process is designed to ensure that persons reporting violations will not be subject to any retaliation. Failure to act in compliance with the Code of Conduct can result in appropriate disciplinary actions.

External financial audits are conducted by an external party and vary between full scope and statutory audit, depending on the size of business operations and specific needs. Audits may include, among other things, testing of transactions as well as assessment of possible compliance with regulations and policies.

Our goal is that all employees are aware of and know our Code of Conduct and are proactively implementing ethical culture in all our operations. In addition to accepting the Code of Conduct when joining the company, employees are expected to refresh their knowledge on the content of the Code on a yearly basis by taking the Code of Conduct e-learning course. People & Culture further supports employees in knowing of, and acting in accordance with, our Code of Conduct throughout the employee lifecycle, spanning from an awareness session during onboarding to role-based trainings when becoming a manager.

Progress

During the second half of 2019, business ethics was a core theme within Tieto. We highlighted topics such as the importance of speaking up, anti-discrimination and inclusion and anti-corruption in an internal global communication campaign. During the year, we also carried out activities to implement our new Supplier Code of Conduct among all our existing and new suppliers. Other efforts to increase awareness of our business ethics included sustainability awareness training for selected groups across Tieto. We carried out sustainability awareness training, including business ethics, in Tieto's 'Take off' days for new employees in Finland and Sweden. E-learning sessions covering the Code of Conduct, our environmental impact, security and GDPR in 2019 were mandatory activities for all employees in 2019.

We aim for 100- % e-learning coverage on a yearly basis, understanding it is hard to reach due to normal attrition. Completion of our Code of Conduct e-learning is a mandatory goal in all employees' scorecards and is thereby being formally evaluated as part of each employee's annual review process. By the end of 2019, 90 % of employees had carried out the Code of Conduct training. A range of efforts have been put in place over the two last years to boost the uptake of the training, such as including the completion of the training as a mandatory goal in the annual review phase, several internal global information campaigns and a complete renewal of the e-learning. Even though the progress has been slightly positive during 2019, the conclusion is that that the long-term goal of a completion rate of 100% of employees was to ambitious to reach, given the company's employee turnover as well as several merger activities.

As part of Tieto's zero tolerance to unethical behaviour, the company has a goal that all employees are not only aware of and know the Code of Conduct, but also know how to report breaches. We also conduct assessments of our operations with the aim of identifying risk for corruption and fraud. In 2019, operations in ten countries, covering 38% of our operations were assessed for risks related to fraud or corruption. Two significant risk were identified through the risk assessment conducted in 2019, which led to termination of one vendor contract. Internally, the Code of Conduct related whistleblowing escalations in 2019 generated 18 investigations in 8 different countries. These investigations included analysis of fraud risks and misuse of assets, inappropriate behaviour of individuals and conflict of interest. In 2019, three breaches of the Code of Conduct Policy were confirmed, whereof two is described in the section Equal opportunities. No confirmed incident of corruption was identified in 2019.

External financial audits in 2019 covered 100% of our employees in all business operations and countries. No findings of misconduct were discovered in the financial audits in 2019.

Looking ahead

Business ethics will continue to be a prioritised area for TietoEVRY going forward. At the end of 2019, we began the work to develop a new long-term sustainability plan for TietoEVRY. Accordingly, from 2020, we will implement new goals, activities and measurement will be implemented to ensure we foster and maintain an ethical business culture at TietoEVRY.

CULTURE – COLLABORATE, INCLUDE AND GROW

Equal opportunities

Diversity and inclusion are critical components in creating equal opportunities, providing great everyday experiences and fuelling innovation that advances our customers' competitiveness. We need to continuously develop our culture, mindset and processes to foster an environment of open thinking.

How we work

Inclusion is a key driver for employee engagement and hence impacting also customer experience. Our commitment to diversity and inclusion is business critical, and part of Tieto's global HR operating plan.

Our Code of Conduct Policy and our Human Resource Policy outline the principles for diversity and inclusion. Each Tieto country is responsible for planning and conducting activities that support our overall diversity and inclusion goals.

As a company, we look to collaborate closely with personnel representation bodies. In 2019, 40% of our employees were covered by collective bargaining agreements. However, the differences between countries varies extensively, with the highest participation being in Sweden (97,5%) and in Finland (97%). In countries of operation where collective bargaining is not applied, such as in China and India, we strive to facilitate local forums where these topics can be addressed.

We measure our equal opportunity efforts in many ways. Cultural assessments are done through our global employee survey, VOICE. One of the measures we use is understanding how safe employees feel about speaking up. Incidents of non-compliance, which relate to equal opportunities, can be reported anonymously through our whistleblowing channels. Our escalation process is described in detail under the Ethical Culture section. We also evaluate our performance in providing equal opportunities through internal audits. Additionally, we gather input on performance through external assessments.

Progress

Inclusion is a part of Tieto's global HR operating plan. Both strategic and operational developments have taken place throughout the year to deepen the

Equal opportunities

Completion of Code of Conduct e-learning for awareness on equality, (%)

Result 2019	Target 2020
90%	100%

understanding within the company and drive towards an inclusive workplace. Our ambition for 2019 was to integrate diversity into our processes and ways of working. Tieto has raised internal and external awareness on best practices of inclusive teams and on role models. We also established digital platforms for knowledge sharing among our global operations.

Annual training in equal opportunities and non-discrimination is expected from our employees as part of our Code of Conduct e-learning. E-learning on inclusion is part of the mandatory manager onboarding programme from 2019 and a new bias awareness training is now mandatory in some parts of the organization.

All appointments to jobs and rewards within Tieto are based solely on an individual's performance. We strongly believe that we can contribute to a more equal society and diverse industry. In terms of organizational development, we strive to increase the diversity in the organization, aiming to increasingly have women, young professionals and different nationalities represented in management positions. We conduct internal equal pay audit reviews in our largest operating countries, corrective action is taken, and results are communicated internally.

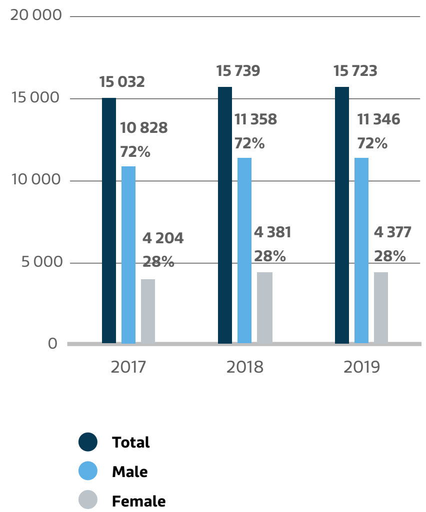
In the VOICE survey conducted in May 2019, the indicator 'Feeling safe to speak up without the fear of harassment' decreased by 4 percentage points (2019: 75%, 2018: 79%, 2017: 73%). The decrease correlates with the high pace of change and degree of insight into the nomination process of roles, which took place during spring in conjunction with Tieto's new organizational setup. The share of women in senior management reached 21% at year-end. At the end of 2019, Tieto Leadership Network consisted of 11 men and two women and Tieto's Board of Directors of seven men and two women. To help us improve, diversity and nationality were included as selection criteria in the process of appointing the new TietoEVRY Group Leadership.

At the end of 2019, the average age of Tieto employees was 40 years. Many roles in the IT services industry require technological and managerial skills acquired through years of experience. At the same time, a younger generation is important in bringing in fresh ideas as well as new ways of working. We are therefore working to ensure age diversity – both to retain and attract the right skills across a wide age span. During the year, we undertook different initiatives to build a more age diverse workforce and to bring in young professionals took place. These initiatives succeeded in more than half of all recruitments in 2019 being aged 30 years or younger (55,6% of 2 701 new joiners). Collaborations with external partners to instil curiosity in the daily work-life in our technology industry among young students were carried out during the year. Collaborations with external partners are described in the Societal Engagement section.

Throughout the year we were recognized for our work with diversity and inclusion by a range of organizations. Tieto ranked as top three of global tech companies in Equileap's 2019 Global Gender Equality Ranking, which evaluated more than 3 000 companies across 23 countries based on 19 gender equality criteria.

At country level, a wide range of local initiatives and activities took place during 2019 to enhance diversity and also highlight women in technology. For instance, women networks are active in Austria, Sweden and India. We partnered with Women In Tech in Finland and Sweden, International Women's Hackathon in India and Carrot Girls in Czech Republic. Other country initiatives included participation in Pride Finland, improving accessibility of the premises in India to fit differently abled employees and celebration of cultural diversity in Estonia and Sweden.

TOTAL NUMBER OF EMPLOYEES BY GENDER, 2017–2019*



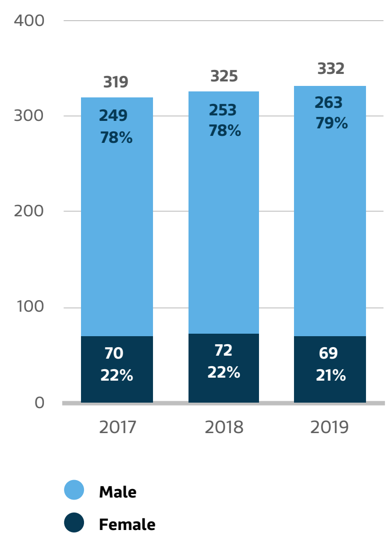
*Due to the merger of Tieto and EVRYbeing completed in December, figures in personnel sections cover only Tieto.

Tieto Sweden was re-certified with the EDGE Assessment Certificate, the leading global assessment and business certification for gender equality. We were the first IT company in the world to be granted EDGE Certification in 2015.

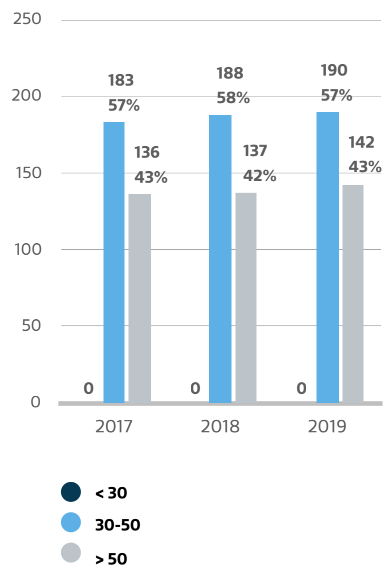
In India, Tieto received the 'Employee Excellence Award' from BD Foundation I-Inspire Awards, a global diversity consultancy. The award recognizes organizations across categories of Diversity and CSR Excellence to celebrate inclusive culture as a business imperative.

During 2019 two allegations of discrimination cases were investigated. One was not concluded as discrimination cases but breach of the Code of Conduct; the other one was concluded as harassment on the ground of gender. The latter case was reviewed, a remediation plan was implemented, results reviewed end of the year and the incident is no longer subject to action. Both of the cases are reported as breaches of Code of Conduct in the section Ethical Culture.

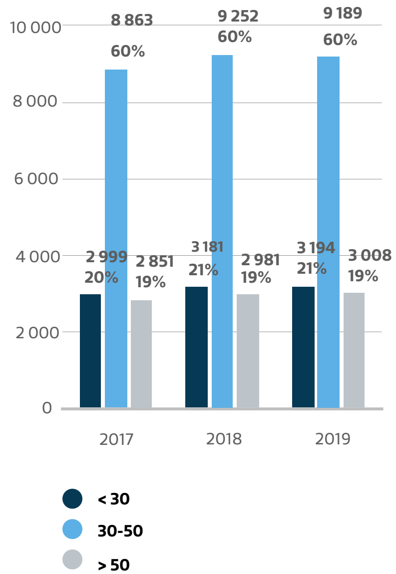
SENIOR MANAGEMENT BY GENDER, 2017–2019*



SENIOR MANAGEMENT BY AGE GROUPS, 2017-2019*



EMPLOYEES BY AGE GROUPS, 2017-2019*



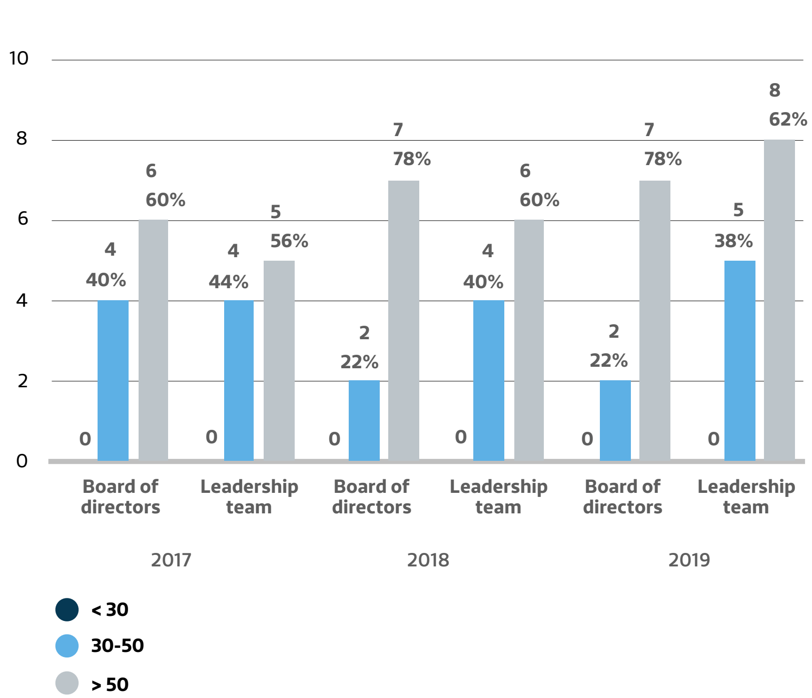
*Due to the merger of Tieto and EVRY being completed in December, figures in personnel sections cover only Tieto.

Looking ahead

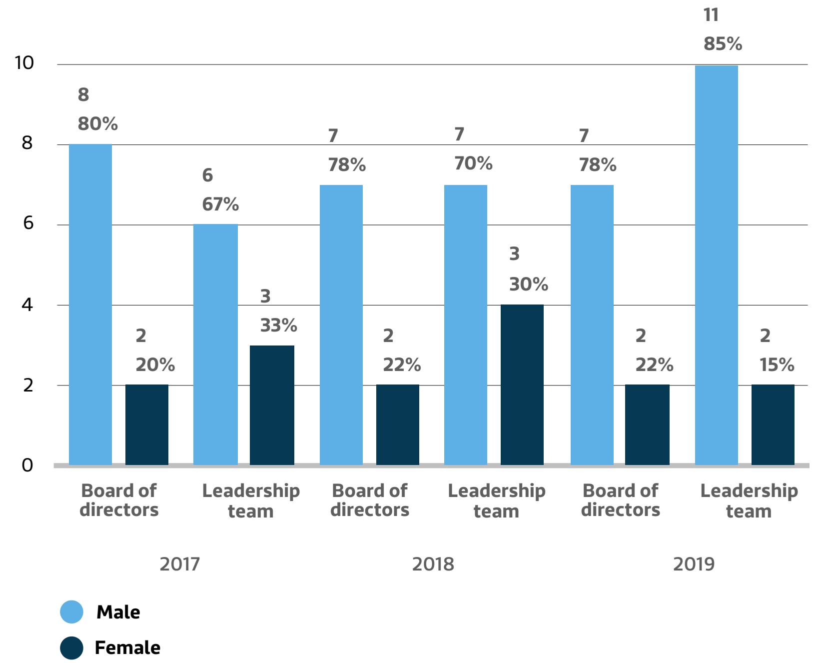
We will continue to strive for equality by targeting and enhancing diversity and inclusion at the new company TietoEVRY.

The results from our current work in developing a new long-term sustainability plan will guide us in developing our diversity and inclusion efforts further. This will enable us to identify and build on those aspects that our stakeholders perceive to be most important.

BOARD OF DIRECTORS AND TIETO LEADERSHIP TEAM BY AGE GROUPS, 2017–2019*



BOARD OF DIRECTORS AND TIETO LEADERSHIP TEAM BY BY GENDER, 2017–2019*



*Due to the merger of Tieto and EVRY being completed in December, figures in this graph cover only Tieto.

CULTURE – COLLABORATE, INCLUDE AND GROW

Employee experience

As the competition over talent is intensifying day-by-day, recruiting, retaining and engaging the best professionals puts high demands on all organizations. At Tieto, we are committed to building a positive and empowering workplace that provides an excellent Employee Experience.

How we work

Happy employees generate happy customers. Several studies suggest, that Employee Experience (EX) highly impacts customer experience (CX). At Tieto, we have observed a correlation between the work satisfaction of our employees and the customers' experience in our annual employee and customer experience surveys. We believe that by investing in our employees, we are able to create better customer experience. The overall responsibility for developing employee experience is with People & Culture. The results of the employee engagement activities are followed up through employee engagement surveys, where employees give feedback on how we are developing in key areas. The survey results are reviewed and discussed by Tieto's Leadership Team as well as within the business networks on all levels across the organization.

Progress

Tieto's target for Employee Engagement was reached already in 2017 (75% in 2018, 73% in 2017) and ended up at 78% in 2020; five percentage points above the long-term goal. The increase between 2018 and 2019 was however mainly due to changes in how parts of the score was measured, which led to inflated numbers that impacted the overall score and thus comparability over time.

According to our VOICE Employee Survey in 2019, 11% of respondents have experienced challenges in recovering from their workday overnight (baseline 2017: 3%, KPI not collected in 2018). The VOICE survey took place during spring restructurings, and initiatives on a business and country level took place to turn the trend. Going forward, it demonstrates that we need to follow up Employee Health closely in the TietoEVRY integration work. Based on the feedback from

Employee experience

Employee engagement score, %

Result 2019	Target 2020
78%	73%

our employees, we have been able to identify three main areas that impact employee engagement: Leadership, Learning & Career Development possibilities and Culture. Our ambition is to build the greatest workplace for tech and business professionals.

Developing our culture

Tieto´s Open Source culture is a core foundation for building a good employee experience. It is supported by advanced technology and a modern working environment. With Tieto's strategy renewal in spring 2019, we identified a need to further develop Tieto's culture to enable networked ways of working and encourage self-leadership. We initiated an engaging approach where 160 employees in our main operating countries participated in the culture work to define desired target culture and behaviours to support the culture.

Inclusion

Team work with inclusion is crucial in creating an environment where employees thrive. It is an integral part of our culture. We believe that a wide mix of people is needed to stay competitive and innovative. Read more about our approach and activities under Equal Opportunities.

Leadership as service

Research and trends have identified a need to change the view on leadership from traditional hierarchical to a more empowering leadership. At Tieto, we want to promote leadership as a partnership between the manager and employee. Our leaders' primary role is to support and enable people to grow. To support the realization of our vision we empower our leaders through trainings, coaching, mentorship programmes, workshops and discussions on leadership, team development, feedback, inclusion and engagement.

Enabling employeeship through self-leadership

The new partnership of managers and employees calls for a higher level of self-leadership, which is called employeeship. To enable employeeship and the possibility for employees to drive their own career and development, we took numerous steps in 2019.

We ran a pilot in one of our largest operating countries to increase employees' influence over their own career, by creating transparency of skills across the organization and the staffing tools. Furthermore, as we operate in cross-collaborating teams, employees can choose a project manager or senior colleague for their performance review instead of the line manager. Tieto has piloted several models for more efficient and regular dialogues with the leader as well as introduced a Coaching Portal for internal and

Employee experience

% of employees being always or often stressed and not being able to recover.

Result 2019	Target 2020
11%	Keep low

external coaching. These initiatives allow employees to drive their own career and open up for more meaningful conversations about their development and performance.

Learning as a lifestyle – boost learning for the future

Curiosity and lifelong learning are crucial parts of our culture and success. Our Learning as a lifestyle platform, which offers various learning modules, has turned employees into active creators and curators of learning playlists. By the end of 2019, 97% of our employees and 98% of our managers had used the learning environment and approximately 230 learning playlists were created by employees.

Looking ahead

Active employee dialogue through employee feedback makes a good foundation for our continued efforts in creating an inspiring place to work. The merger between Tieto and EVRY as well as our new sustainability long-term plan for 2020 onwards provide great opportunities for further enhancing the employee experience.

> We believe a wide mix of people is needed to stay competitive and innovative.

Robots to make working days easier

In 2019, we introduced chat-bots in our HR solution to answer process-related questions and to help with compensation processes. The chat-bots are available for all employees and managers 24/7. The Q&A chat-bot can answer questions relating to performance management, such as goal-setting, performance evaluation and discussions, process timelines and tool instructions. The action chat-bot is an interactive online assistant for managers helping the manager with compensation processes.

DIGITAL ADVANTAGE

Digital advantage for society and the environment

Through leading technologies and smart use of data, we can positively impact everyday life for millions of people. Our solutions can help create smarter and more sustainable cities, provide preventive healthcare for citizens and enable more efficient governmental operations. We strive to carry out our operations in a responsible manner as well as minimize our negative impact on the environment and climate.

Economic responsibility is multi-faceted. We create long-term sustainable value for our shareholders and owners, but we also have a positive economic impact as an employer and tax payer. Our local presence in multiple cities creates job opportunities for residents in areas and countries where we operate. We pay competitive salaries and benefits and provide our employees with meaningful work. Where possible, we prioritize local suppliers in our markets as this creates value for other stakeholders and stimulates local economies.

We are continuously exploring new ways to minimize our environmental impact and reduce our greenhouse gas emissions. We do this by working in environmentally certified offices, purchasing renewable energy for our data centers and reducing travel.

We also actively pursue opportunities to contribute to societies where we operate. For example, we do this in the healthcare sector through several projects, which we outline in the sustainable IT section of the report.

We also contribute through our societal engagements for a more equal society. We do this by not only actively supporting several NGO organizations, but also engaging our employees in activities, workshops and mentorships.

CASE Joint innovation benefits the climate

Cooperation and co-innovation allow companies to reap results that benefit the climate quicker than working alone. In Finland, Tieto has been an active participant in a pilot project aiming at turning carbon dioxide removal into verifiable and comparable commercial operations.

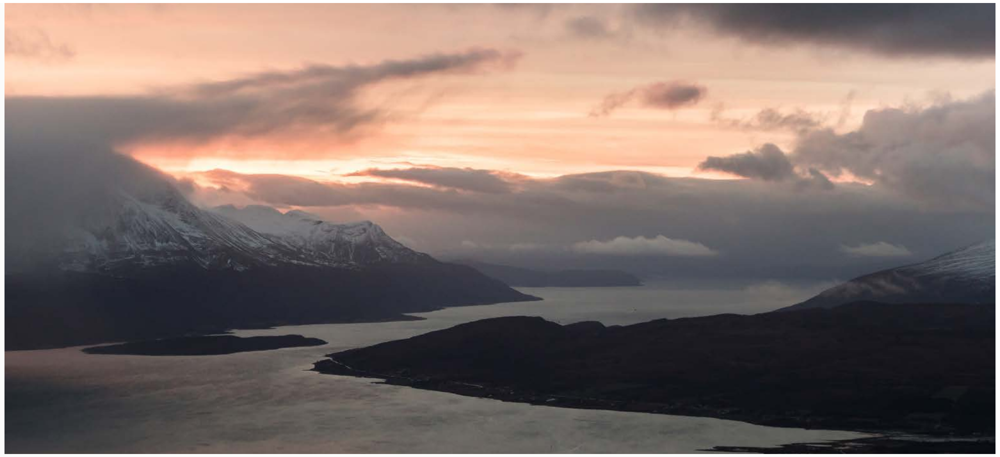
In the spring of 2019, Tieto participated with 22 other companies in a co-operation led by clean energy company Fortum, aiming to create the world's first voluntary carbon removal marketplace for businesses. This marketplace is called Puro.earth, and the CO_2 removal certificates Puro is selling, represent one ton of CO_2 removed for the long term from the atmosphere. Tieto participated in working groups defining the verification and methodology as well as registry and auction rules. We also provided business and technology sparring for the initiative.

"The primary goal of companies and other organizations is to reduce the environmental impacts of their operations," says **Kia Haring**, Head of Global Communications and Sustainability at Tieto. "In addition, we must actively look for new means of offsetting the emissions that cannot be reduced."

Puro's suppliers develop products, that remove carbon from the atmosphere. The removals are verified by an independent third party and turned into CO_2 Removal Certificates called CORCs. CORCs can be bought by climate proactive companies in the auctions held by Puro marketplace, to neutralize the companies' carbon emissions. The proceeds from the auctions go to the carbon removal supplier to invest in R&D, operations and sales to expand the market of climate-friendly products.

Acting through Puro is helping to expand the markets of climate-positive products and the development of materials that absorb carbon dioxide. Puro's aim is to expand the markets of climate-positive products and invest in developing materials that absorb carbon dioxide.

"It is impossible for most companies to become carbon neutral even with the most ambitious emission reduction



programs. Something always remains," says **Antti Vihavainen**, Co-founder of Puro. "Those remaining emissions can be removed by the suppliers of the Puro.earth ecosystem. They produce materials that store more carbon than their production emits. By making this climate service measured and verified, we accelerate the development of these under-utilized and therefore under-developed industries. As the Intergovernmental Panel on Climate Change (IPCC) states, we need all possible ways of reversing the climate change. Puro.earth provides an innovation platform for that purpose".

Puro currently supports three CO_2 removal methods: biochar, carbonated building elements and wooden building elements. As an example, biochar is a very stable form of carbon, that is used mainly in city landscaping, drainage water systems and in animal feed. As a material it does not decompose so the carbon it embodies stays away from circulation. During 2019, Tieto has bought CORCs as a pilot project in Puro auctions for neutralizing a part of CO_2 emissions caused by business travel.

"With this kind of co-operation we accelerate the incentives towards a carbon net negative economy – and also do common good," says Kia Haring. "We are proud to be able to co-create and drive these kinds of innovations for the climate, that the world currently so desperately needs."

DIGITAL ADVANTAGE FOR SOCIETY AND THE ENVIRONMENT

Greenhouse gas emissions

Climate change is one of the biggest challenges of our times, with policymakers and businesses scrambling to find rapid and effective solutions. The best way for us to combat global warming is to improve the energy efficiency of our operations and reduce emissions. Our aggregated CO_2 emission reduction since 2016 totals 53% and we are continually examining ways to reduce our CO_2 emissions even further.

How we work

Tieto is committed to the United Nations Global Compact and Sustainable Development Goals. We continuously strive to improve and support the precautionary approach to tackling environmental challenges. We focus our measures on where we have the biggest impact: in running our own offices and data centres with a strong emphasis on energy efficiency and reducing business travel. We also recognize our part of CO_2 emissions caused throughout our value chain, both upstream and downstream.

Our Environmental Rule defines our approach to managing the company's environmental impact. Accordingly, we have implemented measures to boost energy efficiency in our existing offices and data centres. We have also relocated to BREEAM or LEED certified buildings with upgraded facilities to reduce direct and indirect energy consumption. In addition to environmental certificates, the energy efficiency of a building has been an important site selection criterion. For all our data centres, our target is to drive and maintain operations as energy efficiently as possible. We regularly collect and monitor energy consumption data to ensure the highest efficiency possible is maintained.

Our Travel Rule encourages only essential travel. We provide and encourage employees to use virtual conference solutions and various digital collaboration platforms to help minimize our environmental travel footprint.

Greenhouse gas emissions

ktons CO_2 from indirect energy consumption

Result 2019	Target 2020
-53%	-50%

Aggregated reduction of CO_2 emissions totals 53% comparing to 2016 baseline.

Our Chief Procurement Officer is responsible for the environmental management of our offices and procurement including business travel. The Head of Data Centres has the same responsibility for our data centres. All Nordic data centres and offices with more than 50 employees are covered by our Environmental Management System (EMS), which is ISO 14001-certified. The responsibility for the implementation of the EMS, as well as activities for energy reduction actions, lies with an Environmental Manager appointed for one or several countries of operations. The Environmental Managers form a global network that is responsible for putting into practice global environmental guidelines and objectives in our operating countries. Our data centre teams are responsible for energy consumption monitoring on a regular basis. Possible risks or incidents related to environmental issues can be reported via the EMS in each country or via our global risk reporting portal.

Progress

Increasing energy efficiency and renewable energy use in our offices and data centres and reducing business travel are key actions in our focus to reduce CO_2 emissions. In 2016, we set a goal of halving our energy-related CO_2 burden from indirect energy consumption by 2020. In 2019, our CO_2 emissions from indirect energy consumption were 53% below the 2016 level, ahead of our 50% target. We are continuing our efforts to achieve an even greater reduction and set new ambitions for the years to come in our next long-term sustainability plan.

At a Group level, the goal is to reduce total energy consumption in operations by 3.5% annually. In 2019, our total energy consumption reached 104 525 MWh, a decrease of 2.3 % compared to the previous year. Total electricity consumption for 2019 decreased by 3.3% to 73 263 MWh. In 2019, the amount of emissions from indirect energy consumption (scope 2) did, however, increase by 13% compared to previous year (2018: 10 295 tCO_2), amounting to 11 587 tCO_2. This was due to the increased share of electricity usage in countries (mainly India and Poland) where CO_2 emissions factors are on a higher level than in the Nordic countries. We are looking at different ways to mitigate any future increases of CO_2 emissions.

In 2019, we also began unifying elements of our EMS across all our operations. This involves putting in place common processes and guidelines that enhance the efficiencies of the system.

Green buildings and smart use of office space

Providing sustainable, efficient, and activity-based office space is the primary target for our facility operations. In 2019, we continued our work towards consolidating and creating flexible and multi-use square meters in our offices. During the year, 62% of our employees were located in environmentally certified office buildings. Our key performance indicator, 'Office area per employee', guides us in reducing the area dedicated to a workplace or person and leads to more efficient use of square meters and reduces energy consumption. In 2019, the office area per employee was 11.5 m^2.

Green energy in our Nordic data centers

During the year we continued to use green energy and recycle excess heat from all of our Nordic data centres. In these sites, we continuously work to improve energy efficiency by optimizing cooling capacity, utilizing intelligent airflow management and deploying low energy infrastructure solutions. In Espoo, Finland, excess heat generated by data centres is recycled back to society and heats nearby households. With the excess heat in 2019 we heated 745 detached households in the Espoo area alone. In Stockholm, we continued to use solutions that warm the facilities and also redirect any excess energy generated to nearby houses in the Swedish capital. Meanwhile, the data centre in Norway – located deep inside a mountain in Stavanger – is run with 100% renewable energy and cooled by cold water from the adjacent fjord.

Reducing our carbon footprint in our supply chain

During the year, we evaluated our supply chain emission intensity taking into consideration the relevant categories according to Greenhouse Gas Protocol: purchased goods and services, capital goods, waste generated in operations and business travel. Currently, we are reporting greenhouse gas emissions from business travel, which is a category most visible to our employees and clearly connected to our customer deliveries.

We support our employees in reducing business travel in several ways, such as by providing conference solutions and various digital collaboration platforms. In 2019, we also updated Tieto's Travel Rule to include acceptable reasons for business travel as a means to further support our employees in changing their travel habits. The aim of revising the rule was to reduce the number of trips, lower CO_2 emissions and encourage employees to plan travel so that several meetings can be combined in one trip. In addition, we steered our travelers to use public transport and trains instead of private vehicles. Emissions from all business flights in 2019 were 13 030 CO_2 tons (2018: 13 700 tons). Our total CO_2 emissions in scope 3 (i.e. business flights, company cars and upstream leased assets), decreased by 5% compared to 2018.

Innovations for the climate

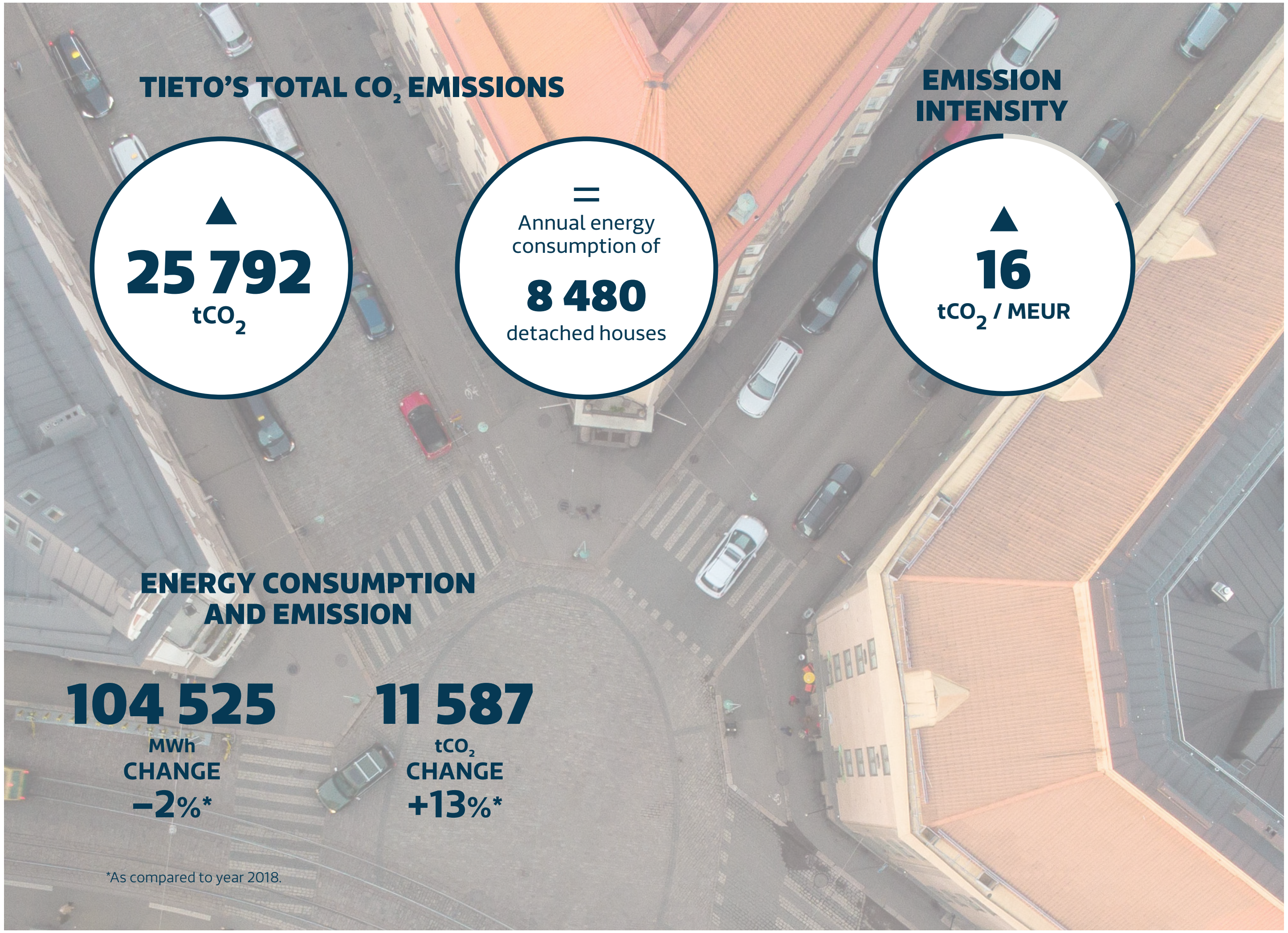
Besides continuously striving to minimize the environmental impact from our own operations, we are also eager to find innovative ways to further reduce our CO_2 footprint. In the spring of 2019, we participated in auctions arranged by Puro, trading in CO_2 removal certificates. Read more on Puro in our case example.

Looking ahead

We are committed to continuing activities and reducing our CO_2 footprint in the coming year. Our focus longer-term we will be on increasing the usage of renewable energy and improving energy efficiency measures in offices and data centres as well as reducing CO_2 emissions caused by business travel. We will continue managing our carbon footprint throughout the value chain and explore opportunities for expanding supply chain CO_2 emissions reporting. We will also continue to investigate and measure how our solutions and products can support our customers in decreasing their own carbon footprints.

During 2020, we will launch our new long-term sustainability plan, which will contain new and further stretched targets for our efforts to minimize our environmental impact.

ENERGY AND GHG EMISSION HIGHLIGHTS



Emission class	Unit	2017	2018	2019	% Change 2018-2017	% Change 2019-2018	Change 2019-2018
302-1 Energy consumption within the organization							
Diesel total	litres	61 039	47 917	38 105	-21,5%	-20,5%	**-9 812**
Electricity	kWh	83 553 485	75 755 432	73 263 472	-9,3%	-3,3%	**-2 491 961**
Cooling	kWh	19 837 264	18 866 880	18 815 099	-4,9%	-0,3%	**-51 781**
Heating	kWh	11 935 744	12 336 498	12 446 089	+3,4%	+0,9%	**109 591**
Total Scope 2 energy consumption	**kWh**	**115 326 493**	**106 958 810**	**104 524 659**	**-7,3%**	**-2,3%**	**-2 434 151**
302-2 Energy consumption outside of the organization							
Upstream leased asset diesel consumption	litres	1 260	1 260	1 788	+0%	+42%	**528**
Upstream leased asset energy consumption	kWh	769 293	832 366	896 467	+8%	+8%	**64 101**
1302-4 Reduction of energy consumption							
Energy returned to district network	kWh	15 656 200	15 078 950	14 907 500	-4%	-1%	**-171 450**
305-1, 305-2 Total direct and indirect greenhouse gas emissions	**tCO_2**						
Diesel	tCO_2	158	124	99	-21%	-20%	**-25**
Electricity (location-based)	tCO_2	11 170	9 680	10 793	-13%	+11%	**1 112**
Electricity (market-based)	tCO_2	8 089	6 056	6 772	-25%	+12%	**715**
Cooling	tCO_2	1 805	1 589	1 473	-12%	-7%	**-116**
Heating	tCO_2	2 168	2 649	3 342	+22%	+26%	**693**
Total GHG Scope 1	**tCO_2**	**158**	**124**	**99**	-21,5%	-20,5%	**-25**
Total GHG Scope 2 (location-based)	**tCO_2**	**15 144**	**13 919**	**15 608**	-8,1%	+12,1%	**1 689**
Total GHG Scope 2 (market-based)	**tCO_2**	**12 062**	**10 295**	**11 587**	-14,7%	+12,5%	**1 292**
Total GHG Scope 1, 2 (location-based)	**tCO_2**	**15 302**	**14 043**	**15 707**	-8,2%	+11,8%	**1 664**
Total GHG Scope 1, 2 (market-based)	**tCO_2**	**12 221**	**10 419**	**11 686**	-14,7%	+12,2%	**1 266**
305-3 Other relevant indirect greenhouse gas emissions	**tCO_2**						
Business Travel - Flights	tCO_2	9 690	13 710	13 030	+41%	-5%	**-680**
Business Travel - Own cars	tCO_2	1 008	1 059	1 072	+5%	+1%	**12**
Upstream leased asset CO_2 emissions tCO_2	tCO_2	3	3	5	+0%	+42%	**1**
Total GHG scope 3 emissions	**tCO_2**	**10 701**	**14 773**	**14 107**	+38%	-5%	**-666**
Total Tieto CO_2 emissions (location-based)	**tCO_2**	**26 004**	**28 816**	**29 813**	+11%	+3%	**998**
Total Tieto CO_2 emissions (market-based)	**tCO_2**	**22 922**	**25 192**	**25 792**	+10%	+2%	**601**

DIGITAL ADVANTAGE FOR SOCIETY AND THE ENVIRONMENT

Economic impact

For us, economic responsibility means creating long-term sustainable value for our stakeholders. Through running our businesses in profitable manner, we are contributing to a global and sustainable economy. In 2019 our profitability remained at a healthy level and net cash flow from operations was significantly up over the year.

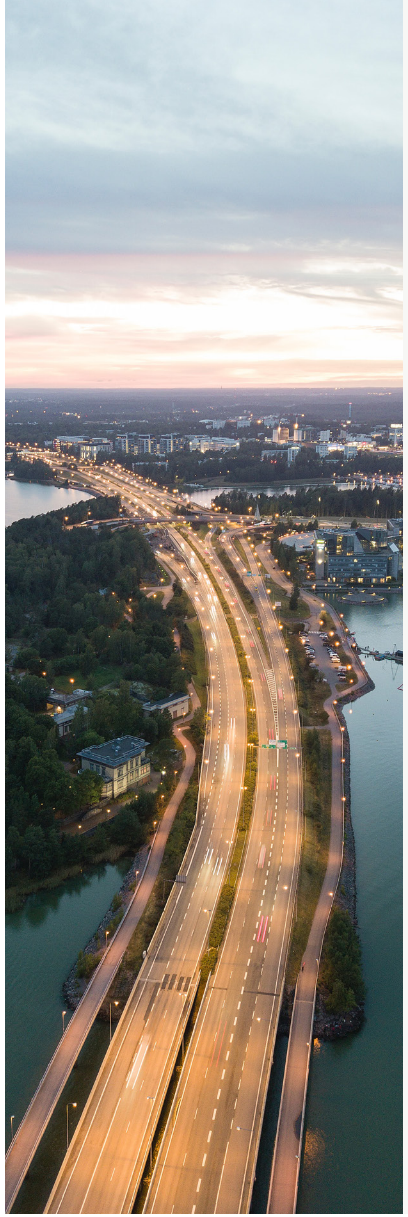
How we work

Our group-level finance operations are handled by our Chief Financial Officer's (CFO) office. In addition, each Industry Group and Service Line has a dedicated finance partner, who works closely with business and supports management in financial processes and reporting. Our shared service centre in Riga, Latvia, supports accounting and master data maintenance services to fulfil both Group reporting and statutory reporting needs and requirements.

We have a common accounting and reporting platform, Tieto ERP. Group consolidation and reporting are based on the reporting system, facilitating 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. The correctness of our financial reporting, including interim and annual reports, and the compliance of financial reporting with regulatory requirements are ensured through our internal control practices. The Audit and Risk Committee of our Board of Directors has the role of overseeing our external financial reporting.

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

Our Group Accounting Manual includes internal financial information that is directed at people involved in the financial planning and reporting or working with finance matters. The information covers a broad spectrum from the steering system



FINANCIAL PERFORMANCE

	Result 2019	Target 2020
% sales growth	8%* in local currencies	Above market CAGR
% EBIT margin	7.2%	Long term >10%
% adjusted EBIT margin	11.3%	Long term >>10%
Annually increasing dividends	Base dividend up by 2%, additional dividend proposed	Annual increase in absolute terms
Net debt to EBITDA ratio, limited in the long term	2.7**	<1.5 long term

* Tieto stand-alone 2% in local currencies
** Based on 12 months for EVRY's EBITDA (in line with the increase in merger related net debt)

Following the merger, the company will re-evaluate its financial targets during 2020 to detailed timetables for reporting, as well as descriptions of reporting systems and financial guidelines. Our financial reporting follows the International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. As a listed company, we are compliant with the regulations of the NASDAQ Helsinki and Stockholm and Oslo Stock Exchanges.

Progress

Our financial objectives set in February 2019 are to grow revenue from IT services above the market (CAGR), achieve a 10% reported operating margin (EBIT), increase dividends annually in absolute terms, and to have a net debt/EBITDA of 2.0 as an upper limit in the long term. In 2019, sales growth was 8%, with growth partly related to the merger of Tieto and EVRY. Revenue for Tieto stand-alone was up by 2% in local currencies. It is estimated that the IT services market relevant to Tieto grew by 2-3%. Full-year operating profit (EBIT) amounted to EUR 124.2 (154.7) million, representing a margin of 7.2% (9.7). Operating profit includes EUR 72.2 (13.4) million in adjusted items, mainly related to restructuring costs for the efficiency programme initiated in 2019, the M&A and integration costs and amortization of acquisition-related intangible assets. Adjusted operating profit stood at EUR 196.4 (168.0) million, or 11.3% (10.5) of net sales.

The proposed dividend is up by 2% to EUR 1.27 (base dividend 1.25 and an extra dividend of EUR 0.20 in 2018). Dividend yield is 4.6%. Tieto's capital structure was affected by the merger and net debt/EBITDA rose to 2.7 (based on EVRY*s EBITDA for the full year) while the company expects that it will achieve the targeted level of below 2.0 in the mid term.

Our strategic tax aim is to comply with all local tax legislation and other regulations in all jurisdictions. We are committed to operating in a responsible way and to comply with ethically acceptable principles in all our activities. This means that we fulfil all our reporting requirements and pay all legally imposed direct, indirect and other taxes in those countries where the Group has operations. Furthermore, we shall always operate with full co-operation with the authorities and aim to disclose all information that is needed for determining tax consequences. Our general objective is to avoid uncertain tax positions. In case of uncertainty, all tax positions taken should be supportable. Our Tax Strategy is approved by the Audit and Risk Committee (ARC). The Group Tax team reports on the status of Group tax issues biannually to the ARC. We also have a written Tax Function Model including roles, tasks and responsibilities of the Group Tax Team and other relevant internal and external stakeholders in managing taxes. External tax advisors are used, for example, in complex M&A cases. Tax risks are identified and managed as part of an enterprise wide approach to risk management. TietoEVRY Oyj is in a co-operative compliance programme with the Finnish Tax Authorities and the collaboration has continued ever since 2017.

Our economic contribution to stakeholders is summarized in the graph below. It illustrates our economic impact on customers, employees, suppliers, governments and society at large.

During the year, we received financial assistance from local governments in some of our operating countries. However, all of those corresponded to amounts less than EUR 0.2 million, except for a funding of EUR 0.4 million from Business Finland, the Finnish Funding Agency for Technology and Innovation, for projects to support digitalization in various industries.

Looking ahead

TietoEVRY expects that it will achieve cost synergies of EUR 75 million due to the merger. Furthermore, the merger is anticipated to accelerate growth. The company will re-evaluate its financial targets during 2020. Cash flow is also anticipated to remain strong, enabling attractive dividends and deleverage.

For a full description of our financial performance, please read our Financial Review 2019.

FINANCIAL PERFORMANCE IS DESCIBED IN MORE DETAIL IN THE REPORT BY BOARD OF DIRECTORS.

Financial Review →

Economic value for different stakeholders, EUR million

	2019	2018	2017
Revenues	1 753.2	1 623.8	1 562.3
Operating costs	533.5	509.7	496.8
Employee wages and benefits	989.7	905.0	873.3
Payments to providers of funds	122.7	108.6	105.7
Payments to governments[1)]	21.8	26.7	21.5
Economic value retained	**85.5**	**73.8**	**65.0**

[1)] of which

	2019	2018	2017
Finland	9.6	12.1	7.2
Sweden	1.3	7.9	9.2
Norway	1.9	0	-0.4
Czech Republic	1.4	1.6	1.5
India	1.9	2.2	2.3
Other	5.7	2.9	1.7
Total	**21.8**	**26.7**	**21.5**

> "Our societal engagements give our employees the opportunity to take part and do good for the society around us.

DIGITAL ADVANTAGE FOR SOCIETY AND THE THE ENVIRONMENT

Societal engagements

We want to be an active corporate citizen in the societies where we operate. We believe that we can create lasting value by engaging with partners that develop societies and at the same time support our business strategy.

We engage in long-term societal projects with several established partners. During 2019, we continued our co-operation with My Dream Now in Sweden, Identity Foundation and Lila Poonawalla Foundation in India, Startup Refugees and the Children and Youth Foundation in Finland. In addition to our long-term collaborations, we deepened the work with Uplift Mutuals in India and partnered with Pride Helsinki.

Our societal engagements are aligned with our business strategy. We believe that the future lies in the youth of today and therefore we want to focus on investing in young people and their education. In addition, we continue to focus on improving digital equality in society, strengthening digital competencies and skills among disadvantaged groups.

Our Sustainability Steering Group, authorized by the Board of Directors, annually reviews our societal engagements. Our selection of partners is based on community-need assessments made in co-operation with local business operations. Our societal engagements give our employees the opportunity to take part in these projects and do good for the society around us.

In 2019, our key societal engagements included:

My dream now helps children pursue their future dreams

My Dream Now is an organization focused on building bridges between companies and schools with the aim of inspiring young students to fulfil their dreams. As part of the mission, My Dream Now prioritizes schools in areas with the greatest potential and need – for instance, where unemployment is high. Over several years we have engaged in My Dream Now's operations in various ways. In 2019, we had employees volunteering as class coaches, as well as well as students participating in study visits to inspire and increase their understanding of daily work life.

Uplift mutuals provides health and medical aid to low-income families

Under Uplift Mutuals' model, low-income families in the unorganized sector in India can share their health risks and get access to mutual microinsurance for financing medical treatments and hospital visits. Besides health insurance, the organization also provides medical advice via telephone, and has employed its own doctors who provide their services to patients free of charge.
We have been in contact with Uplift Mutuals since 2012. In 2019, we worked pro bono developing and providing Uplift Mutuals with a Software-as-a-Service (SaaS) solution (a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted). The solution, named Uttam, is replacing the time-consuming manual work needed for health insurance claims. Uplift has been able to process claims in a matter of 48 hours, instead of the usual turnaround time of 20-25 days. Furthermore, it has helped to reduce operational costs for Uplift Mutuals. Going forward, we will help launch Uttam as a mobile solution, supporting Uplift's expansion to larger communities.

Identity foundation helps underprivileged children

Founded in 2003, Identity Foundation is a charitable trust in Pune, working with socio-economically challenged children. We have supported Identity Foundation's Mobile Learning and Infotainment Centre (MLIC) buses since 2007. In the two mobile learning and infotainment buses socio-economically challenged children, such as street children, can get literacy as well as life skills education. The MLICs also serve as information facilities by giving children an exposure to positive entertainment and providing useful information.

Lila Poonawalla Foundation empowers women to pursue higher education

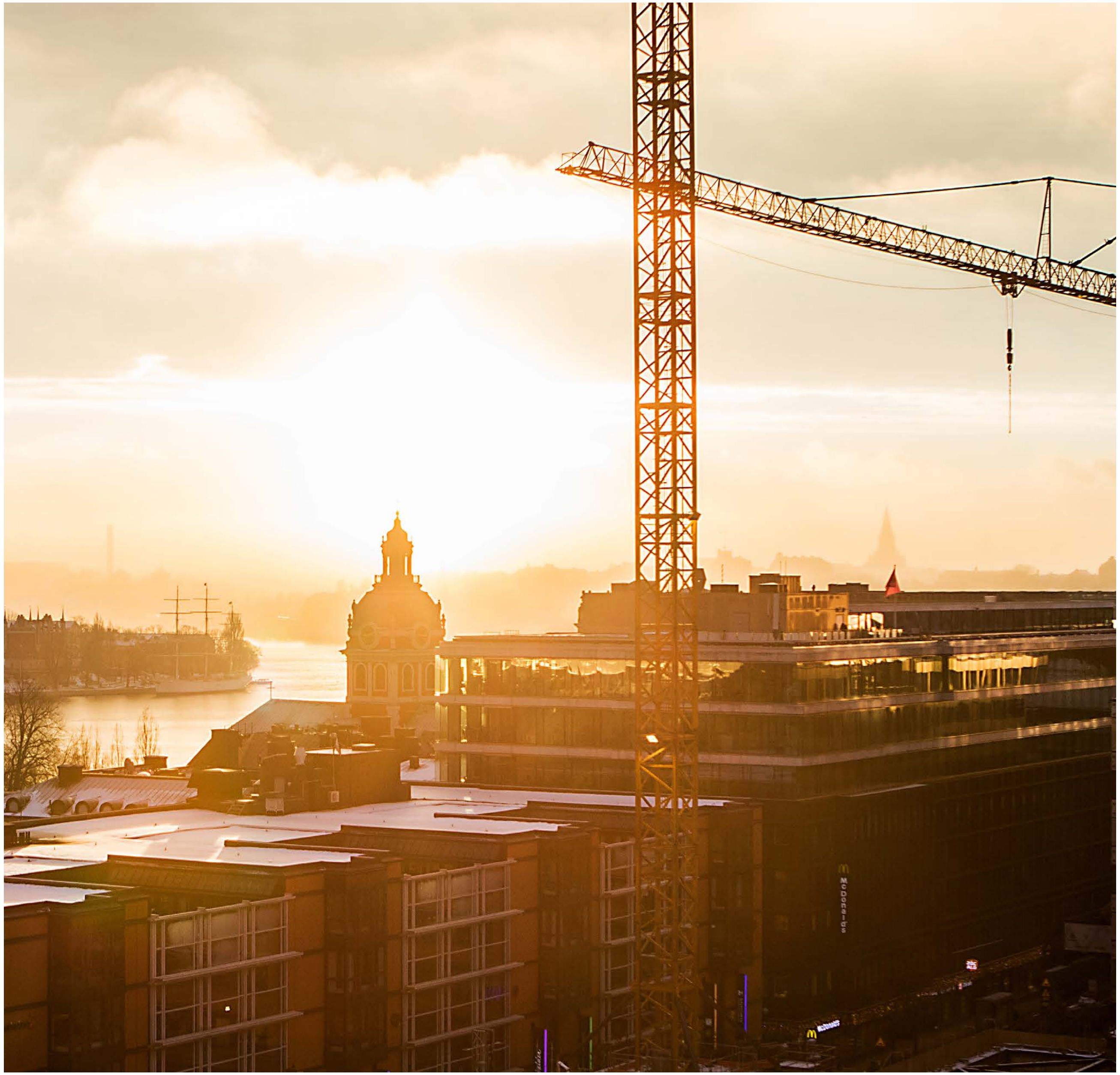
Lila Poonawalla Foundation (LPF) is an Educational Trust in India whose vision is to contribute to the empowerment of Indian women by supporting academically outstanding and financially deserving girls, through scholarship to pursue higher education.

The Children and Youth Foundation

The Children and Youth Foundation supports children and youth in achieving their dreams by organizing workshops and discussing the skills that are needed in future work life. The operations of the Finnish Children and Youth Foundation focus on good self-esteem, strong social skills and the courage to act and try out different things.

Driving inclusion through startup refugees

StartUp Refugees in Finland consists of 500 members, including companies, government officials, NGOs, universities, congregations, research institutes, communities and individuals who support newcomers with starting businesses and entering the Finnish labour market. Tieto and Startup Refugees are collaborating to help refugees and asylum seekers to strengthen their digital competencies and support the integration into the Finnish labour markets and the society. Finding work can change a refugee's life from passive to active, and it has several positive outcomes for society more broadly.



Governance

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Corporate Governance Statement

TietoEVRY is committed to good corporate governance. In addition to the relevant legislation and rules of the Helsinki, Oslo and Stockholm stock exchanges, TietoEVRY complies with the Finnish Corporate Governance Code issued by the Securities Market Association of Finland in 2020 with the exception of the appointment procedure for electing personnel representatives to the Board of Directors (Recommendation 5) as described in detail in **The Board of Directors** section.

This Corporate Governance Statement has been prepared in accordance with the Finnish Corporate Governance Code 2020. The code is available at **www.cgfinland.fi.** TietoEVRY will disclose the first new remuneration report for the financial year 2020 and the remuneration reporting in this Corporate Governance Statement follows the instructions for the Remuneration Statement contained in the earlier Corporate Governance Code 2015. This statement has been issued separately from the report by the Board of Directors and is included in the Financial Review 2019.

GOVERNANCE AT TIETOEVRY

For the financial year 2019, EVRY's governance-related information is not consolidated in the annual report or in the Corporate Governance Statement. From the financial year 2020 and onwards, information will cover the combined company TietoEVRY.[1)]

TietoEVRY's Audit and Risk Committee has reviewed this statement and our independent external auditor, Deloitte Oy, has checked that the statement has been prepared.

This document and previous statements have been published on the company's **website**. 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, Articles of Association, Board of Directors, Group Leadership and auditors, as well as remuneration.

[1)] Cross-border merger between EVRY ASA and Tieto Corporation was implemented on 5 December 2019.

Annual General Meeting

TietoEVRY's supreme decision-making body is the Annual General Meeting (AGM). Every shareholder has a right to participate in the AGM and each share in TietoEVRY 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 Chairperson) 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 TietoEVRY's AGM:

- Board of Directors: Chairperson, Board members and new Board member candidates
- Group Leadership: President and CEO, CFO
- Auditors
- For more information regarding the AGM 2020 and previous meetings, shareholders and participation possibilities, please visit **www.tietoevry.com/agm.**

AGM and EGM 2019

- In 2019, Tieto's AGM convened on 21 March at Tieto's headquarters in Espoo, Finland. Altogether 516 shareholders and 50,600,467 shares (68.3% of the total outstanding shares) were represented at the meeting.
- Due to the merger between EVRY ASA and Tieto Corporation, the companies held Extraordinary General Meetings on 2 (EVRY) and 3 September (Tieto) to approve the transaction.

Shareholders' Nomination Board

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

The SNB consists of five members. Four of the members represent the four major shareholders who on 31 August held the largest number of votes conferred by all shares in the company and who wished to participate in the nomination process. The fifth member is the Chairperson of the Board of Directors of TietoEVRY Corporation. The term of office of the SNB members expires when a new SNB has been appointed. The SNB itself is an organ that has been established for the time being. The charter of the SNB is available on the company's **website.**

The SNB based on shareholdings 31 August 2019 consisted of the following representatives announced by Tieto's shareholders:

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

Nominated by Solidium Oy:
Petter Söderström
Main occupation: Investment Director, Solidium Oy
Born: 1976
Nationality: Finnish
Education: MSc. (Econ.)

Nominated by Ilmarinen Mutual Pension Insurance Company:
Mikko Mursula
Main occupation: Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company
Born: 1966
Nationality: Finnish
Education: MSc. (Econ.)

Nominated by Elo Mutual Pension Insurance Company:
Satu Huber
Main occupation: Chief Executive Officer, Elo Mutual Pension Insurance Company
Born: 1958
Nationality: Finnish
Education: MSc. (Econ.)

Representing the Board of Directors of Tieto Corporation:
Kurt Jofs

After the TietoEVRY merger was implemented, the composition of the SNB for the combined company was revised based on registered holdings in the Finnish, Norwegian and Swedish shareholders' registers on 9 December 2019. The largest shareholders appointed the following representatives announced by TietoEVRY's shareholders:

Nominated by Lyngen Holdco S.à.r.l. (Apax):
Gabriele Cipparrone
Main occupation: Partner, Apax Partners LLP
Born: 1975
Nationality: Italian
Education: MBA, MSc. (Mechanical Eng.), MSc. (Industrial Eng.)

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

Nominated by Solidium Oy:
Petter Söderström
Main occupation: Investment Director, Solidium Oy
Born: 1976
Nationality: Finnish
Education: MSc. (Econ.)

Nominated by Ilmarinen Mutual Pension Insurance Company:
Mikko Mursula
Main occupation: Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company
Born: 1966
Nationality: Finnish
Education: MSc. (Econ.)

Representing the Board of Directors of TietoEVRY Corporation:
Tomas Franzén

The SNB convened 6 times and provided TietoEVRY's Board of Directors on 13 February 2020 with its proposals for the AGM 2020. The SNB proposes to the AGM that the Board of Directors shall have ten members and that the current Board members Tomas Franzén, Salim Nathoo, Harri-Pekka Kaukonen, Timo Ahopelto, Rohan Haldea, Liselotte Hägertz Engstam, Niko Pakalén, Endre Rangnes and Leif Teksum be re-elected and in addition, Katharina Mosheim proposed to be elected as a new Board member. The Shareholders' Nomination Board proposes that Tomas Franzén shall be re-elected as the Chairperson of the Board of Directors.

The biographical details of the candidates and information on their holdings in TietoEVRY are available on the company's **website**.

The Shareholders' Nomination Board proposes that the remuneration of the Board of Directors elected by the Annual General Meeting will be annual fees as follows, taking into consideration the recent merger between Tieto and EVRY: EUR 125 000 (current EUR 98 000) to the Chairperson, EUR 70 000 (current EUR 58 000) to the Deputy Chairperson and EUR 53 000 (current EUR 38 000) to the ordinary members of the Board of Directors. In addition to these fees it is proposed that the Chairperson of a permanent Board Committee receives an annual fee of EUR 20 000 and a member of a permanent Board Committee receives an annual fee of EUR 10 000. It is also proposed that the Board members elected by the Annual General meeting will be paid EUR 800 for each Board meeting and for each permanent or temporary committee meeting. Further, it is proposed that the remuneration for employee representatives elected as ordinary members of the Board of Directors will be an annual fee of EUR 15 000.

The Shareholders' Nomination Board is of the opinion that increasing long-term shareholding of the Board members will benefit all the shareholders. Every Board member elected by the Annual General Meeting is expected to over a five-year period accumulate a shareholding in TietoEVRY that exceeds his/hers one-time annual remuneration.

The Shareholders' Nomination Board therefore proposes that part of the annual remuneration may be paid in TietoEVRY Corporation's shares purchased from the market. An elected member of the Board of Directors may, at his/her discretion, choose from the following five alternatives:
No cash, 100% in shares
25% in cash, 75% in shares
50% in cash, 50% in shares
75% in cash, 25% in shares
100% in cash, no shares.

The shares will be acquired directly on behalf of the members of the Board within two weeks from the release of the interim report 1 January–31 March 2020 of TietoEVRY Corporation. If the remuneration cannot be delivered at that time due to insider regulation or other justified reason, the company shall deliver the shares later or pay the remuneration fully in cash.

Remuneration of the employee representatives elected as the ordinary members in the Board of Directors will be paid in cash only.

The Board of Directors

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

Composition and election

According to TietoEVRY's Articles of Association, the Board of Directors elected by the shareholders 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, TietoEVRY's Board members shall be diversified in terms of gender, occupational and professional background and that the Board as a group shall have sufficient knowledge of and competence in, inter alia, the company's field of business and markets.

The SNB, which consists of representatives nominated by the company's largest shareholders, prepares a proposal on the composition of the Board to be presented to the AGM for its decision. In addition to the Board of Directors having established the diversity principles and included them in the Board charter, the company has taken steps to ensure that the principles have been included in the charter of the SNB and taken into account in the candidate search. The ratio of gender diversity of the members elected by the AGM has remained stable since 2012 and been either 2:6 or 2:5. In the beginning of 2019, the ratio was 2:6, but currently, only one of the Board members elected by the shareholders is a female. This topic has been noted and addressed by the SNB.

In addition to the members proposed by the SNB and elected by the AGM, TietoEVRY's personnel elects four members and four deputy members to the Board of Directors. The term of office for the personnel representatives is two years. This special appointment procedure is a departure from Recommendation 5 "Election of the Board of Directors" of the Corporate Governance Code. Personnel representation is based on the Finnish Act on Personnel Representation in the Administration of Undertakings and was originally agreed between the company and personnel of the Group by way of a Personnel Representation Cooperation Agreement in 2001. The number of personnel representatives was earlier two members and two deputy members and it was increased to the current number in December 2019 in connection with the TietoEVRY merger.

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 2019

Name	Born	Nationality	Education	Main occupation
Tomas Franzén (Board and RC Chairperson)	1962	Swedish	MSc. (Eng.)	Professional Board member
Salim Nathoo (Deputy Chairperson)	1971	British	MBA, MA (Math.)	Partner, Apax Partners LLP
Harri-Pekka Kaukonen (ARC Chairperson)	1963	Finnish	DSc. (Tech.)	Professional Board member
Timo Ahopelto	1975	Finnish	MSc. (Tech.)	Entrepreneur, investor and professional Board member
Rohan Haldea	1978	British	MBA, BSc. (Civ. Eng.)	Partner, Apax Partners LLP
Liselotte Hägertz Engstam	1960	Swedish	MSc. (Civ. Eng.)	Expert advisor, professional Board member
Niko Pakalén	1986	Finnish and Swedish	MSc. (Econ.)	Partner, Cevian Capital AB
Endre Rangnes	1959	Norwegian	BBA (Econ.)	CEO, Axactor SE, professional Board member
Leif Teksum	1952	Norwegian	MSc. (Econ.)	Partner, Vest Corporate Advisor AS, professional Board member
Tommy Sander Aldrin (personnel representative)	1965	Norwegian	BSc. (Comp.)	Chief Consultant
Ola Hugo Jordhøy (personnel representative)	1956	Norwegian	MSc. (Eng.), PGCE	Chief Consultant
Anders Palklint (personnel representative)	1967	Swedish	MSc. (Eng.)	Senior Project Manager
Ilpo Waljus (personnel representative)	1974	Finnish	BBA	Test Manager

Independence and attendance at Board and its committees' meetings in 2019

Name	Member since	Independent of company	Independent of shareholder	Board	Audit and risk committee	Remuneration committee	Temporary committees
Kurt Jofs [1)]	2010	yes	yes	23/23		7/8	1/1
Tomas Franzén [2)]	2019	yes	yes	17/18		7/7	3/3
Salim Nathoo [3)]	2019	yes	no	2/2		1/1	
Harri-Pekka Kaukonen [4)]	2016	yes	yes	21/25	7/7	0/1	3/3, 2/2
Timo Ahopelto	2017	yes	no	23/25	7/7		1/1, 3/3, 2/2
Rohan Haldea [5)]	2019	yes	no	1/2			
Liselotte Hägertz Engstam	2018	yes	yes	25/25	7/7		2/2
Johanna Lamminen [6)]	2016	yes	yes	23/23		7/8	3/3, 2/2
Niko Pakalén [7)]	2019	yes	yes	18/18	5/5		3/3
Endre Rangnes	2014	yes	yes	24/25		9/9	1/1, 3/3, 3/3
Jonas Synnergren [8)]	2012	yes	no	7/7	2/2		1/1
Leif Teksum [5)]	2019	yes	yes	2/2	1/1		
Esa Koskinen [9)]	2014	no	yes	21/22			
Ilpo Waljus [10)]	2014	no	yes	2/2			
Anders Palklint [10)]	2014	no	yes	2/2			
Robert Spinelli [11)]	2014	no	yes	22/22			
Tommy Sander Aldrin [12)]	2019	no	yes	2/2			
Ola Hugo Jordhøy [12)]	2019	no	yes	2/2			

[1)] Board Chairperson until 4 December 2019.

[2)] Board member as from 21 March 2019 and Board Chairperson as from 5 December 2019.

[3)] Board Deputy Chairperson as from 5 December 2019.

[4)] Board Deputy Chairperson until 4 December 2019.

[5)] Board member as from 5 December 2019.

[6)] Board member until 4 December 2019.

[7)] Board member as from 21 March 2019.

[8)] Board member until 20 March 2019.

[9)] Employee representative until 4 December 2019.

[10)] Employee representative as from 5 December 2019. Prior that a deputy member.

[11)] Employee deputy representative as from 5 December 2019. Prior that an ordinary member.

[12)] Employee representative as from 5 December 2019.

All Board members elected by the AGM of TietoEVRY are independent of the company and six out of nine members elected by the AGM 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.**

Tasks

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 ecides on the President and CEO's compensation, sets annual targets and evaluates their accomplishment
- decides on the compensation of the President and CEO's immediate subordinates
- addresses the major risks and their management at least once a year
- reviews and approves interim reports, annual reports and consolidated financial statements
- reviews and approves the company's key policies
- is accountable for guiding the organization's strategy on environmental and social topics
- meets the company's auditors at least once a year without the company's management
- appoints the members and Chairpersons 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

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 Chairperson shall convene the Board whenever needed as well as at the request of any of its members or the President and CEO.

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

- The Board convened 25 times in 2019 and the average attendance was 95.1%.
- The Board met seven times during the year without the management present.
- The Board held one joint meeting with the auditors.
- The Board met the auditors once without the presence of the management.

Assessment

The performance of TietoEVRY's Board is assessed annually; the latest assessment was carried out by way of self-assessment in late 2019. 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.

Committees

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

Remuneration Committee

Composition

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

Based on the Board's decision, as from 1 January until 4 December, the RC was composed of the following non-executive directors who were independent of the company and of significant shareholders.

Based on the Board's decision, the RC was composed of:

- Kurt Jofs (Chairperson)
- Tomas Franzén
- Johanna Lamminen
- Endre Rangnes

As from 5 December until 31 December, the RC was composed of the following non-executive directors who were independent of the company and of significant shareholders, except for Salim Nathoo who is independent of the company and non-independent of a significant shareholder:

- Tomas Franzén (Chairperson)
- Harri-Pekka Kaukonen
- Salim Nathoo
- Endre Rangnes.

Tasks

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 Chairperson of the Board
- prepare a proposal on the committees (members and Chairpersons, 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 Group Leadership

Work

The committee meets regularly and at least twice a year. The Chairperson of the committee reports to the Board when applicable.

- The committee convened nine times in 2019 and the average attendance was 79.3%.
- In addition to its normal responsibilities within the scope of its charter, the committee concentrated on reviewing and developing the remuneration of the newly appointed Group Leadership.
- The committee also followed the functioning of short- and long-term incentive plans to ensure that they supported the achievement of the objectives.

Audit and Risk Committee

Composition

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

In 2019, all committee members were non-executive directors who were independent of the company and two of them independent of significant shareholders. All members have extensive experience in corporate management and financial issues and therefore have the required expertise.

Based on the Board's decision, as from 1 January until 4 December, the ARC was composed of

- Harri-Pekka Kaukonen (Chairperson)
- Timo Ahopelto
- Liselotte Hägertz Engstam
- Niko Pakalén

As from 5 December until 31 December, the ARC was composed of:

- Harri-Pekka Kaukonen (Chairperson)
- Timo Ahopelto
- Liselotte Hägertz Engstam
- Niko Pakalén
- Leif Teksum

Tasks

The main tasks of the committee are to:

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

Work

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

- The committee convened seven times in 2019 and attendance was 100%.
- In addition to its regular agenda, the committee followed up progress in project and delivery management and quality issues as well as reviewed development in areas of privacy, cybersecurity and whistleblowing.

The President and CEO and operative management

As from 1 January and until 5 February, TietoEVRY Group's operative management consisted of the President and CEO, the Group Leadership and the Industry Group, Service Line and Product Development Services (PDS) organizations. The Industry Solutions Service Line includes the New Data-Driven Businesses unit organized independently of other businesses.

After the strategy renewal published on 6 February, the company reorganized its operations into four reportable segments: Digital Experience, Hybrid Infra, Industry Software and Product Development Services. The new organization entered into force on 1 April.

After the TietoEVRY merger was implemented on 5 December, the current organization came into effect. The President and CEO is assisted by the Group Leadership, which includes the country Managing Partners, heads of businesses and Head of Centers of Excellence as well as Head of HR and CFO.

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

TietoEVRY's operating model is designed to drive customer value across markets and technologies. The operating model consists of Country Teams, Service Lines and Support Functions. In addition, Product Development Services, providing advanced software R&D services, will operate as a separate unit, serving their customers globally.

The Country Teams comprise the full capability of TietoEVRY and drive customer experience, quality and performance in that country. Service Lines are designed to bring competitive and scalable services to our customers and make all the capabilities available for each of the countries. TietoEVRY has four distinct Service Lines: Digital Consulting, Cloud & Infra, Industry Software and Financial Services Solutions.

Product Development Services is led independently of the Country Teams and Service Lines.

Members of the Group Leadership as at 31 December 2019

Kimmo Alkio
President and CEO
Born: 1963
Nationality: Finnish
Education: BBA and Executive MBA
Joined Tieto in 2011

Malin Fors-Skjæveland
Integration Officer
Born 1970
Nationality: Swedish
Education: MSc. (Tech.)
Joined EVRY in 2018

Kishore Ghadiyaram
Head of Strategy
Born: 1972
Nationality: Indian
Education: BSc. (Tech.)
Joined Tieto in 2008

Tomi Hyryläinen
Chief Financial Officer
Born: 1970
Nationality: Finnish
Education: MSc. (Econ.)
Joined Tieto in 2018

Ari Järvelä
Head of Operations
Born: 1969
Nationality: Finnish
Education: MSc. (Eng.)
Joined Tieto in 2001

Satu Kiiskinen
Managing Partner, Finland
Born: 1965
Nationality: Finnish
Education: MSc. (Econ.)
Joined Tieto in 2013

Tom Leskinen
Head of Product Development Services
Born: 1966
Nationality: Finnish
Education: LicSc. (Tech.)
Joined Tieto in 2013

Wiljar Nesse
Head of Financial Services
Born: 1964
Nationality: Norwegian
Education: MSc. (Econ.)
Joined EVRY in 2004

Thomas Nordås
Head of Digital Consulting
Born: 1971
Nationality: Norwegian
Education: MSc. (Math.)
Joined Tieto in 2019

Christian Pedersen
Managing Partner, Norway
Born: 1974
Nationality: Norwegian
Education: MSc. (Tech.)
Joined EVRY in 2014

Karin Schreil
Managing Partner, Sweden
Born: 1971
Nationality: Swedish
Education: MSc. (Eng.)
Joined EVRY in 2019

Christian Segersven
Head of Industry Software
Born: 1975
Nationality: Finnish
Education: MSc. (Tech.)
Joined Tieto in 2013

Johan Torstensson
Head of Cloud & Infra
Born: 1969
Nationality: Swedish
Education: MBA in Finance and Management
Joined EVRY in 2019

Trond Vinje
Head of HR
Born: 1968
Nationality: Norwegian
Education: MSc. (Pol. Sci.)
Joined EVRY in 2015

The remuneration of the Group Leadership is presented in the tables of the **Remuneration Statement.** More detailed background information, such as full CVs of the Group Leadership, is presented on the company's **website**.

Internal control and risk management

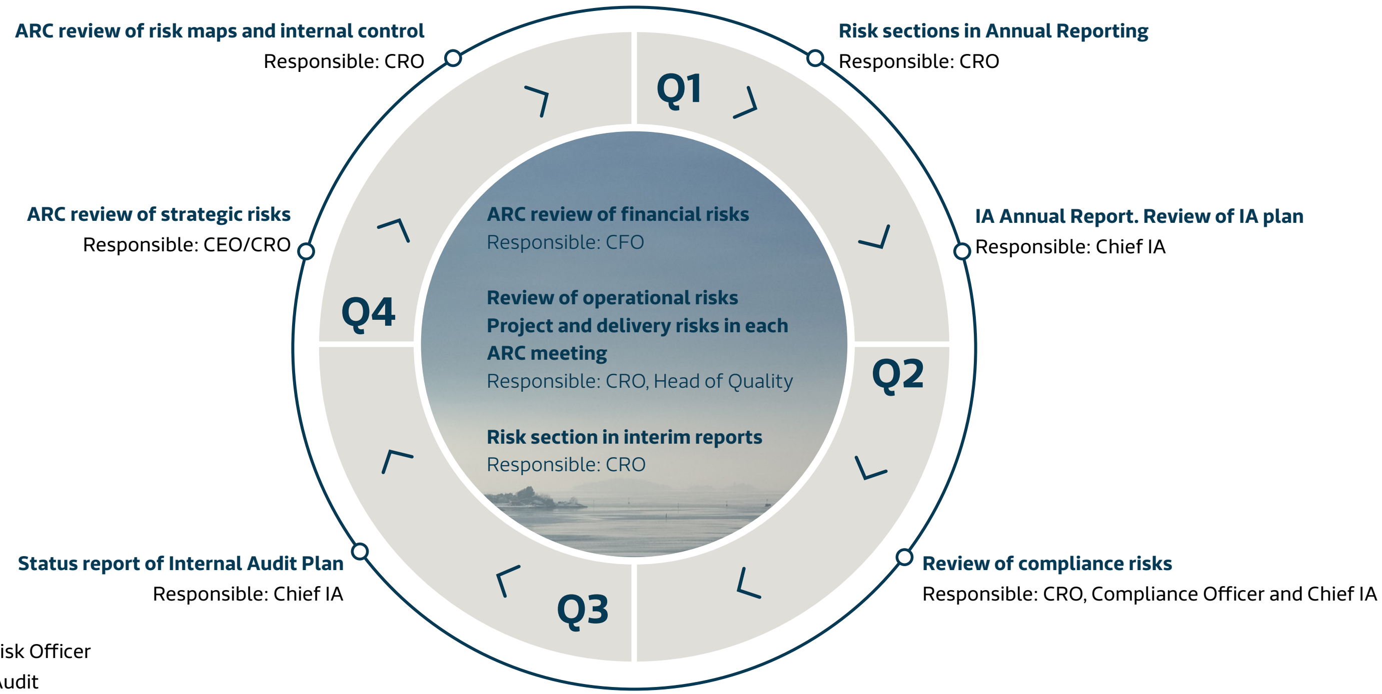
TietoEVRY's internal control framework supports the execution of the strategy and ensures regulatory compliance. The foundation for internal control is set by the risk management framework, financial control, internal audit and supporting policies.

The aim of TietoEVRY's internal control framework is to assure that operations are effective and well aligned with the strategic goals. The internal control framework is intended to ensure correct, reliable, complete and timely financial reporting and management information.

The framework endorses ethical values, good corporate governance and risk management practices. The activities related to internal control and risk management are part of TietoEVRY's management practices and integrated into the business and planning processes.

Risk management framework

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



CRO: Chief Risk Officer
IA: Internal Audit

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

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

Each process owner is responsible for the continuous development and improvement of the established procedures, including controls and risk management. The Chief Risk Officer (CRO) has the responsibility to arrange and lead TietoEVRY'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.

TietoEVRY has also specified its compliance management system, including the compliance organization, steering model and annual plan for compliance-related activities. The Group Compliance Officer is responsible for ensuring the effectiveness and functionality of the governance model and coordinating the compliance work. In order to steer and develop activities in this area, the company has a Compliance, Privacy and Security Board.

Governance of risk and compliance

At TietoEVRY, governance, risk, and compliance (GRC) are closely linked and consistently defined 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, TietoEVRY can readily adapt to changes in business conditions, regulations or corporate policy with the necessary risk management controls.

TietoEVRY 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.

Continuous development of the risk framework

During 2019 the main improvements were the implementation of improvement opportunities and the business continuity module.

The Governance Risk and Compliance (GRC) platform now supports both registering risks and improvement opportunities to better cater to business needs. The business continuity module enables the tracking of business continuity plans, disaster recovery plans and the test plans, with automated notifications to the stakeholders.

In addition, improved quality control of the newly registered risks was implemented. The audit management module released in late 2018 has also been enhanced and is widely used to register all types of audits and audit findings.

The GRC platform gives online visibility to the following functionalities:

- Improvement opportunity and risk management
- Project risk management
- Privacy risk assessments
- Security incident management
- Audit management
- Business continuity management

The GRC platform enables automated notifications to stakeholders and systematic follow-up of actions.

The development of the risk management framework and the GRC platform is carried out in close cooperation with Risk Coaches, Security Managers, Quality Partners and Privacy Officers in the units and approved by the TietoEVRY Group Leadership 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 TietoEVRY's external financial reporting.

Financial reporting process and responsibilities

TietoEVRY 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. TietoEVRY does continuous improvements to the common accounting and reporting platform to accommodate the internal needs and new regulatory requirements.

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

Financial reports are regularly reviewed by Finance Partners in the units, the Group Leadership 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 Group Leadership members are responsible for initiating corrective actions.

Internal audit

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

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

Major risks

TietoEVRY has four risk categories and they are: strategic, operational, financial and compliance risks.

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

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

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

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

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

Market volatility

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

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

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. TietoEVRY's position as a leading enterprise cloud service provider in the Nordics is supported by existing and enhanced competencies, and by the choice of right partners.

Change and transformation

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

The change management capacity is concentrated in a common Integration Management Office (IMO), which provides standard tools and systems for the change, including communication, target setting and training for the integration period.

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

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

To diversify the business, TietoEVRY provides services to several different industries and markets. The company develops its business mix to provide new industry software solutions, digital consulting, new hybrid cloud solutions and broader R&D capabilities to strengthen its position amongst both current and new customers. An industrialized and standardized way of providing services and solutions, employing automated processes, serves to improve competitiveness and reduce risk.

Service continuity

Close to 100% availability is the basis of trust among customers, stakeholders and society.

A service continuity disruption can be caused for instance by hardware or software failures, power outages, natural disasters and different types of intentional or unintentional actions by people, such as human error, cybersecurity breaches, and other criminal activities.
Thus, business continuity planning is a high priority in TietoEVRY's operational management in order to ensure that redundancy and fault tolerance are at the appropriate level.

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

Also, a comprehensive and robust Major Incident Management process and efficient cybersecurity defence with high-class detection and response capabilities reduce service interruptions.

Quality costs related to customer bidding and delivery management

Inability to appropriately understand and analyze customers' changing needs, their business processes and the exact requirements can lead to misjudgements in setting the scope of projects or services and, consequently, difficulties in meeting the specifications of customer agreements. This in turn can result in project overruns, operating losses or termination of customer contracts. In Industry Software, the ongoing technological renewal of SmartUtilities' packaged software development and the scope of customer implementation are larger than originally anticipated and will require increased investments.

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

Retention of employees

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

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

To reduce these risks, TietoEVRY 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 TietoEVRY. The company also focuses on Employer Branding to build and strengthen TietoEVRY'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 TietoEVRY.

Under TietoEVRY'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 TietoEVRY'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

TietoEVRY'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 and Norway, fluctuations of the Swedish krona and Norwegian krona against the euro may have an impact on the consolidated financial statements.

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

Interest rate risks

TietoEVRY's interest rate risk consists mainly of short- and long-term loans, cash positions and derivative contracts. Fluctuations in interest rates can impact to TietoEVRY's ffinancial result or economic situation.

TietoEVRY's Treasury Policy defines the principles and risk limits under which Group Treasury manages interest rate 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 TietoEVRY's liquidity position by maintaining a sufficient loan and investment portfolio. Analyses of alternative financing sources for the company and their pricing are continuously updated. TietoEVRY's financial risks are described in full in the notes to the consolidated financial statements.

Legal, regulatory and compliance risks

TietoEVRY operates in multiple jurisdictions and is required to comply with a wide range of laws and regulations enacted both at the European and national level, e.g. data protection and privacy laws, public procurement, anti-corruption, anti-bribery, regulations restricting competitive trading conditions, health and safety regulations, environmental regulations, labour regulations, competition regulations as well as securities markets, corporate and tax laws. Failing to comply with the regulations may subject the company to regulatory interventions or penalties, or a slowing or even halting of the development of its activities.

TietoEVRY functions as a data processor for customers and as a data controller for its internal personal data. Failing to comply with the EU General Data Protection Regulation (GDPR) might result in negative reputation, significant fines or other expenses if a solution or service needs to be redesigned or redeveloped.

The risk is mitigated by company-wide privacy work. TietoEVRY has a privacy governance model, which ensures that a privacy organization and resources, continuous follow up and reporting, proactive privacy development and active employee communication and training are in place. Privacy governance also ensures that the GDPR requirements as practical rules and instructions are appropriately embedded into corporate core business processes such as offering and software development, sales and marketing, program and project delivery, continuous service delivery and TietoEVRY's internal service.

Supply chain risk

TietoEVRY's ability to perform its obligations to customers can be affected by a failure by any significant supplier or partner to fulfil its obligations. Such failure may expose TietoEVRY to liabilities and impact the profitability of the company. The company has, for example, outsourced certain infrastructure operations to IBM, and a potential failure in deliveries by IBM under this agreement could lead to such consequences.

In June 2019, IBM submitted a brief notice of arbitration to TietoEVRY, stating that the agreement is unbalanced and should be revised by the arbitrators. In October 2019, TietoEVRY submitted notices of arbitration against IBM in relation to a claim for reimbursement of disputed payments made by the company to IBM, as well as general failure by IBM to deliver its services in accordance with the terms of the Master Services Agreement. There is contact between the parties in respect of potential solutions to the challenges.

Related party transactions

TietoEVRY maintains a list of its related parties in accordance with IAS24 and discloses the required information concerning related-party transactions in the report by the Board of Directors and notes of the consolidated financial statements.

Further, the company evaluates and monitors transactions concluded between the company and its related parties and seeks to ensure that any conflicts of interest shall be taken into account in the decision making. The Board of Directors has the overall responsibility to monitor the company's measures and evaluate that related party transactions are entered into the ordinary course of business and concluded on normal market terms.

Reporting to the Board of Directors takes place in the meeting where the financial statements are approved. The related-party transactions are summarized in **note 28** of the consolidated financial statements.

Furthermore, the company has added controls into its sales and purchasing processes and decision-making policy to identify and duly handle any transactions with related parties. Testing of customer and supplier transactions is carried out by both the company and its external auditors.

Insider administration

TietoEVRY follows the EU Market Abuse Regulation (MAR) and rules of Nasdaq Helsinki and Oslo Børs. In addition, TietoEVRY's Board of Directors has adopted an internal TietoEVRY Insider Rule.

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

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

The General Counsel is in charge of insider administration and TietoEVRY's Legal Department monitors compliance with the insider regulation and takes care of necessary guidance and training.

Auditors

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

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the auditor to be elected at the AGM 2020 be reimbursed according to the auditor's invoice and in compliance with the purchase principles approved by the Committee.

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the firm of authorized public accountants Deloitte Oy be elected as the company's auditor for the financial year 2020. The firm of authorized public accountants Deloitte Oy has notified that APA Jukka Vattulainen will act as the auditor with principal responsibility.

Auditing

The AGM 2019 elected the firm of authorized public accountants Deloitte Oy as the company's auditor for the financial year 2019. Deloitte Oy notified the company that Authorized Public Accountant Jukka Vattulainen acts as principal auditor.

In 2019, TietoEVRY Group paid the auditors a total of EUR 0.9 (1.1) million in audit fees, and a total of EUR 0.9 (0.8) million for other services.

Remuneration Statement

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

Rules on how the company shall compensate its employees are defined in TietoEVRY's HR Policy and related rules. The policy is globally applied to all TietoEVRY 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 Group Leadership members and preparing the principles underlying the remuneration of TietoEVRY personnel. The Board of Directors decides on the remuneration of the President and CEO and other members of the Group Leadership based on a proposal by the RC.

Remuneration of the Board

According to the decision of Tieto's AGM 2019, the annual remuneration of the Board of Directors is the following:

- EUR 98 000 to the Chairperson,
- EUR 58 000 to the Deputy Chairperson and
- EUR 38 000 to the ordinary members of the Board of Directors.

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

Further, the AGM 2019 decided that part of the fixed annual remuneration may be paid in Tieto Corporation's shares purchased from the market. An elected member of the Board of Directors may, at his/her discretion, choose to receive the fee from the following alternatives:
No cash, 100% in shares
25% in cash, 75% in shares
50% in cash, 50% in shares
75% in cash, 25% in shares
100% in cash, no shares

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 TietoEVRY'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 TietoEVRY. TietoEVRY executives or employees are not entitled to compensation for their Board positions or meeting attendance in the Group companies, excluding however the employee representatives elected as ordinary members to the parent company's Board of Directors. None of the Board members, except the personnel representatives, have an employment relationship or service contract with TietoEVRY.

Compensation of individual Board members in 2019[1)]

Name	Annual remuneration EUR[2)]	Shares[3)]	Meeting based, EUR
Tomas Franzén, Chairperson Board and RC	–	1 649	18 400
Salim Nathoo, Deputy Chairperson[13)]	19 333	–	2 400
Harri-Pekka Kaukonen, Chairperson ARC[15)]	–	2 517	21 600
Timo Ahopelto	–	1 649	22 400
Rohan Haldea[14)]	12 677	–	800
Liselotte Hägertz Engstam	–	1 649	22 400
Niko Pakalén[4)]	19 015	824	17 600
Endre Rangnes	–	1 649	27 200
Leif Teksum[14)]	12 677	–	2 400
Former Board members			
Kurt Jofs[4) 6)]	49 017	2 126	20 000
Johanna Lamminen[5) 7)]	9 523	1 236	23 200
Jonas Synnergren[8)]	N/A	N/A	6 400
In total	**EUR 122 242**	**11 650 shares**	**EUR 184 800**

Board of Directors' shareholdings in TietoEVRY[9)]

Name	At 31 Dec 2019	At 31 Dec 2018
Tomas Franzén, Chairperson Board and RC	1 649	N/A
Salim Nathoo, Deputy Chairperson[13)]	–	N/A
Harri-Pekka Kaukonen Chairperson ARC[15)]	4 596	2 079
Timo Ahopelto	2 631	982
Rohan Haldea[14)]	–	N/A
Liselotte Hägertz Engstam	2 131	482
Niko Pakalén	824	N/A
Endre Rangnes	4 484	2 835
Leif Teksum (partly via Teklei Consulting AS)[14)]	7 198	N/A
Former Board members		
Kurt Jofs[10)]	N/A	14 930
Johanna Lamminen[11)]	N/A	1 560
Jonas Synnergren[12)]	N/A	4 578

1) The Board members have not received any other benefits.
2) Gross compensation before taxes.
3) Shares were purchased and delivered in July 2019.
4) 50% in cash, 50% in shares.
5) 25% in cash, 75% in shares.
6) Board Chairman until 4 December.
7) Board member until 4 December.
8) Board member until 21 March.
9) Corporations over which the Board members exercise control did not have shares or share-based rights on 31 December 2019, except Teklei Consulting AS of Leif Teksum.
10) Board Chairman until 4 December.
11) Board member until 4 December.
12) Board member until 21 March.
13) Board Deputy Chairperson as from 5 December 2019.
14) Board member as from 5 December 2019.
15) Board Deputy Chairperson until 4 December 2019.

Summary of Remuneration of the TietoEVRY Group Leadership

Element	Purpose	Description
Salary	Recognition for continuous daily contribution and provides core remuneration for the role.	Fixed compensation for performing defined job responsibilities. In addition to monthly salary, car and mobile phone benefits can be paid as per company policy. Salary is reviewed annually based on the individual's performance and salary market conditions. Weighting of the reward factors for the President and CEO and other Group Leadership members is described in a separate table. The reward targets are set annually by the Board of Directors.
Short-term incentives	Incentivizes delivery of our annual financial and operational goals.	Cash-based plan that rewards the short-term (12-month) success of the company and the individual. The bonus for the President and CEO is 75% and for other Group Leadership members 50% of the annual base salary when the performance is at expected level; the maximum bonus for the President and CEO is 150% and for the other Group Leadership members 100%[1]. The amount of bonuses is decided by the Board of Directors after the consolidated financial statements have been prepared.
Long-term incentives	Rewards for sustained increase in shareholder value and encourages ownership culture.	Share-based plans reward leadership and key employees for company growth and achievement of defined strategic goals. LTI plans are annually commencing plans with a three-year performance period. Key principles of TietoEVRY's share plans, such as the basis and size of rewards, are described on the company's **website**.
Additional pension	Provides appropriate retirement benefits	President and CEO: defined contribution (DC) plan where the expenditure is 23% of the annual base salary. Retirement age is 63. Other Group Leadership members based in Finland have a DC plan where the expenditure is 15% of the annual base salary. Group Leadership members based outside Finland are provided with individual pension plans according to local practices. Retirement ages are according to applicable local regulations. For Group Leadership members who joined from EVRY during 2019, the annual pension entitlement is calculated as 25% of salaries exceeding 12 G (grunnpensjon).
Claw back	Protects company interests in case of misconduct, restatement or misstatement of results.	Claw back provisions apply to STI and LTI plan rewards in exceptional circumstances such as misconduct or misstatement of financial results.
Share ownership	Encourages building a meaningful shareholding in TietoEVRY, ensuring alignment with shareholders.	The recommended minimum investment in the company's shares corresponds to the executive's one-time annual gross base salary.
Service contracts and severance pay	Provides for clear contractual terms	President and CEO: if the agreement is terminated by TietoEVRY, the notice period is twelve months. In the event of termination, 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 the agreement is terminated by the President and CEO, the notice period is six months. Change of control terms are the same as in termination except for the monetary value of the maximum amount of shares granted to him in the most recent long-term incentive plan in addition to the salary for the notice period. For other Group Leadership members, the termination terms vary and the amounts correspond to the periods of notice.

[1] The Short Term incentive target and maximum value valid as of 5 Dec 2019

Share-based long-term incentives

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

Long-Term Incentive Plan (LTI) 2016–2018 covered Group Leadership members and 102 key employees. The plan consisted of Performance Shares and Restricted Shares. The performance period was three years from 1 January 2016 to 31 December 2018. Share delivery took place in spring 2019.

Long-Term Incentive Plan (LTI) 2017-2019 covers Group Leadership members and 136 key employees. The plan consists of Performance Shares and Restricted Shares. The performance period is three years from 1 January 2017 to 31 December 2019. If the set performance metrics and other requirements are met the shares will be delivered to the participants in spring 2020.

Long-Term Incentive Plan (LTI) 2018-2020 covers Group Leadership members and 216 key employees. The plan consists of Performance Shares and Restricted Shares. The performance period is three years from 1 January 2018 to 31 December 2020. If the set performance metrics and other requirements are met the shares will be delivered to the participants in spring 2021.

Long-Term Incentive Plan (LTI) 2019-2021 covers Group Leadership members and 223 key employees. The plan consists of Performance Shares and Restricted Shares. The performance period is three years from 1 January 2019 to 31 December 2021. If the set performance metrics and other requirements are met the shares will be delivered to the participants in spring 2022.

In the merger plan, the Board of Directors of Tieto and EVRY approved the treatment of the non-vested options under the EVRY long-term incentive plans (LTIP) 2017, 2018 and short-term one-off, restricted stock unit programme (STIP). The plans have been continued and transformed in a value neutral way into restricted stock units in the combined company, with equivalency in all material respects with regards to economic value, taking into account the strike price of the options and by applying an option conversion ratio of 1:0.1423.

The authorizations required by the Board to repurchase the company's own shares and to issue shares shall be proposed to be approved at the AGM on an annual basis. In connection with authorizing the Board to issue shares, the AGM 2019 decided that no more than 700 000 shares, corresponding to less than 1% of all of the shares in the company, may be issued as part of share-based incentive programmes.

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

Pension plans

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

Currently, all additional schemes are classified as defined contribution plans. 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.

President and CEO

Kimmo Alkio	
Salary 2019 (2018)	EUR 702 000 (EUR 637 500)
Benefits 2019 (2018)	EUR 11 195 (EUR 3 366)
Special payments 2019 (2018)	EUR 702 000 Integration award (EUR 0)
Bonus 2019 (2018)	EUR 412 078 (EUR 440 194 paid in 2019 for performance in 2018)
Basis of bonus 2019	Target 50% of base salary based on the Group's external revenue and profit, PDS external revenue and profit and strategy implementation when achievements meet the targets. Maximum 100% of base salary based on the Group's external revenue and profit and strategy implementation when achievements exceed the targets. Weighting of the reward factors • Profit of the company 30% • External revenue of the company 40% • Strategy implementation 30%
Additional success-based incentive	An additional success-based incentive can be paid to the President and CEO in 2020. The incentive is subject to the company reaching in 2019 challenging profitability targets (EBIT) set by the Board of Directors in accordance with the company's renewed strategy and financial objectives. The maximum gross number of shares to be earned is 50 000, however not exceeding EUR 3 million. The payable incentive includes TietoEVRY's shares and a cash proportion for covering taxes and tax-related costs arising from the reward.
Long-Term Incentive Plan 2016–2018	In March 2019 based on criteria attainment a total of 12 236 shares were transferred to the President and CEO. In addition, a cash portion was paid corresponding to a value of 10 146 shares. The total value of paid gross reward was EUR 629 243.
Long-Term Incentive Plan 2017–2019	Entitled to 20 000 Performance Shares if the target levels of the performance metrics are met, 40 000 shares at maximum and 5 000 Restricted Shares. The performance period of the plan is 2017-2019. The fair value of these allocations amounts to EUR 532 224.[1)]
Long-Term Incentive Plan 2018–2020	Entitled to 22 881 Performance Shares if the target levels of the performance metrics are met, 45 762 shares at maximum. The performance period of the plan is 2018-2020. The share allocation equalled to 100% of annual base salary at the time of grant. The fair value of these allocations amounts to EUR 348 844.
Long-term Incentive Plan 2019-2021	Entitled to 29 433 Performance Shares if the target levels of the performance metrics are met, 58 866 shares at maximum. The performance period of the plan is 2019-2021. The share allocation equalled to 100% of annual base salary at the time of grant. The fair value of these allocations amounts to EUR 652 706.
Expenditures related to share-based incentives	EUR 309 583 (EUR 660 246)
Pension expenditure	EUR 238 086 (EUR 314 530)[2)]

[1)] The fair market value for the Long-term Incentive Plans is calculated using the latest performance estimates and the value of the Tieto share on 31 December 2019, EUR 27.72.

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

Updated information on the shares and options held by the President and CEO is available on the company's website at **www.tieto.com/investors** under the insider register.

Remuneration of Group Leadership members

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

Group Leadership (excluding the President and CEO)

Total salaries 2019 (2018)	EUR 3 005 470 (EUR 2 312 039)
Total benefits 2019 (2018)	EUR 188 055 (EUR 115 178)
Special payments 2019 (2018)	EUR 1 412 032 (Integration award) (EUR 0)
Total bonuses 2019 (2018)	EUR 1 141 394 (EUR 822 650 paid in 2019 for performance in 2018)
Basis of bonus 2019	Target 40% of base salary, maximum 75% of the base salary. The purpose of the bonus is to reward for company performance and individual performance. These two form the overall performance evaluation (OPE). OPE for each LT member is confirmed by the Board. CFO: in addition to individual performance measurement, the bonus is based on company performance, measured by the following criteria, namely profit of the company and external revenue Other LT members: in addition to individual performance measurement, the bonus is based on • company and/or • own Industry Group- or Service Line-related performance criteria profit and external revenue) For LT members joining from EVRY, bonus schemes for the executive management are linked to the company's financial, operational and organizational targets and were partly determined by the discretion of EVRY's Board of Directors. The bonus arrangement for the executive management is at target from 50-100% and at maximum 75-150% of the regular annual salary for the relevant persons.
Long-Term Incentive Plan 2016–2018	In March 2019 based on criteria attainment a total of 26 817 shares were transferred to the Group Leadership members. In addition, a cash portion was paid corresponding to a value of 25 863 shares. The total value of paid gross reward was EUR 1 479 844.
Long-Term Incentive Plan 2017–2019	Group Leadership members are entitled to 58 000 Performance Shares if the maximum levels of the performance metrics are met and to 8 000 Restricted Shares. The performance period of the plan is 2017–2019. The fair value of these allocations is EUR 792 515.[1]
Long-Term Incentive Plan 2018–2020	Group Leadership members are entitled to 74 000 Performance Shares if the maximum levels of the performance metrics are met and to 1 000 Restricted Shares. The performance period of the plan is 2018–2020. The fair value of these allocations is EUR 591 822.[1]
Long-Term Incentive Plan 2019-2021	Group Leadership members are entitled to 90 000 Performance Shares if the maximum levels of the performance metrics are met. The performance period of the plan is 2019–2021. The fair value of these allocations is EUR 997 920.[1]
Long-Term Incentive Plans EVRY	Group Leadership members with former EVRY LTIP and STIP option arrangements have been converted to TietoEVRY interim Restricted share plans. The Group Leadership members are entitled to total of 113 609 Restricted Shares vesting annually during 2019-2022. The fair value of these allocations is EUR 3 149 241.
Expenditures related to share-based incentives	EUR 629 931 (EUR 1 727 068)
Pension expenditure	EUR 834 469 (EUR 772 335).[2]

[1] The fair market value for Long-term Incentive Plan 2017-2019, Long-term Incentive Plan 2018-2020, Long-term Incentive Plan 2019-2021 and Long-Term Incentive Plans EVRY is calculated using the latest performance estimates and the value of the Tieto share on 31 December 2019, EUR 27.72.

[2] 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 Group Leadership[1)]

Name	Shares at 31 Dec 2019	Shares at 31 Dec 2018
Kimmo Alkio	46 736	30 000
Malin Fors-Skjæveland	—	N/A
Kishore Ghadiyaram	8 721	N/A
Tomi Hyryläinen	—	N/A
Ari Järvelä	14 644	10 427
Satu Kiiskinen	18 033	11 992
Tom Leskinen	3 617	1 085
Wiljar Nesse	147 738 [3)]	N/A
Thomas Nordås	—	N/A
Christian Pedersen	—	N/A
Karin Schreil	—	N/A
Christian Segersven	1 300	200
Johan Torstensson	—	N/A
Trond Vinje	25 800	N/A
Former Leadership members[2)]		
Håkan Dahlström	N/A	7 308
Katariina Kravi	N/A	8 368
Julius Manni	N/A	N/A
Markus Suomi	N/A	—
Petteri Uljas	N/A	N/A

The compensation of the whole Group Leadership in 2019 is also summarized in **note 8** of the consolidated financial statements. The remuneration statement is available on the company's **website**.

[1)] Corporations over which the CEO exercises control did not have shares or share-based rights on 31 December 2019. Tieto does not have any active option programmes.

[2)] Until 4 December.

[3)] Via Wilcat AS.

Letter from the Chairman of the Remuneration Committee

Dear Shareholder,

We have ended 2019 with the approval of the merger of EVRY and Tieto. Our future stands for more business opportunities, increased societal impact, best talent and exciting technologies to work with - together as one team.

Our rewarding approach for the new Group Leadership

The aim of TietoEVRY's reward practices is to ensure we can hire and retain top talent and offer market competitive total compensation. The same principle has been followed in connection with nominating the Group Leadership for the new company. Their total compensation packages have been revised based on thorough market benchmark. We continue to emphasize pay-for-performance culture and focus on longer-term shareholder value creation. The short-term incentive structure ensures that special attention is given to realizing the benefits of the merger and building a single integrated company.

Focus areas and remuneration activities in 2019

At the beginning of 2019, the Remuneration Committee approved the incentive payouts for the financial year 2018. Tieto paid out a total of EUR 20.3 million to the management and employees as short-term incentives and bonuses. The CEO and Group Leadership members received total of EUR 1.2 million in paid incentives.

We have provided strong value to all our key stakeholders. This is also reflected in the result of our Long-Term Incentive Program (LTI) 2016-2018. Share delivery to plan participants took place in March 2019. The President and CEO received 12 236 net shares and other Group Leadership members in total 26 518 net shares.

A new Long-Term Incentive Plan for 2019-2021 was approved by the Board of Directors in early 2019, based on the recommendation from the Remuneration Committee. The purpose of the Long-Term Incentive Plan is to ensure that the company will meet the long-term targets, to align the interests of the management and shareholders, and reward selected employees who role model our values. It is also a key element in the total compensation of Tieto management, which directly links the paid compensation to the company's success.

Plan participation continues to be directed to selected senior managers and key employees who demonstrate first-rate technical skills, thus being critical in ensuring successful execution of the next phase of our strategy. For the 2019-2021 plan, the performance metrics were agreed to be earnings per share (30%), total shareholder return (20%) and growth (50%).

Remuneration for financial year 2019

The President and CEO's short-term incentive plan for 2019 was based on both the agreed financial goals and success in strategy execution. Based on performance against the targets set, bonuses earned in 2019 (payable in spring 2020) ranged from 33% to 59% of salary for the President and CEO and Group Leadership members.

During 2019 we increased the use of immediate recognition in the form of spot awards to all personnel. Spot awards are intended to show appreciation for exceptional contribution in a fast and agile manner. About 27% of total personnel, which equals over 4000 employees, were rewarded with spot awards. During 2019, the average spot award payment size was EUR 550.

Remuneration for 2020

During fall 2019, the Remuneration Committee started preparations for adopting the Shareholders' Rights Directive by creating a new Remuneration Policy, which will be subject to AGM vote in spring 2020.

During 2020, efforts will be directed to building common compensation structures for TietoEVYR to ensure that company integration and harmonization will be successful.

Tomas Franzén
Chairperson of the Board of Directors
Chairperson of the Remuneration Committee

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REPORT BY THE BOARD OF DIRECTORS

About TietoEVRY

- TietoEVRY is a leading Nordic digital services company. Headquartered in Finland, TietoEVRY employs around 24 000 experts globally. The company serves thousands of enterprise and public sector customers in more than 90 countries. TietoEVRY shares are listed on the NASDAQ in Helsinki and Stockholm as well as on the Oslo Børs.
- Tieto and EVRY announced on 18 June 2019 that the companies will be combined through a taxable statutory cross-border absorption merger of EVRY into Tieto. The merger was registered with the Finnish Trade Register on 5 December 2019, and the name of the combined company was changed to TietoEVRY Corporation. ‘
- The merger has been accounted for in the consolidated financial statements as a business combination using the acquisition method with Tieto determined as the acquirer of EVRY based on the structure of the merger. The companies have been consolidated from the acquisition date, 5 December 2019 onwards.

Five-year key figures

	2019	2018	2017[1)]	2016	2015
Net sales, EUR million	1 734.0	1 599.5	1 543.4	1 492.6	1 460.1
Operating profit (EBIT), EUR million	124.2	154.7	139.1	140.8	125.2
Operating margin, %	7.2	9.7	9.0	9.4	8.6
Profit before taxes, EUR million	101.2	152.8	135.7	136.8	119.3
Earnings per share, EUR					
Basic	1.02	1.67	1.46	1.46	1.23
Diluted	1.02	1.66	1.46	1.46	1.23
Equity per share, EUR	14.3	6.54	6.46	6.62	6.57
Dividend per share, EUR	1.26	1.45	1.40	1.37	1.35
Capital expenditure, EUR million	51.4	45.0	50.8	61.6	50.5
Acquisitions, EUR million	175.7	14.5	49.3	37.6	86.2
Return on equity, 12-month rolling, %	7.3	25.7	22.3	22.1	19.0
Return on capital employed, 12-month rolling, %	6.8	20.9	20.5	21.6	20.4
Gearing, %	63.3	28.5	32.7	22.5	2.7
Interest-bearing net debt, EUR million	1 070.0	137.4	155.7	109.7	13.2
Equity ratio, %	44.3	41.3	42.5	47.3	46.2
Personnel on average	15 923	14 907	13 889	13 472	13 184
Personnel on 31 Dec	23 996	15 190	14 329	13 876	13 083

[1)] 2017 comparative figures have been restated due to the adoption of IFRS 15.

See calculation of key figures on page **Calculation of key figures**.

IT market development

Prevailing trends

- Digital transformation continues
- Customers aim to improve agility to adapt to rapid market changes and enable fast time to market
- Innovations focus on driving superior experiences to customers
- Business continuity and cost optimization as a continued driver for investments

The Nordic IT market remained dynamic during the year. New services built around design, data and cloud-native applications continue to drive growth. At the same time, spending on traditional infrastructure services continues to decline and consequently, overall market growth is anticipated to remain at 2–3%.

Consulting services' growth is above the market average and a significant part of technology spend is driven by solutions deriving value from data. Customers are aiming to enhance their operational agility to continuously adapt to the dynamic market – and to deliver superior experiences to their customers through innovation. These form the core of customers' digital agenda as rapidly developing technologies, ecosystems and advanced analytics are enabling growth and efficiency improvement. This change provides significant opportunities to consulting, software and services providers to support customers' in their renewal of operations and business models.

Services built around data and design, cloud adoption, multi-cloud management and automation are anticipated to see double-digit growth over the next few years. In parallel, business continuity and efficiency continue to be of high importance both to our customers and to TietoEVRY. The global market for product development services continues to develop favourably as the demand for advanced software engineering is expected to increase across several industry sectors.

Strategy to further enhance competitiveness

The change towards a more personalized and real-time world is accelerating and data is the key enabler of this development. TietoEVRY will continue to invest in competence development and offerings, thereby creating digital advantage for its clients and enhancing competitiveness further.

Services to accelerate customers' digital agenda

TietoEVRY has chosen to focus on services enabling customers' competitiveness and providing TietoEVRY with the strongest growth potential. The company supports clients in their digital transformation through the design of differentiating service experiences, smart use of data and hybrid cloud solutions. The related services range from consulting to implementation and running the solutions. Strategic choices include:

- Focus on Nordic companies and public sector, building on deep customer knowledge
- Services and global capabilities to accelerate customers' digital agendas – Digital Consulting, Cloud & Infrastructure, Industry Software, Financial Services Solutions and Product Development Services
- International expansion enabled by selected Industry Software products, Financial Services and Product Development Services
- Competitiveness supported by synergies of EUR 75 million

Investments in scalable industry software continue

In addition to capabilities in digital consulting, TietoEVRY continues to invest in scalable industry software businesses and drive international expansion of selected globally competitive businesses. With strong capabilities and leading industry software, TietoEVRY is well positioned to deliver value for customers' business-critical processes.

WIth its active investments in end-to-end automation covering business processes, applications and technology infrastructure, TietoEVRY is well positioned to accelerate speed and agility in customers' operations.

Operating model to ensure faster time to market

TietoEVRY's operating model is designed to drive customer value across markets and technologies. The operating model consists of Country Teams, Service Lines and Support Functions. In addition, Product Development Services, providing advanced software R&D services, will operate as a separate unit, serving their customers globally.

The Country Teams comprise the full capability of TietoEVRY and drive customer experience, quality and growth in that country. Service Lines are designed to bring competitive and scalable services to our customers and make all the capabilities available for each of the countries. TietoEVRY will, as from the period to be announced later in 2020, comprise the following Service Lines:

- Digital Consulting
- Cloud & Infra
- Industry Software and
- Financial Services Solutions.
- Product Development Services is led independently of the Country Teams and Service Lines.

TietoEVRY established – creating a leading Nordic digital services company

The merger of Tieto and EVRY was completed on 5 December 2019, creating one of the most competitive digital services and software companies in the Nordics. With combined revenue of close to EUR 3 billion and 24 000 professionals, the combined company is well positioned to create digital advantage for Nordic enterprises and society. The transaction is highly complementary from a geographical, offering and customer perspective.

With deep insight into strategic and business drivers, TietoEVRY provides fit-for-purpose solutions for customers to increase their business agility, growth and innovation. The company's strengths include leading customer experience capabilities as well as stable, scalable and secure multi-cloud services driving adoption of public cloud technologies while ensuring business continuity, quality and efficiency. Furthermore, standout software that helps clients modernize core processes across the financial services, healthcare, public services, manufacturing and energy sectors is an asset for TietoEVRY.

The merger drives scale, longer-term revenue synergies, as well as innovation through combined targeted investments. The combination is expected to create value for shareholders through targeted cost synergies of around EUR 75 million annually, to be achieved through

- Efficiencies in delivery and selling
- General and administrative expenses
- Procurement optimization
- Portfolio and site rationalization.

Around 60% of the savings will be achieved by the end of 2021 and 90% by the end of 2022. The company estimates that non-recurring implementation costs, anticipated to materialize by 2022, will amount to EUR 120–140 million. TietoEVRY will inform, consult and/or negotiate with the respective employee representatives and/or unions about the social, financial and legal consequences of the merger in accordance with applicable laws and regulations. The company will continue examining further synergy possibilities.

The company foresees that healthy free cash flow development will enable attractive dividends and deleveraging and expects to achieve the targeted level of below 2,0 in net debt/EBITDA in two to three years. TietoEVRY will re-evaluate its financial targets in due course.

Performance drivers 2020

In the longer term, TietoEVRY aims to grow faster than the market. Full-year 2020 growth will be moderate due to integration, a large contract expiring within the Hybrid Infra business and the divestment of EVRY's case management and archiving systems.

The company anticipates that its adjusted operating profit will improve from the previous year's level, supported by underlying business performance and synergy contribution. Annual productivity improvements, driven by automation and offshoring, continue to support profitability.

TietoEVRY anticipates that cost synergies will reach a run-rate of EUR 30-40 million at the year end. The company will provide an estimate of the impact on 2020 cost base later during the year. The company estimates that integration costs will amount to EUR 40-50 million in 2020. Additionally, the efficiency programme initiated in 2019 is anticipated to have a continued positive impact on 2020.

Transformation, quality and legal costs related to infrastructure partnership with IBM are anticipated to amount to EUR 15-20 million in 2020. Salary inflation is anticipated to be over 3%, offset by price increases in some services areas, offshoring and management of the competence pyramid.

Financial performance

Full-year revenue increased by 8.4% to EUR 1 734.0 (1 599.5) million. EVRY has been consolidated into TietoEVRY as from 5 December, having a positive impact of EUR 119.9 million on revenue.

Full-year operating profit (EBIT) amounted to EUR 124.2 (154.7) million, representing a margin of 7.2% (9.7). Operating profit includes EUR -0.4 million in profit of EVRY. Additionally, operating profit includes EUR 72.2 (13.4) million in adjusted items, mainly related to restructuring costs for the efficiency programme initiated in the second quarter of 2019, the M&A and integration costs and amortization of acquisition-related intangible assets. Further details on adjusted items are available in the **Reconciliation of alternative performance measures** paragraph.

Adjusted[1] operating profit stood at EUR 196.4 (168.0) million, or 11.3% (10.5) of net sales, and includes EUR 14.1 million in EVRY's profit. Adjusted operating profit also includes gross savings of over EUR 15 million related to the efficiency programme 2019. The programme resulted in redundancies of around 800 and the company has estimated that it will result in annualized gross savings of EUR 30–35 million in total. Over EUR 15 million materialized in 2019 and the remainder is estimated to affect cost base in 2020. Restructuring costs, mainly related to the efficiency programme initiated in 2019, amounted to EUR 27.9 million.

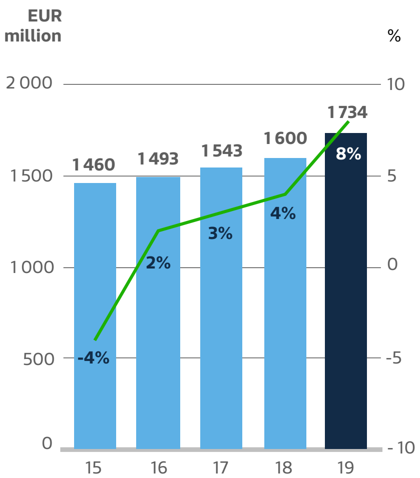
TietoEVRY capitalized EUR 16.8 (3.6) million in offering development costs. Costs including both expensed and capitalized offering development investments were slightly up from the previous year's level. Operating profit was also supported by the adoption of IFRS 16, which had a positive impact of EUR 3.3 million. Currency changes had a negative impact of around EUR 3 million on operating profit.

Depreciation and amortization amounted to EUR 106.1 (55.0) million, including EUR 49.9 million in depreciation of right of use assets (IFRS 16 impact) and EUR 7.5 (5.2) million in amortization of acquisition-related intangible assets. Net financial expenses stood at EUR 23.0 (1.9) million. Net interest expenses were EUR 8.8 (2.1) million and net losses from foreign exchange transactions EUR 10.0 (gain 1.0) million. Other financial income and expenses amounted to EUR -4.3 (-0.8) million.

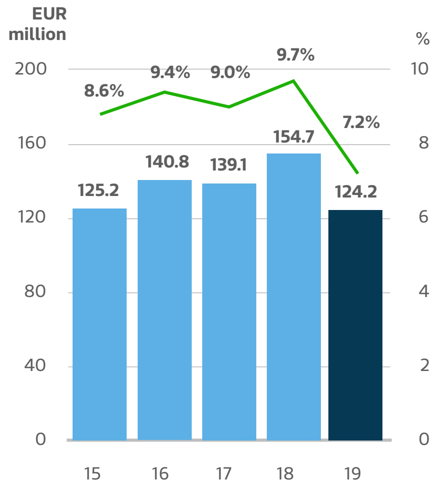
Earnings per share (EPS) totalled EUR 1.02 (1.67). Adjusted1) earnings per share amounted to EUR 1.76 (1.76).

[1] Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability. Further details on adjusted items are available in the **Reconciliation of alternative performance measures** paragraph.

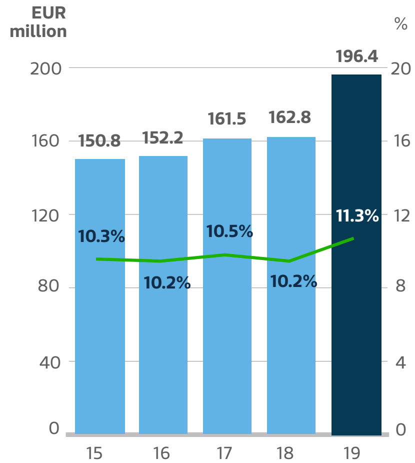
REVENUE AND GROWTH*



OPERATING PROFIT (EBIT) AND MARGIN*



ADJUSTED OPERATING PROFIT (EBIT) AND MARGIN*



*Includes EVRY's operating profit for 5-31 Dec 2019. Comparison figures have not been restated.

Financial performance by segment

EUR million	Revenue 1–12/2019	Revenue 1–12/2018	Change %	Operating profit 1–12/2019	Operating profit 1–12/2018
Digital Experience	483.1	487.3	-1	43.5	59.2
Hybrid Infra	531.4	519.4	2	51.4	48.7
Industry Software	455.5	455.0	0	58.1	59.7
Product Development Services	142.9	135.8	5	13.7	13.9
EVRY	119.9	—	100	-0.4	—
Segments total	**1 732.7**	**1 597.5**	**8**	**166.3**	**181.5**
Other operations	1.4	2.1	-34	-42.1	-26.8
Group total	**1 734.0**	**1 599.5**	**8**	**124.2**	**154.7**

Operating margin by segment

%	Operating margin 1–12/2019	Operating margin 1–12/2018	Adjusted[1] operating margin 1–12/2019	Adjusted[1] operating margin 1–12/2018
Digital Experience	9.0	12.2	12.6	13.1
Hybrid Infra	9.7	9.4	12.3	10.1
Industry Software	12.8	13.1	13.8	13.2
Product Development Services	9.6	10.2	10.0	10.4
EVRY	-0.3	—	11.8	—
Total	**7.2**	**9.7**	**11.3**	**10.5**

[1] Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability. Further details on adjusted items are available in the **Reconciliation of alternative performance measures** paragraph.

For a comprehensive set of segment figures, see the tables section.

In **Digital Experience**, revenue was down by 1%. In local currencies, revenue remained at the previous year's level. Growth in Customer Experience Management and Enterprise Applications was at a healthy level, 13% and 7% respectively, whereas application services' growth continued to be impacted by a large-scale customer insourcing case. Adjusted operating margin was somewhat down to 12.6% (13.1), mainly due to the decline in sales.

In **Hybrid Infra**, revenue growth of 4% in local currencies was driven by infrastructure cloud, up by 14% in local currencies. Infrastructure cloud currently represents close to 30% of total revenue from infrastructure services. Security Services' revenue increased by 27% in local currencies during the year. Decline in traditional infrastructure services has decelerated and revenue remained at the previous year's level. Adjusted operating margin improved clearly from the previous year's level to 12.3% (10.1), supported by healthy growth and the company's efficiency measures.

In **Industry Software,** revenue in local currencies was up by 2%. Healthcare and welfare solutions saw strong growth, up by around 10% in local currencies. Additionally, oil&gas and Payments solutions saw strong growth, up by 13% and 7% in local currencies, respectively. SmartUtilities, TietoEVRY's solution for the energy utility segment, continued to be affected by the ongoing technological renewal to enable standardized software products, open technologies and scalable architectures. Adjusted operating margin was somewhat up and amounted to 13.8% (13.2).

In **Product Development Services**, revenue growth in local currencies amounted to 8%. Strong volume development with the largest key customers focused on radio and 5G technologies continued throughout the year. Good development also continued in the automotive segment, which experienced strong growth of 40% with expansion to new key customers. Adjusted operating margin remained at a solid level at 10% (10.4).

The business of **EVRY** consist of a comprehensive portfolio of services and software designed to meet all customer needs, including advisory and consulting services, industry-specific software and the design, implementation and maintenance of customized solutions and IT operations. EVRY has been consolidated into TietoEVRY as from 5 December, having a positive impact of EUR 119.9 million on revenue.

[2] Infrastructure as a Service and Platform as a Service

Cash flow and financing

Full-year net cash flow from operations amounted to EUR 278.4 (174.2) million, including a decrease of EUR 66.7 (increase of 3.2) million in net working capital. Payments for restructuring amounted to EUR 17.0 (8.4) million. Full-year tax payments were EUR 31.4 (21.4) million. The adoption of IFRS 16 had a positive impact of EUR 48 million on the cash flow from operating activities.

Capital expenditure totalled EUR 51.4 (45.0) million in the twelve-month period. Capital expenditure represented 3.0% (2.8) of net sales and was mainly related to data centres. Net payments for acquisitions totalled EUR 175.7 (14.5) million.

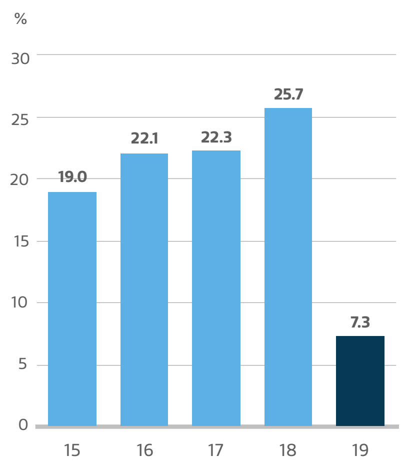
The equity ratio was 44.3% (41.3). Gearing increased to 63.3% (28.5). Interest-bearing net debt totalled EUR 1 070.0 (137.4) million, including EUR 964.1 (304.1) million in interest-bearing debt, EUR 298.3 (0.0) million in lease liabilities, EUR 5.6 (1.6) million in finance lease receivables, EUR 22.2 (0.5) million in other interest-bearing receivables and EUR 164.6 (164.6) million in cash and cash equivalents.

The increase was due to the TietoEVRY merger and IFRS 16 Leases implementation. See **Calculation of key figures** for further information.

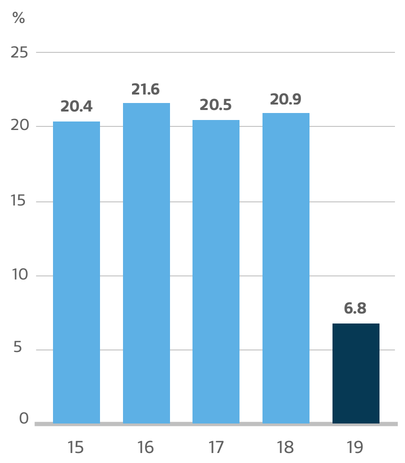
Interest-bearing long-term loans amounted to EUR 814.5 (185.5) million at the end of December, consisting primarily of a EUR 100 million bond, a EUR 85 million loan from the European Investment Bank, EUR 400 million long-term loans from financial institutions and EUR 222.9 million in lease liabilities. The bond of EUR 100 million will mature in September 2024.

Interest-bearing short-term loans amounted to EUR 448.0 (118.6) million, mainly related to bridge loans, commercial papers, leasing liabilities and joint venture cash pool balances. The syndicated revolving credit facility of EUR 250 million expiring in September 2024 was not in use at the end of December.

RETURN ON EQUITY, %



RETURN ON CAPITAL EMPLOYED, %



Investments and development

TietoEVRY is seeking to grow faster than the market in the long term. TietoEVRY will accelerate future growth through offering development and new competencies as well as acquisitions. Additionally, the company will continue to invest in standardization and automation to drive improvements in productivity and quality. Full-year capital expenditure totalled EUR 51.4 (45.0) million. Capital expenditure represented 3.0% (2.8) of the company's revenue and was mainly related to data centres. Net payments for acquisitions totalled EUR 175.7 (14.5) million.

TietoEVRY’s offering development costs amounted to around EUR 80 (80) million, representing 4.6% (5.0) of the Group's revenue. These costs comprise service and product development. In 2019, the focus was on large-scale technology renewal in Industry Software. Additionally, the costs for internal development, e.g. automation in infrastructure services, are included in this amount. In 2019, TietoEVRY capitalized EUR 16.8 (3.6) million of the development costs.

Order backlog

The significance of traditional measures for the order backlog is impacted by the shift from traditional large outsourcing agreements towards agile methods and consumption-based business models. Additionally, traditional development programmes are cut into smaller projects. While this change in customer behaviour affects the order backlog levels, it is not expected to have any significant impact on TietoEVRY’s market opportunity and business outlook.

TietoEVRY's order backlog amounted to EUR 3 640 (3 665) at the end of December. The order backlog includes all signed customer orders that have not been recognized as revenue, including estimates of the value of consumption-based contracts.

Major agreements

TietoEVRY has signed a number of new agreements during the period with customers across all the businesses. However, according to the terms and conditions of these agreements, TietoEVRY is not able to disclose most of the contracts.

In January, TietoEVRY signed an agreement with Goodyear for further development of a predictive tire maintenance solution (Goodyear TPMS). This solution reduces operational costs and vehicle emissions by means of advanced integration of IoT sensors, digital maps and predictive analytics. TietoEVRY is Goodyear's main supplier for IoT cloud back-end applications, web and mobile front-ends, Quality Assurance and Applications Operations, all in an Agile DevOps environment.

In January, TietoEVRY made a strategic IT partnership agreement with Ahlstrom-Munksjö, a global leader in sustainable and innovative fibre-based solutions. The seven-year agreement, covering Ahlstrom-Munksjö's business applications (order to cash ERP, MES and B2B services) availability, maintenance and development, is worth around EUR 19 million and includes an option to extend for up to two years. The partnership supports the execution of Ahlstrom-Munksjö's business transformation strategy.
In January, TietoEVRY signed an agreement with Getswish to deliver SIAM, development, maintenance and operations of the Swish ecosystem. This critical, high transaction payment service will be delivered 24/7/365 according to an end-to-end DevOps delivery model. The deal worth SEK 170 million is a continuation to the agreement concluded in 2017 and extends over five years.

In February, TietoEVRY signed a deal with Sweden's Health and Social Care Inspectorate (IVO). The agreement covers the development and management of IVO's strategic solutions for enhancing digitalization and business development. The deal is for five years with an option to extend for another two years. The contract value for the first five years is estimated to be around SEK 110 million.

In March, the City of Stockholm and TietoEVRY deepened their cooperation by signing a new agreement for Business Process Management and digital support for welfare and healthcare services. The agreement is valid until March 2027 and includes an option to extend the agreement for seven years. The Business Process Management platform enables modelling, automation, execution, control, measurement and flow optimization.

In March, TietoEVRY signed an agreement with Folksam to future-proof the customer's infrastructure. The two companies have cooperated since 2012. Folksam will use Tieto's standardized services within areas such as private cloud and service bundles such as IaaS, PaaS and SaaS. With the help of TietoEVRY's Application Cloud Assessment service, Folksam will also get a clear overview of its application portfolio and continue its modernization journey towards cloud-based solutions. Folksam will also benefit from Avega's vast expertise within cloud solutions, agile change processes and Microsoft and RedHat services. The agreement is worth more than SEK 600 million and extends over five years.

In May, TietoEVRY and Ericsson agreed that all of Ericsson's Radio Access Networks (RAN) software R&D activities in Lviv, Ukraine will be transferred to TietoEVRY. According to the agreement, approximately 150 employees, located in Lviv, were offered new employment at TietoEVRY. The companies will continue their strong partnership dating back to 2002 and TietoEVRY continues to provide R&D services to Ericsson from the Lviv site in addition to establishing operations for other customers.

In May, Lyse decided to exercise an option for a two-year extension of the initial three-year contract concluded in 2016. The agreement covers data-driven services, cloud solutions, infrastructure operations and data centre services to Lyse and broad end-user IT support to 1 200 Lyse employees and consultants. TietoEVRY will also help Lyse achieve its future Cloud First IT architecture, where data-driven services and information analysis are key drivers for success.

In June, TietoEVRY and Lassila & Tikanoja (L&T) further strengthened their long-term partnership, under which TietoEVRY provides company-wide IT services, including application management, service integration and management as well as hybrid infra services. According to the agreement, altogether 23 Lassila & Tikanoja employees will transfer to

TietoEVRY. The strategic IT partnership aims to accelerate L&T's digitalization and data-driven business initiatives.

In June, the Norwegian ministries selected TietoEVRY as the supplier of their new case and archive system based on TietoEVRY's Public 360°. The procurement supports the Government's strategy for a comprehensive ICT solution for the Prime Minister's office, the Ministries and the Norwegian Government Security and Service Organization. The agreement entails the delivery of IT solutions with implementation and maintenance for a period of six years with an option to extend by four years.

In June, Innovia Films and TietoEVRY agreed on a business transformation programme for four mills, including the UK, Belgium, Australia and Mexico. The duration of the programme, based on TIPS, TietoEVRY's solution for the forest industry, is 18 months.

In July, Region Skåne chose TietoEVRY to take on responsibility for its document and case management and drive the digitalization of its committee administration. The services will ensure modern, process-based administration of workflows. The agreement, with a contract value of around EUR 3 million, is for four years with an option to extend by another four years.

In September, Glaston, the technology leader in the glass processing industry, and TietoEVRY announced a strategic ICT partnership. Glaston aims to streamline its ICT services and improve cost efficiency. The agreement covers infrastructure, end-user and application management services globally. The companies will work together to increase the level of digitalization and automation of Glaston's products and services as well as focus on better use of data by, for example, adopting Tieto's Data Platform. Additionally, centralization of ICT services will bring significant synergies. The services will be transferred to Tieto by the end of the first quarter of 2020.

In September, Suominen Corporation, a globally leading supplier of non-wovens, renewed a strategic IT partnership agreement with TietoEVRY. The agreement covers Suominen Corporation's business applications for ERP and MES (Manufacturing Execution System) availability, maintenance and development. The partnership supports the execution of Suominen Corporation's business transformation strategy. The agreement is for four years with an optional one-year extension.

In October, TietoEVRY signed an agreement to deliver application services to AFRY. TietoEVRY will manage over 800 of AFRY's applications in 50 countries world-wide. Through application operation services, the company will provide a cost efficient and stable standardized service based on market leading technologies and well-proven processes. Total value of the four-year agreement is close to EUR 4 million.

In November, TietoEVRY signed an agreement with Uppsala municipality to deliver a business system for the client's healthcare and welfare sections. Uppsala municipality chose TietoEVRY Lifecare to replace several current systems used by more than 6 000 employees with a view to simplifying everyday tasks and developing digital services further.

In November, Mayr-Melnhof chose TietoEVRY to deliver a Rough and Fine Planning system for 37 plants in its Packaging division. Furthermore, a development partnership for a new Manufacturing Execution System for 37 plants in the Packaging division was agreed.

In December, TietoEVRY was selected to continue as UPM's strategic IT service delivery partner. TietoEVRY will deliver next-generation automated business application management, covering over 150 applications across the majority of UPM's business areas. Benefits include in-built IT flexibility and scalability, operational efficiency and simplified governance, and further automation and utilization of artificial intelligence.

In December, TietoEVRY concluded an IT operations agreement with Svenskt Näringsliv, a major employers' organization for the private sector and business sector companies in Sweden. EVRY's new value-added services empowering the customer with advanced tools include infrastructure services, Cloud Direct (Hybrid) and cloud-based business workspace. Total value of the five-year agreement is around EUR 21 million.

In December, TietoEVRY was chosen as a partner to support Felleskjøpet, a Norwegian agricultural cooperative, with MS Dynamics 365 platform management. In addition to providing application management of the ERP and the CRM solutions, EVRY will be able to provide application management of the entire Felleskjøpet application portfolio and future transformation of local applications. Additionally, Felleskjøpet has chosen TietoEVRY to develop a new Microsoft Azure-based analytics platform. The solution will be implemented on top of Dynamics 365 and used for business-critical analysis and reporting.

In December, Posten Norge, a Norwegian mail and logistics group developing and delivering complete solutions within postal services, communications and logistics in the Nordics, chose TietoEVRY to deliver its integration and messaging services. Furthermore, TietoEVRY will be delivering WAN services to nearly 2000 Posten locations. Services will be delivered with Telenor as a subcontractor. Total value of these agreements amounts to around EUR 10 million.

In December, Bluegarden, Scandinavia's largest provider of payroll and HR services, extended its operations agreement with TietoEVRY. In addition, TietoEVRY will conduct a cloud readiness assessment during 2020. Total value of the agreement amounts to around EUR 3 million.

Changes in Group structure

Tieto and EVRY announced on 18 June 2019 that the companies will be combined through a taxable statutory cross-border absorption merger of EVRY into Tieto. Following the resolutions of the Extraordinary General Meetings of Tieto and EVRY on 3 and 2 September, respectively, and the Competition Authorities' approval, all conditions for the completion of the merger were fulfilled on 29 November 2019. The merger was registered with the Finnish Trade Register on 5 December 2019, and the name of the combined company was changed to TietoEVRY Corporation.

The shareholders of EVRY received 0.12 new shares in Tieto and NOK 5.28 in cash for each share in EVRY as merger consideration. Thus, a total of 44 316 519 new shares of the Company were issued, increasing the total number of shares in TietoEVRY to 118 425 771 shares. The shares were admitted to trading on Nasdaq Helsinki Ltd and Nasdaq Stockholm AB and on the Oslo Børs as of 5 December 2019.

The merger has been accounted for in the consolidated financial statements as a business combination using the acquisition method with Tieto determined as the acquirer of EVRY based on the structure of the merger. The companies have been consolidated from the acquisition date, 5 December 2019 onwards.

Further information about the merger rationale is available in the Strategy section of this report and **Note 1** in the Notes to the Consolidated Financial Statements.

Personnel

The number of full-time employees amounted to 23 996 (15 190) at the end of December. The number of full-time employees in the global delivery centres totalled 11 303 (7 692), or 47.1% (50.6) of all personnel.

In the twelve-month period, the number of full-time employees was up by a net amount of 8 805, including an increase of 9 000 mainly related to the merger, net recruitments of over 500 and redundancies of around 800.

The 12-month rolling employee turnover stood at 12.6% (12.2) at the end of December. Group-level salary inflation is expected to be over 3% on average in 2020. TietoEVRY anticipates that the salary inflation will be partly offset by greater offshoring and management of the competence pyramid.

The dynamic business environment is placing high demands on competence development and good employee experience. The merger of Tieto and EVRY has created the largest community of digital consultants in the Nordics – this opens up new opportunities for employees while setting new demands for the People & Culture function.

TietoEVRY's People & Culture function is responsible for developing people practices in the company. The function is led by the Group-level Head of HR while country HR teams are responsible for country-specific HR operations. The Tieto Human Resources (HR) Policy serves as the overall strategic direction for people practices and applies to all employees and operations globally. This policy states that TietoEVRY supports and respects the principles set out in the United Nations Universal Declaration of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work.

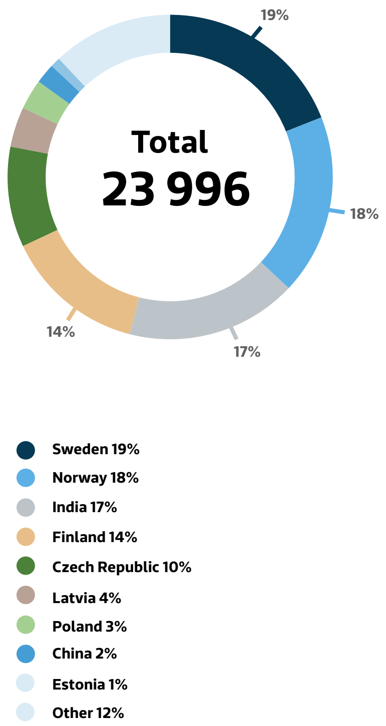
TietoEVRY's Open Source culture is a core foundation for building a good employee experience. It is supported by advanced technology and a modern working environment. The company has identified a need to further develop the culture to enable networked ways of working and encourage self-leadership. During 2019, the company initiated an engaging approach where 160 employees in the main operating countries participated in the culture work to define the desired target culture and behaviour to support the culture.

To address the need to change leadership from a traditional hierarchical approach to a more empowering leadership style, TietoEVRY aims to promote leadership as a partnership between the manager and employee. This calls for a higher level of self-leadership – employeeship. The company took several steps during 2019 to enable employeeship and the possibility for employees to drive their own career and development.

The company's goal for 2019 was to further improve employee experience. The Engagement Score reached an all-time high of 78% (75% in 2018, 73% in 2017), demonstrating that the systematic approach is working. The feedback from employees suggests that three main areas have the greatest impact on employee engagement: Leadership, Learning & Career Development Possibilities and Culture.

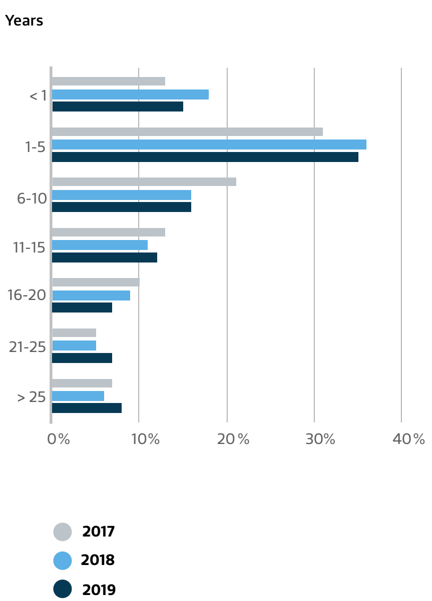
TietoEVRY was also recognized for its work with diversity and inclusion by a range of organizations in 2019. Tieto ranked among the top three global tech companies in Equileap's Global Gender Equality Ranking,

PERSONNEL BY COUNTRY

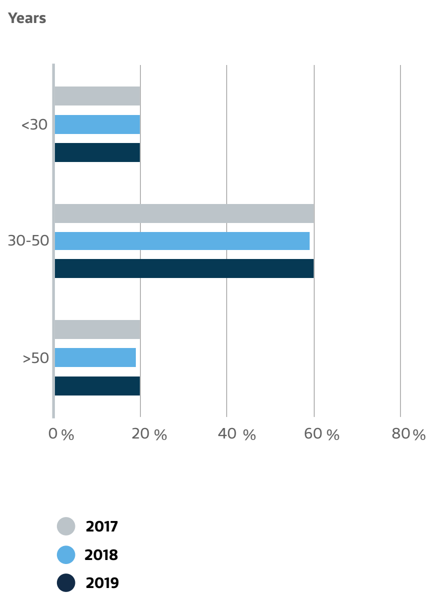


Tieto Sweden was certified with the EDGE Assessment Certificate for its outstanding gender equality, and EVRY Norway was listed as Norway's best technology company for women by the SHE Index. In India, Tieto received the 'Employee Excellence Award', which recognizes organizations across categories of Diversity and CSR Excellence.

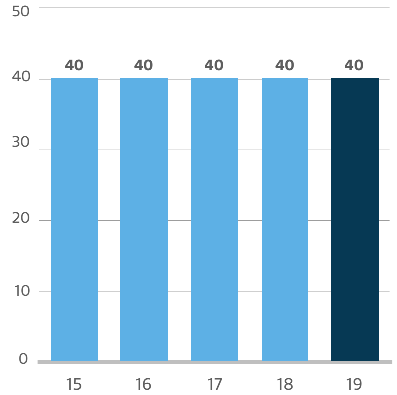
LENGHT OF EMPLOYMENT*



PERSONNEL BY AGE*



AVERAGE AGE OF EMPLOYEES*



*Due to the merger of Tieto and EVRY being completed in December, figures in this graph cover only Tieto.

Non-financial information

Non-financial information

This section describes TietoEVRY's sustainability activities as required in Chapter 3a of the Finnish Accounting Act on non-financial information (NFI). The linkages between NFI areas and TietoEVRY's sustainability focus areas are identified in the chart describing policies and processes. More information is available in the **Sustainability Report**.

For the financial year 2019, EVRY's sustainability activities are not consolidated in either the annual report or the NFI. From the financial year 2020 and onwards, sustainability reporting and non-financial information will cover the combined company TietoEVRY.

Description of TietoEVRY's business model

TietoEVRY is one of the largest software and IT service companies in the Nordics. The company's value-adding services comprise new data-driven services, business-critical software solutions, infrastructure services, product development services and related capabilities to support customers' business renewal, innovation and efficient operations.

TietoEVRY's role varies from advisory and consulting services and the design of services to building and running IT solutions. TietoEVRY's ambition is to co-create new solutions and new data-driven business models with customers and partners. Value creation and competitiveness are based on solutions combining best-of-breed technologies with integration capabilities, industrialized service delivery and strong global delivery capability.

Description of management of NFI topics

TietoEVRY has a systematic approach to managing sustainability, including appropriate policies, processes, governance and organization, competencies and communication. TietoEVRY's sustainability work is facilitated by the company's Sustainability Network and supported by the Sustainability Steering Group, chaired by the Vice President, Communications and Sustainability. The steering group advises the Group Leadership and Board of Directors and approves the sustainability section of the integrated annual report. The Sustainability Steering Group represents TietoEVRY's functions and units, ensuring that the voices of various internal and external stakeholders are considered. TietoEVRY's aim is to maintain a balanced male and female representation in the steering group, as well as younger and more experienced management representation.

TietoEVRY's Group Leadership and the Board of Directors reviewed sustainability matters on two occasions during 2019. The topics included the review of the annual integrated report, review of NFI information, including relevant sustainability-related risks and TietoEVRY's societal engagements in 2020, among other things.

TietoEVRY's Sustainability 2020 plan comprises nine focus areas that are developed through engagement with relevant external stakeholders as well as through internal prioritizations. As digitalization can advance wellbeing and environmental conditions in other industries, sustainability is regarded as an opportunity rather than a risk for the company. TietoEVRY's sustainability areas are the material topics covering capabilities, products, services and facilities needed to serve customers. The focus areas also include sustainability benefits that IT solutions can deliver to customers, such as helping to reduce their CO_2 emissions, combat the grey economy or improve people's health and wellbeing. Each sustainability area has publicly stated goals, and the action plans, implementation and reporting are handled by nominated sustainability area owners and partners. Sustainability area goals and results for 2019 are presented in the table in this section.

During 2019, we commenced work to develop a new long-term sustainability plan for TietoEVRY. The new long-term plan will be implemented in 2020 and onwards.

The Sustainability 2020 plan is developed and managed according to TietoEVRY's Sustainability management process, which follows the United Nations Global Compact Management Model and GRI Standards. Linkages to United Nations Sustainable Development Goals, which are considered a strategic tool enabling corporations to contribute to a more sustainable society, are established where relevant. The management of the sustainability areas - including policies, processes, due diligence and escalation channels - is illustrated in the chart in this section.

TietoEVRY's ethical values are summarized in the Code of Conduct Policy, which applies to all TietoEVRY employees, and a separate Supplier Code of Conduct Rule applied to any third party contributing to the company's services, products and other business activities. Those are based on the United Nations Global Compact principles regarding human rights, labour rights, anti-corruption and the environment as well as the OECD Guidelines for Multinational Enterprises. The policies cover all sustainability areas, which are also linked to other, topic-specific policies and more detailed rules. The policies cover the relevant legal, certification and other best practice requirements and are reviewed annually.

Escalations involving possible Code of Conduct breaches are reported to the General Counsel. All escalations are investigated confidentially through a predefined process by an escalation function consisting of the General Counsel, Compliance Officer, Chief Audit Executive and Vice President, Communications and Sustainability. The outcomes of all investigations are reported as part of compliance risk reporting to the Compliance and Privacy Board and Audit and Risk Committee of the Board of Directors. In addition, sustainability areas have separate channels for incident reporting and continuous improvement.

POLICIES AND PROCESSES OF NFI MATTERS

Sustainability areas

ETHICAL CULTURE	CREATE VALUE FOR STAKEHOLDERS	MINIMIZE ENVIRONMENTAL IMPACT

Respecting human rights Anti-corruption and –bribery matters Social and employee matters		Environmental matters

1 Ethical culture

2 Sustainable supply chain

3 Information security and data privacy

4 Greenhouse gas emissions

5 Sustainable IT solutions

6 Employee experience **7** Equal opportunities

Policies

CODE OF CONDUCT POLICY

Code of Conduct (**1**), Internal audit policy (**1**), Anti-corruption rule (**1**), Competition compliance rule (**1**), Procurement policy (**2**), Supplier Code of Conduct Rule (**2**,**4**), Environmental Rule (**2**,**4**,**5**), Information classification rule (**3**), Data transfer rule (**3**), Security Policy (**3**), Privacy Policy (**3**), AI ethics guideline (**5**), Occupational Health and Safety Policy (**6**), HR Policy (6,**7**)

Due diligence processes

Internal and external audits (**1**), Governance, risk and compliance management (**1**,**3**), Sourcing to pay (**2**), Supplier self assessment (**2**), Environmental management process (EMS) ISO14001 (**2**,**4**,**5**), ISO27001 (**3**), ISO31000 (**3**), ISAE3402 audits in Data Centers (**3**), Information and cyber security audits and assessments (**3**), CDP Climate Change program (**4**,**5**), HR processes (**6**,**7**), Employee survey Voice (**6**,**7**), EDGE equality certification (**7**)

SUSTAINABILITY MANAGEMENT PROCESS, SUSTAINABILITY MATERIALITY ASSESSMENT FOR 2017–2020 PLAN

WHISTLEBLOWING ON CODE OF CONDUCT ISSUES

Main risks in non-financial area

The aim of TietoEVRY's internal control framework is to assure that operations are effective and well aligned with the strategic goals. The internal control framework is intended to ensure correct, reliable, complete and timely financial reporting and management information. The framework endorses ethical values, good corporate governance and risk management practices. Risk management and major risks are described in detail in the **Corporate Governance Statement**.

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

TietoEVRY's risks with respect to sustainability and NFI topics are mainly compliance risks. These risks include a reputational factor, which in addition to negative publicity could lead to lower scores in sustainability indices and audit deviations. Severe breaches in these areas could also lead to loss of customers' trust.

Fraudulent, unethical, or even illegal actions by individuals in areas such as corruption or conflict of interest can occur if anti-corruption awareness and team culture are not at a sufficiently high level. Such situations can have negative consequences ranging from disqualification from public tenders to sanctions. Compliance training, audits and follow-up are used to mitigate the risk.

Stress-related health issues as well as discrimination and harassment are human and labour rights related risks. From an operational perspective, deliveries could be compromised if key resources go on long periods of sick leave. Both health issues and discrimination and harassment can lead to environments where employees may not reach their full potential. Discrimination could also hinder the company's ability to develop solutions to societal problems.

TietoEVRY believes that diversity in personnel, whether in terms of gender, age or cultural background, is needed to stay competitive in the fast-paced ICT industry. Diversity and inclusion are an integral part of the company's Open Source Culture as well as Human Resources activities. Being able to unwind and maintain wellbeing is equally crucial. The employee health and wellbeing index is measured, and follow-up actions taken where necessary to improve employee wellbeing.

TietoEVRY's supplier base consists of direct and indirect suppliers. Supply chains may include compliance risks related to the environment, human and labour rights or even corruption. Severe breaches against international conventions in the supply chain could lead to customers deciding to terminate contracts. TietoEVRY mitigates these risks through its supplier sustainability programme and on-boarding practices, consisting of both compliance and audit activities.

Goals and results for each sustainability area

Sustainability area	Goal	Target 2020	Result 2017	Result 2018	Result 2019	Status	UN Sustainable Development Goal[1]
EQUAL OPPORTUNITIES	Completion of Code of Conduct e-learning for awareness on equality, (% of employees)	100%	88%	87%	90%	Not reached	8 Decent work and economic growth; 10 Reduced inequalities
EMPLOYEE EXPERIENCE	Employee engagement score, %	73%	73%	75%	78%	Target reached	3 Good health and well-being
	% of employees always or often stressed and not able to recover	Keep low	3%	Not reported	11%	Not reached	3 Good health and well-being
ETHICAL CULTURE	Completion of Code of Conduct e-learning, (% of employees)	100%	88%	87%	90%	Not reached	16 Peace, justice and strong institutions
INFORMATION SECURITY AND DATA PRIVACY	Total number of substantiated complaints regarding breaches of customers' privacy and losses of customer data	0	0	1	0	Target reached	16 Peace, justice and strong institutions
SUSTAINABLE SUPPLY CHAIN	New or renewed suppliers agreeing to Tieto's Supplier Code of Conduct, (%) [2]	100	100	100	100	Target reached	3 Good health and well-being; 7 Affordable and clean energy; 8 Decent work and economic growth; 10 Reduced inequalities; 13 Climate action; 16 Peace, justice and strong institutions
GREENHOUSE GAS EMISSIONS[3]	Reduction of CO_2 emissions from Tieto's indirect energy consumption	50% reduction by 2020, versus 2016 level	-51%	-58%[3]	-53%[3]	Target reached [4]	13 Climate action
SUSTAINABLE IT SOLUTIONS	ktons CO_2 avoided by customers through use of IT services provided by Tieto	Increase customers' avoided CO_2 emissions	75 kton CO_2	76 kton CO_2	78 kton CO_2	Target reached	3 Good health and well-being; 7 Affordable and clean energy; 13 Climate action

[1] United Nations Sustainable Development Goals: **https://sustainabledevelopment.un.org/**

[2] Scope: Agreements made through Procurement function.

[3] Tieto's Co emission reporting follows the methodology of the Greenhouse Gas Protocol Standard. The greenhouse fas emission reduction goals is reported on market based CO_2-emissions. Cumulative result compared with 2016 baseline.

[4] Aggregeted reduction of CO_2 emissions totals 53% comparing to 2016 baseline.

Shareholders' Meetings

The Annual General Meeting of Tieto Corporation was held on 21 March. The Extraordinary General Meeting of Tieto Corporation held on 3 September 2019 resolved on the statutory cross-border absorption merger of EVRY ASA into Tieto.

As from 5 December, the Tieto Board members Timo Ahopelto, Tomas Franzén, Liselotte Hägertz Engstam, Harri-Pekka Kaukonen, Niko Pakalén and Endre Rangnes continued to serve on the Board of Directors of the combined company. Of the members of the Board of Directors of EVRY, Rohan Haldea, Salim Nathoo and Leif Teksum were elected as new members of the Board of Directors of the combined company. Tomas Franzén was elected as Chairman of the Board of Directors of the combined company. The term of the new Board commences on the registration date of the merger execution and expires at the end of the next Annual General Meeting of TietoEVRY. Additionally, employees nominated Anders Palklint, Ilpo Waljus, Ola Hugo Jordhøy and Tommy Sander Aldrin as personnel representatives to the Board in October.

Shareholders' Nomination Board

After the completion of the TietoEVRY merger, the composition of the company's Shareholders' Nomination Board was revised based on holdings registered in the Finnish, Norwegian and Swedish shareholders' registers on 9 December 2019. The largest shareholders appointed the following representatives announced by TietoEVRY's shareholders:

- Gabriele Cipparrone, Partner, Apax Partners LLP
- Martin Oliw, Partner, Cevian Capital AB
- Petter Söderström, Investment Director, Solidium Oy
- Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company
- Tomas Franzén, Chairman of the Board of Directors, TietoEVRY Corporation

The Board of Directors

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

Composition and election

According to TietoEVRY's Articles of Association, the Board of Directors elected by the shareholders 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, TietoEVRY's Board members shall be diversified in terms of gender, occupational and professional background and that the Board as a group shall have sufficient knowledge of and competence in, inter alia, the company's field of business and markets.

The SNB, which consists of representatives nominated by the company's largest shareholders, prepares a proposal on the composition of the Board to be presented to the AGM for its decision. In addition to the Board of Directors having established the diversity principles and included them in the Board charter, the company has taken steps to ensure that the principles have been included in the charter of the SNB and taken into account in the candidate search. The ratio of gender diversity of the members elected by the AGM has remained stable since 2012 and been either 2:6 or 2:5. In the beginning of 2019, the ratio was 2:6, but currently, only one of the Board members elected by the shareholders is a female. This topic has been noted and addressed by the SNB.

In addition to the members proposed by the SNB and elected by the AGM, TietoEVRY's personnel elects four members and four deputy members to the Board of Directors. The term of office for the personnel representatives is two years. This special appointment procedure is a departure from Recommendation 5 "Election of the Board of Directors" of the Corporate Governance Code. Personnel representation is based on the Finnish Act on Personnel Representation in the Administration of Undertakings and was originally agreed between the company and personnel of the Group by way of a Personnel Representation Cooperation Agreement in 2001. The number of personnel representatives was earlier two members and two deputy members and it was increased to the current number in December 2019 in connection with the TietoEVRY merger.

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 2019

Name	Born	Nationality	Education	Main occupation
Tomas Franzén (Board and RC Chairperson)	1962	Swedish	MSc. (Eng.)	Professional Board member
Salim Nathoo (Deputy Chairperson)	1971	British	MBA, MA (Math.)	Partner, Apax Partners LLP
Harri-Pekka Kaukonen (ARC Chairperson)	1963	Finnish	DSc. (Tech.)	Professional Board member
Timo Ahopelto	1975	Finnish	MSc. (Tech.)	Entrepreneur, investor and professional Board member
Rohan Haldea	1978	British	MBA, BSc. (Civ. Eng.)	Partner, Apax Partners LLP
Liselotte Hägertz Engstam	1960	Swedish	MSc. (Civ. Eng.)	Expert advisor, professional Board member
Niko Pakalén	1986	Finnish and Swedish	MSc. (Econ.)	Partner, Cevian Capital AB
Endre Rangnes	1959	Norwegian	BBA (Econ.)	CEO, Axactor SE, professional Board member
Leif Teksum	1952	Norwegian	MSc. (Econ.)	Partner, Vest Corporate Advisor AS, professional Board member
Tommy Sander Aldrin (personnel representative)	1965	Norwegian	BSc. (Comp.)	Chief Consultant
Ola Hugo Jordhøy (personnel representative)	1956	Norwegian	MSc. (Eng.), PGCE	Chief Consultant
Anders Palklint (personnel representative)	1967	Swedish	MSc. (Eng.)	Senior Project Manager
Ilpo Waljus (personnel representative)	1974	Finnish	BBA	Test Manager

The President and CEO and operative management

As from 1 January and until 5 February, TietoEVRY Group's operative management consisted of the President and CEO, the Group Leadership and the Industry Group, Service Line and Product Development Services (PDS) organizations. The Industry Solutions Service Line includes the New Data-Driven Businesses unit organized independently of other businesses.

After the strategy renewal published on 6 February, the company reorganized its operations into four reportable segments: Digital Experience, Hybrid Infra, Industry Software and Product Development Services. The new organization entered into force on 1 April.

After the TietoEVRY merger was implemented on 5 December, the current organization came into effect. The President and CEO is assisted by the Group Leadership, which includes the country Managing Partners, heads of businesses and Head of Centers of Excellence as well as Head of HR and CFO.

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

TietoEVRY's operating model is designed to drive customer value across markets and technologies. The operating model consists of Country Teams, Service Lines and Support Functions. In addition, Product Development Services, providing advanced software R&D services, will operate as a separate unit, serving their customers globally.

The Country Teams comprise the full capability of TietoEVRY and drive customer experience, quality and performance in that country. Service Lines are designed to bring competitive and scalable services to our customers and make all the capabilities available for each of the countries. TietoEVRY has four distinct Service Lines: Digital Consulting, Cloud & Infra, Industry Software and Financial Services Solutions.

Product Development Services is led independently of the Country Teams and Service Lines.

Members of the Group Leadership as at 31 December 2019

Kimmo Alkio
President and CEO
Born: 1963
Nationality: Finnish
Education: BBA and Executive MBA
Joined Tieto in 2011

Malin Fors-Skjæveland
Integration Officer
Born 1970
Nationality: Swedish
Education: MSc. (Tech.)
Joined EVRY in 2018

Kishore Ghadiyaram
Head of Strategy
Born: 1972
Nationality: Indian
Education: BSc. (Tech.)
Joined Tieto in 2008

Tomi Hyryläinen
Chief Financial Officer
Born: 1970
Nationality: Finnish
Education: MSc. (Econ.)
Joined Tieto in 2018

Ari Järvelä
Head of Operations
Born: 1969
Nationality: Finnish
Education: MSc. (Eng.)
Joined Tieto in 2001

Satu Kiiskinen
Managing Partner, Finland
Born: 1965
Nationality: Finnish
Education: MSc. (Econ.)
Joined Tieto in 2013

Tom Leskinen
Head of Product Development Services
Born: 1966
Nationality: Finnish
Education: LicSc. (Tech.)
Joined Tieto in 2013

Wiljar Nesse
Head of Financial Services
Born: 1964
Nationality: Norwegian
Education: MSc. (Econ.)
Joined EVRY in 2004

Thomas Nordås
Head of Digital Consulting
Born: 1971
Nationality: Norwegian
Education: MSc. (Math.)
Joined Tieto in 2019

Christian Pedersen
Managing Partner, Norway
Born: 1974
Nationality: Norwegian
Education: MSc. (Tech.)
Joined EVRY in 2014

Karin Schreil
Managing Partner, Sweden
Born: 1971
Nationality: Swedish
Education: MSc. (Eng.)
Joined EVRY in 2019

Christian Segersven
Head of Industry Software
Born: 1975
Nationality: Finnish
Education: MSc. (Tech.)
Joined Tieto in 2013

Johan Torstensson
Head of Cloud & Infra
Born: 1969
Nationality: Swedish
Education: MBA in Finance and Management
Joined EVRY in 2019

Trond Vinje
Head of HR
Born: 1968
Nationality: Norwegian
Education: MSc. (Pol. Sci.)
Joined EVRY in 2015

The remuneration of the Group Leadership is presented in the tables of the **Remuneration Statement**. More detailed background information, such as full CVs of the Group Leadership, is presented on the company's **website**.

Auditors

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

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the auditor to be elected at the AGM 2020 be reimbursed according to the auditor's invoice and in compliance with the purchase principles approved by the Committee.

The Board of Directors proposes to the AGM, in accordance with the recommendation of the ARC, that the firm of authorized public accountants Deloitte Oy be elected as the company's auditor for the financial year 2020. The firm of authorized public accountants Deloitte Oy has notified that APA Jukka Vattulainen will act as the auditor with principal responsibility.

Auditing

The AGM 2019 elected the firm of authorized public accountants Deloitte Oy as the company's auditor for the financial year 2019. Deloitte Oy notified the company that Authorized Public Accountant Jukka Vattulainen acts as principal auditor.

In 2019, TietoEVRY Group paid the auditors a total of EUR 0.9 (1.1) million in audit fees, and a total of EUR 0.9 (0.8) million for other services.

Shares and shareholders

TietoEVRY Corporation's issued and registered share capital on 31 December 2019 totalled EUR 76 555 412.00. In connection with the merger of Tieto and EVRY, a total of 44 316 519 new shares were registered at the Finnish Trade Register on 5 December 2019, increasing the total number of shares to 118 425 771. TietoEVRY's shares have no par value and their book counter value is one euro. The company's shares are listed on NASDAQ in Helsinki and Stockholm and trading on the Oslo Stock Exchange commenced on 5 December 2019. The company has one class of shares, with each share conferring equal dividend rights and one vote. The company's Articles of Association include a restriction on voting at the Annual General Meeting, where no-one is allowed to vote with more than one-fifth of the votes represented at the meeting. The Articles of Association are available at **www.tietoevry.com/investors.**

The company had 31 226 registered shareholders at the end of 2019 based on the ownership records of the Finnish, Swedish and Norwegian central securities depositories. On 31 December, TietoEVRY had two long-term shareholders holding 10% or more of the shares: Apax Guernsey (Holdco) PCC Limited, formerly the largest shareholder of EVRY, and Solidium Oy.
TietoEVRY received several announcements regarding a change in its shareholding during 2019. As a consequence of the increase in the number of shares in connection with the merger of EVRY into Tieto on 5 December, the company received the following announcements

- The holding of Cevian Capital Partners Ltd fell below the 10% threshold
- The holding of Silchester International Investors LLP fell below the 10% threshold
- The holding of Solidium Oy fell below the 10% threshold

Following the merger of Tieto and EVRY on 5 December 2019, Lyngen Holdco S.A.R.L. and Apax Global Alpha Limited received shares representing over 20% in TietoEVRY Corporation as merger consideration. Lyngen Holdco S.A.R.L. and Apax Global Alpha Limited are companies ultimately controlled by Apax Guernsey (Holdco) PCC Limited.

On 20 December, Solidium's holding in TietoEVRY rose to 10.01% whereas the holding of Apax Guernsey (Holdco) PCC Limited fell to 16.90%, as a consequence of the conditional share sale and purchase agreement announced on 20 June.

The members of the Board of Directors, the President and CEO and their close associates together held 0.1% of the shares and votes registered in the book-entry system on 31 December 2019. The President and CEO is also participating in the company's long-term share-based incentive plans. Potential rewards will be paid partly in TietoEVRY shares. As the number of additional shares related to these incentives is dependent on the company's performance, these are not included in this aggregate number.

In connection with the merger, Apax Partners LLP, acting through the company Lyngen Holdco S.A.R.L., Cevian Capital Partners Limited and Solidium Oy, entered into a binding governance agreement concerning the nomination of members of the company's Board of Directors. More details are available at **www.tietoevry.com/investors.**

At the end of 2019, the number of shares in the company's or its subsidiaries' possession totalled 172 245, representing 0.1% of the total number of shares and voting rights. Related to the company's share-based reward plan, a total of 110 658 shares held by TietoEVRY were transferred to the participants of the plan during the year. The number of outstanding shares, excluding the treasury shares, was 118 253 526 at the end of the year.

Share-based incentive plans

TietoEVRY has the following active share-based incentive plans: a Performance Share Plan 2017, 2018, 2019 and 2020 and a Restricted Share Plan 2017, 2018, 2019 and 2020. Additionally, EVRY's share-based incentive plans have been transitioned into Restricted Share Plans (RSP) at TietoEVRY. The plans continue and have been transformed in a value neutral way into restricted stock units in the combined company.

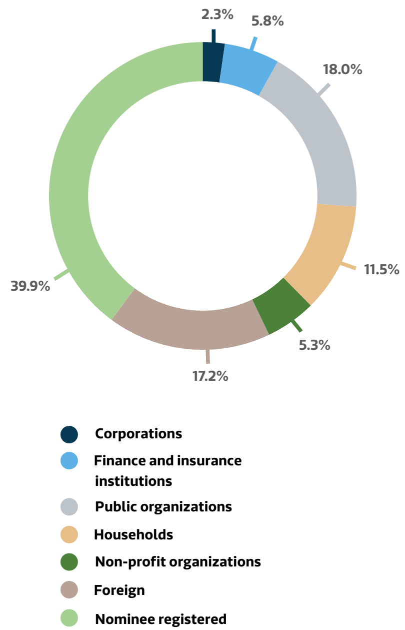
The potential rewards will be paid partly in the company's shares and partly in cash in 2020, 2021, 2022 and 2023, respectively. The share rewards to be delivered to the participants will consist of shares to be acquired from the market and treasury shares. Thus, no new shares will be issued in connection with the plans. The rewards to be paid on the basis of the plans correspond to the value of an approximate maximum total of 2 990 000 TietoEVRY shares (including the proportion to be paid in cash). The company has not issued any bonds with warrants and does not have any stock option programmes.

Board authorizations

The 2019 Annual General Meeting authorized the Board of Directors to decide on the repurchase of the company's own shares. The amount of own shares to be repurchased shall not exceed 7 400 000 shares, which currently corresponds to approximately 10% of all the shares in the company. The authorization is intended to be used to develop the company's capital structure.

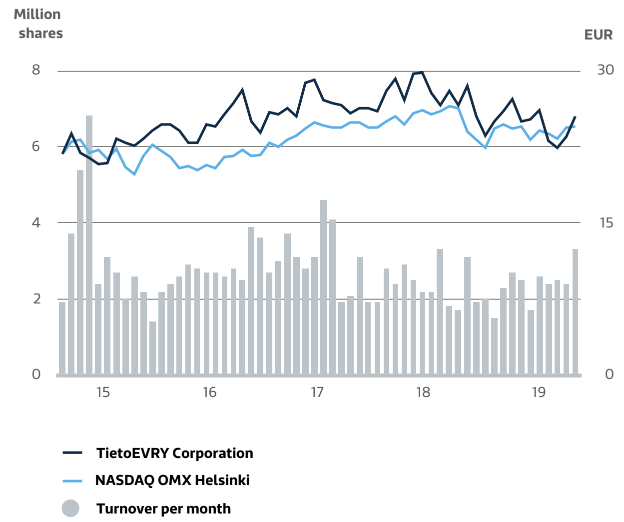
The Board of Directors was also authorized to decide on the issuance of shares as well as on the issuance of option rights and other special rights. The amount of shares to be issued based on the authorization (including shares to be issued based on the special rights) shall not exceed 7 400 000 shares, which currently corresponds to approximately 10% of all the shares in the company.

OWNERSHIP STRUCTURE ON DEC 31 2019



Based on the ownership records of Euroclear Finland Oy.

SHARE PRICE DEVELOPMENT AND TURNOVER, HELSINKI



Source: Thomson Reuters

Share information

	2019	2018	2017	2016	2015
Number of shares					
Number of shares	118 425 771	74 109 252	74 109 252	74 109 252	74 009 953
Outstanding shares[1)]					
At year end	118 253 526	73 826 349	73 723 125	73 697 570	73 544 869
Average	77 193 387	73 809 855	73 722 565	73 660 433	73 426 563
Share capital at year end, EUR	76 555 412	76 555 412	76 555 412	76 555 412	76 555 412
Per share data					
Earnings per share, EUR					
Basic	1.02	1.67	1.46	1.46	1.23
Diluted	1.02	1.66	1.46	1.46	1.23
Equity per share, EUR	14.31	6.54	6.46	6.62	6.57
Share price performance and trading volumes					
NASDAQ Helsinki					
Highest price of share, EUR	29.06	30.74	29.98	28.47	25.00
Lowest price of share, EUR	21.40	22.86	24.39	22.20	19.98
Average price of share, EUR	25.37	27.56	26.85	24.83	22.28
Turnover, number of shares	31 439 512	29 333 439	35 895 771	34 827 778	37 041 013
Turnover, %	26.5	39.6	48.4	47.0	50.0

	2019	2018	2017	2016	2015
Market capitalization EUR million	3 282.8	1 747.5	1 925.4	1 920.9	1 829.5
Dividends					
Dividend, EUR 1 000	150 182	103 465	103 212	101 001	99 290
Dividend per share, EUR	1.27	1.45	1.40	1.37	1.35
Payout ratio, %	124.0	86.9	95.9	93.8	109.8
Price-weighted ratios					
NASDAQ Helsinki					
Price per earnings ratio (P/E)	27	14	18	18	20
Dividend yield, %	4.6	6.1	5.4	5.3	5.5

1) Adjusted for shares held by the company

Major shareholders on 31 December 2019

		Shares	%
1	Apax Guernsey (Holdco) PCC Ltd *)	19 872 767	16.8
2	Solidium Oy **)	11 857 918	10.0
3	Cevian Capital Partners Ltd ***)	11 004 295	9.3
4	Silchester International Investors LLP ****)	9 526 411	8.0
5	Swedbank Robur fonder	2 288 942	1.9
6	Ilmarinen Mutual Pension Insurance Company	2 041 095	1.7
7	Folketrygdfondet	1 883 328	1.6
8	Elo Mutual Pension Insurance Company	1 183 000	1.0
9	Nordea funds	790 924	0.7
10	The State Pension fund	723 000	0.6
Top 10 shareholders total		**67 171 680**	**51.7**
- of which nominee registered		41 257 096	34.8
Nominee registered other		37 532 136	31.7
Others		19 721 955	16.7
Total		**118 425 771**	**100.0**

Based on the ownership records of Euroclear Finland Oy, Euroclear Sweden AB and Norwegian Central Securities Depository (VPS).

*) On 20 December 2019, Apax Guernsey (Holco) PCC Ltd announced that its holding in TietoEVRY Corporation was 19 872 767 shares, representing 16.8% of the shares and voting rights.

**) On 20 December 2019, Solidium Oy announced that its holding in TietoEVRY Corporation was 11 857 918 shares, representing 10.0% of the shares and voting rights.

***) Based on the ownership records of Euroclear Finland Oy, Cevian Capital Partners Ltd's holding on 31 December 2019 was 11 004 295 shares, representing 9.3 % of the shares and voting rights.

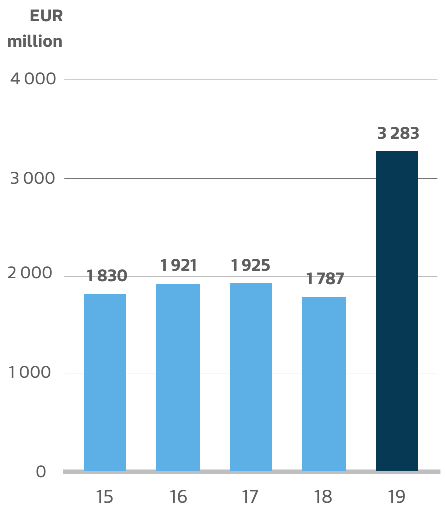
****) On 5 December 2019, Silchester International Investors LLP announced that its holding in TietoEVRY Corporation was 9 526 411 shares, representing 8.0% of the shares and voting rights.

Number of shares

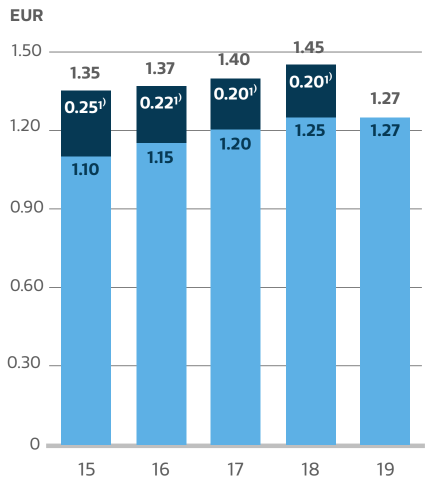
	Shareholder		Shares	
	No	%	No	%
1–100	7 816	42.7	401 242	0.3
101–500	6 862	37.5	1 772 881	1.5
501–1 000	1 816	9.9	1 395 396	1.2
1 001–5 000	1 504	8.2	3 200 810	2.7.
5 001–10 000	149	0.8	1 039 313	0.9
10 001–50 000	114	0.6	2 429 333	2.1
50 001–100 000	23	0.1	1 617 283	1.4
100 001–500 000	23	0.1	5 399 580	4.6
500 001–	10	0.1	101 159 373	85.4

Based on the ownership records of Euroclear Finland Oy

MARKET CAPITALIZATION



DIVIDEND / SHARE, EUR



1) Additional dividend, EUR

Dividend

The distributable funds of the parent company amount to EUR 1 802.4 million, of which net profit for the current year amounts to EUR 87.1 million. The Board of Directors proposes to the Annual General Meeting that for the financial year ended on 31 December 2019, a dividend of EUR 1.27 per share be paid from the distributable profits of the company. The Board of Directors proposes that the dividend shall be paid in two instalments:

- The first dividend instalment of EUR 0.635 per share shall be paid to shareholders who on the record date for the dividend payment on 30 March 2020 are recorded in the shareholders' register held by Euroclear Finland Oy or the registers of Euroclear Sweden AB or Verdipapirsentralen ASA (VPS).
- The second dividend instalment of EUR 0.635 per share shall be paid to shareholders who on the record date for the dividend payment on 30 September 2020 are recorded in the shareholders' registers.

The proposed dividend payout does not endanger the solvency of the company.

Significant risks and uncertainties

Consolidated net sales and profitability are sensitive to volatility in exchange rates, especially that of the Swedish Krona and Norwegian Krona. Sales to Sweden and Norway represent around two thirds of the Group's sales.

The merger integration and related transformation of the company will continue to affect performance in the short term and may result in temporarily lower productivity. Active employment market with high demand for specific competences may continue to result in high attrition rates.

TietoEVRY's ability to perform its obligations to customers can be affected by a failure by any significant supplier or partner to fulfil its obligations. Such failure may expose TietoEVRY to liabilities and impact the profitability of the company. The company has, for example, outsourced certain infrastructure operations to IBM, and a potential failure in deliveries by IBM under this agreement could lead to such consequences. In June 2019, IBM submitted a brief notice of arbitration to TietoEVRY, stating that the agreement is unbalanced and should be revised by the arbitrators. In October 2019, TietoEVRY submitted notices of arbitration against IBM in relation to a claim for reimbursement of disputed payments made by the company to IBM, as well as general failure by IBM to deliver its services in accordance with the terms of the Master Services Agreement.There is contact between the parties in respect of potential solutions to the challenges.

New disruptive technologies, such as cloud computing, drive customer demand towards standardized and less labour-intensive solutions where automation plays an important role. These changes may result in the need for restructuring.

The company's development is relatively sensitive to changes in the demand from large customers as TietoEVRY's top 10 customers currently account for around 16% of its revenue, with Product Development Services having the highest customer concentration in the company.

Typical risks faced by the IT service industry relate to the development and implementation of new technologies and software. In TietoEVRY's case these relate to both own software development, the scope in related project deliveries and integration of third-party software. Furthermore, additional technology licence fees and both the quality and timeliness of deliveries pose potential risks – and due to the nature of the business, IT service providers are vulnerable to disturbances, such as cybersecurity breaches.

The new EU General Data Protection Regulation took effect in May 2018. TietoEVRY is well prepared for the GDPR although there is still uncertainty with regards to how the authorities will interpret the regulation and impose fines in case of personal data breaches. In addition to fulfilling its regulatory and contractual obligations, TietoEVRY can tap into opportunities by helping customers in businesses through its security and application services.

Companies around the world are facing new risks arising from tax audits and some countries may introduce new regulation. Additionally, changes in the tax authorities' interpretations could have unfavourable impacts on taxpayers.

Risks and risk management are described in more detail in the Corporate Governance Statement 2019.

Events after the period

On 16 January, TietoEVRY announced a change in its Group Leadership. Wiljar Nesse, Head of Financial Services, will pursue new opportunities outside the company. Christian Segersven has taken on the role of Head of Financial Services, in addition to his role as Head of Industry Software.

Full-year outlook for 2020

TietoEVRY expects its comparable full-year adjusted[1)] operating profit (EBIT) to increase from the previous year's level (Tieto's and EVRY's adjusted operating profit combined amounted to a total of EUR 343.1 million in 2019).

[1)] Adjusted for amortization of acquisition-related intangible assets, restructuring costs, capital gains/losses, goodwill impairment charges and other items affecting comparability.

Calculation of key figures

Earnings per share	=	Net profit for the period / Average number of shares

Calculation of alternative performance measures

Tieto presents certain financial measures, which, in accordance with the "Alternative Performance Measures" guidance issued by the European Securities and Markets Authority, are not accounting measures defined or specified in IFRS and are, therefore, considered alternative performance measures. Tieto believes that alternative performance measures provide meaningful supplemental information to the financial measures presented in the consolidated financial statements prepared in accordance with IFRS and increase the understanding of the profitability of Tieto's operations. Alternative performance measures are not accounting measures defined or specified in IFRS and, therefore, they are considered non-IFRS measures, which should not be viewed in isolation or as a substitute to the IFRS financial measures.

Adjusted earnings per share	=	Net profit for the period excluding adjustments, net of tax / Average number of shares	
Adjustments	=	Amortization of acquisition-related intangible assets + restructuring costs + capital gains/losses + goodwill impairment charges + other items affecting comparability	
Adjusted operating profit (EBIT)	=	Operating profit + adjustments	
Adjusted operating profit margin (EBIT), %	=	Adjusted operating profit (EBIT) / Net sales	
Equity per share	=	Total equity / Number of shares at the year-end	
Capital expenditure	=	Acquisitions of intangible assets and property, plant and equipment	
Acquisitions	=	Acquisitions of subsidiaries and business operations, net of cash acquired	
Return on equity 12-month rolling, %	=	Profit before taxes and non-controlling interests – income taxes / Total equity (12-month average)	* 100
Return on capital employed, 12-month rolling, %	=	Profit before taxes and non-controlling interests + interest and other financial expenses / Total assets – non-interest-bearing liabilities (12-month average)	* 100
Equity ratio, %	=	Total equity / Total assets – advance payments	* 100
Interest-bearing net debt	=	Interest-bearing liabilities – interest-bearing receivables – cash and cash equivalents – securities carried as current assets	
Net debt/EBITDA	=	Interest-bearing net debt / EBITDA (12-month average, excluding capital gains)	
Gearing, %	=	Interest-bearing net debt / Total equity	* 100

Reconciliation of alternative performance measures

Adjusted operating profit (EBIT)

	2019	2018
Operating profit (EBIT)	124.2	154.7
+ restructuring costs	27.9	9.3
+ premises related expenses	—	0.3
- capital gains	0.0	-4.6
+/- M&A related items	24.8	1.4
+ IBM partner agreement	2.7	—
+ TietoEVRY integration	4.9	—
+ amortization of acquisition-related intangible assets	7.5	5.2
+/- other items	4.2	1.8
Adjusted operating profit (EBIT)	**196.4**	**168.0**

CONSOLIDATED FINANCIAL STATEMENTS (IFRS)

Income Statement

EUR million	Note	2019	2018
Revenue	2, 3	1 734.0	1 599.5
Other operating income	4	16.9	22.0
Materials and services		-298.1	-247.9
Employee benefit expenses	8	-989.7	-905.0
Depreciation and amortization	12,13	-106.1	-55.0
Impairment losses	25	-3.1	-2.9
Other operating expenses	5	-235.4	-261.8
Share of results in joint ventures	25	5.7	5.8
Operating profit (EBIT)		**124.2**	**154.7**
Interest and other financial income	6	2.3	2.3
Interest and other financial expenses	6	-15.3	-5.2
Net foreign exchange gains/losses	6	-10.0	1.0
Profit before taxes		**101.2**	**152.8**
Income taxes	11	-22.1	-29.6
Net profit for the financial year		**79.1**	**123.2**
Net profit for the financial year attributable to			
Owners of the Parent company		79.0	123.2
Non-controlling interest		0.0	0.0
		79.1	**123.2**
Earnings per share attributable to owners of the Parent company, EUR per share	7		
Basic		1.02	1.67
Diluted		1.02	1.66

Statement of other comprehensive income

EUR million	Note	2019	2018
Net profit for the financial year		79.1	123.2
Items that may be reclassified subsequently to profit or loss			
Translation differences		48.9	-15.9
Cash flow hedges, net of tax		—	—
Items that will not be reclassified subsequently to profit or loss			
Remeasurements of the defined benefit plans	10	-11.3	-0.6
Income tax related to remeasurements	11	2.3	0.1
Total comprehensive income		**119.0**	**106.8**
Total comprehensive income attributable to			
Owners of the Parent company		119.0	106.8
Non-controlling interest		0.0	0.0
		119.0	**106.8**

Notes are an integral part of these consolidated financial statements.

Statement of financial position

Assets

EUR million	Note	31 Dec 2019	31 Dec 2018
Non-current assets			
Goodwill	12, 25, 26	2 041.5	442.6
Other intangible assets	12	423.9	45.6
Property, plant and equipment	13	111.2	92.3
Right-of-use assets	19	292.1	–
Interests in joint ventures	25	23.1	16.0
Deferred tax assets	11	35.9	23.6
Defined benefit plan assets	10	0.0	5.5
Finance lease receivables	19, 22	3.8	0.7
Other financial assets at amortized cost	22	10.3	0.5
Other financial assets at fair value	22	0.6	0.5
Other non-current receivables	14	37.6	14.9
Total non-current assets		**2 980.0**	**642.3**
Current assets			
Inventories		5.2	–
Trade and other receivables	14	658.6	379.4
Financial assets at fair value	22	13.6	3.6
Finance lease receivables	19	1.8	0.9
Current tax assets		15.7	6.9
Cash and cash equivalents	15	164.6	164.6
Total current assets		**859.6**	**555.3**
Assets held for sale	1	19.6	–
Total assets		**3 859.2**	**1 197.6**

Equity and liabilities

EUR million	Note	31 Dec 2019	31 Dec 2018
Equity			
Share capital	16	76.6	76.6
Share premium and other reserves	16	40.9	41.5
Invested unrestricted equity reserve	16	1 203.5	12.8
Retained earnings	16	370.6	351.6
Equity attributable to owners of the Parent company		**1 691.6**	**482.5**
Non-controlling interest		0.0	0.0
Total equity		**1 691.7**	**482.5**
Non-current liabilities			
Loans	17, 19, 22	591.5	185.5
Lease liabilities	17, 19, 22	222.9	–
Deferred tax liabilities	11	91.8	38.0
Provisions	18	9.1	3.3
Defined benefit obligations	10	41.6	9.9
Other non-current liabilities	20	36.7	3.2
Total non-current liabilities		**993.6**	**240.0**
Current liabilities			
Trade and other payables	20	682.8	339.7
Financial liabilities at fair value	22	19.0	0.4
Current tax liabilities		8.0	8.9
Loans	17, 19, 22	372.6	118.6
Lease liabilities	17, 19, 22	75.4	–
Provisions	18	13.0	7.4
Total current liabilities		**1 170.8**	**475.0**
Liabilities attributable to assets held for sale	1	3.1	–
Total equity and liabilities		**3 859.2**	**1 197.6**

Notes are an integral part of these consolidated financial statements.

Statement of cash flows

EUR million	Note	2019	2018
Cash flow from operating activities			
Net profit for the financial year		79.1	123.2
Adjustments			
Depreciation, amortization and impairment losses	12, 13, 25	109.2	57.9
Profit/loss on sale of property, plant and equipment, subsidiaries and business operations		—	-5.0
Share of results in joint ventures	25	-5.7	-5.8
Other adjustments		28.9	-0.1
Net financial expenses	6	23.0	1.9
Income taxes	11	22.1	29.6
Change in net working capital			
Change in current receivables		12.9	20.3
Change in current non-interest-bearing liabilities		53.7	-23.5
Cash generated from operating activities before interests and taxes		**323.3**	**198.6**
Interest received		2.2	2.1
Interest paid		-12.2	-3.9
Other financial income received		7.8	7.7
Other financial expenses paid		-15.1	-12.0
Dividends received	25	3.6	3.2
Income taxes paid		-31.4	-21.4
Cash flow from operating activities		**278.4**	**174.2**

Notes are an integral part of these consolidated financial statements.

EUR million	Note	2019	2018
Cash flow from investing activities			
Acquisition of subsidiaries and business operations, net of cash acquired	1	-175.7	-14.5
Repayment of EVRY loans	17	-534.2	—
Capital expenditure		-51.4	-45.0
Disposal of subsidiaries and business operations, net of cash disposed		0.3	8.4
Proceeds from sale of property, plant and equipment		0.1	0.6
Change in loan receivables		-1.4	1.2
Cash flow from investing activities		**-762.4**	**-49.3**
Cash flow from financing activities			
Dividends paid		-107.4	-103.4
Repayments of lease liabilities[1]	17, 19	-50.3	-0.8
Bridge loan related to merger	17	300.0	—
Repayment of bond	17	-100.0	—
Other short-term financing, net	17	40.7	-116.9
Proceeds from long-term borrowings	17	400.0	185.0
Repayments of long-term borrowings	17	—	-1.6
Other financing cash flow		—	-3.5
Cash flow from financing activities		**483.0**	**-41.2**
Change in cash and cash equivalents		**-1.0**	**83.7**
Cash and cash equivalents at the beginning of period	15	164.6	78.2
Foreign exchange differences		1.0	2.7
Change in cash and cash equivalents		-1.0	83.7
Cash and cash equivalents at the end of period		**164.6**	**164.6**

[1] IFRS 16 Leases adopted on 1 January 2019 retrospectively by using the cumulative catch up method and 2018 comparatives have not been restated.

Statement of changes in shareholders' equity

EUR million	Note	Share capital	Share premium and other reserves	Own shares	Translation differences	Cash flow hedges	Invested unrestricted equity reserve	Retained earnings	Total	Non-controlling interest	Total equity
		Owners of the Parent company									
31 Dec 2018		**76.6**	**41.5**	**-5.1**	**-93.3**	**—**	**12.8**	**450.1**	**482.5**	**0.0**	**482.5**
Comprehensive income											
Net profit for the period		—	—	—	—	—	—	79.1	79.1	0.0	79.1
Other comprehensive income, net of tax											
Remeasurements of the defined benefit plans, net of tax		—	—	—	—	—	—	-9.0	-9.0	—	-9.0
Translation differences		—	-0.6	—	47.3	—	—	2.2	48.9	—	48.9
Cash flow hedges, net of tax		—	—	—	—	-4.3	—	—	-4.3	—	-4.3
Transfer of cash flow hedging losses to the initial carrying amount of hedged item		—	—	—	—	4.3	—	—	4.3	—	4.3
Total comprehensive income		**—**	**-0.6**	**—**	**47.3**	**—**	**—**	**72.3**	**119.0**	**0.0**	**119.0**
Merger	1										
Merger consideration		—	—	—	—	—	1 194.8	—	1 194.8	—	1 194.8
Transaction costs on share issue		—	—	—	—	—	-4.1	—	-4.1	—	-4.1
Vested portion of share-based payment awards related to the merger		—	—	—	—	—	—	6.7	6.7	—	6.7
Total merger		**—**	**—**	**—**	**—**	**—**	**1 190.7**	**6.7**	**1 197.4**	**—**	**1 197.4**
Transactions with owners											
Contributions and distributions											
Share-based incentive plans	9	—	—	2.2	—	—	—	-2.3	-0.1	—	-0.1
Dividends		—	—	—	—	—	—	-107.2	-107.2	—	-107.2
Total transactions with owners		**—**	**—**	**2.2**	**—**	**—**	**—**	**-109.5**	**-107.3**	**—**	**-107.3**
31 Dec 2019		**76.6**	**40.9**	**-2.9**	**-46.0**	**—**	**1 203.5**	**419.6**	**1 691.6**	**0.0**	**1 691.7**

Statement of changes in shareholders' equity

		Owners of the Parent company								
EUR million	**Note**	**Share capital**	**Share premium and other reserves**	**Own shares**	**Translation differences**	**Invested unrestricted equity reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
31 Dec 2017		**76.6**	**42.6**	**-11.6**	**-78.5**	**12.8**	**433.3**	**475.2**	**0.4**	**475.6**
Adjustment on initial application of IFRS 9, net of tax		—	—	—	—	—	0.2	0.2	—	0.2
Adjustment on initial application of IFRS 2 amendment		—	—	—	—	—	4.0	4.0	—	4.0
Other adjustment		—	—	3.9	—	—	-3.9	0.0	—	0.0
1 Jan 2018		**76.6**	**42.6**	**-7.7**	**-78.5**	**12.8**	**433.5**	**479.3**	**0.4**	**479.7**
Comprehensive income										
Net profit for the financial year		—	—	—	—	—	123.2	123.2	0.0	123.2
Other comprehensive income, net of tax										
Remeasurements of the defined benefit plans, net of tax		—	—	—	—	—	-0.6	-0.6	—	-0.6
Translation differences		—	-1.1	—	-14.8	—	0.0	-15.9	—	-15.9
Total comprehensive income		**—**	**-1.1**	**—**	**-14.8**	**—**	**122.6**	**106.7**	**0.0**	**106.7**
Transactions with owners										
Contributions and distributions										
Share-based incentive plans	9	—	—	2.6	—	—	0.1	2.7	—	2.7
Dividends		—	—	—	—	—	-103.4	-103.4	—	-103.4
Changes in ownership interests										
Acquisition of non-controlling interest without change in control		—	—	—	—	—	-2.9	-2.9	-0.4	-3.3
Total transactions with owners		**—**	**—**	**2.6**	**—**	**—**	**-106.2**	**-103.6**	**-0.4**	**-104.0**
31 Dec 2018		**76.6**	**41.5**	**-5.1**	**-93.3**	**12.8**	**450.1**	**482.5**	**0.0**	**482.5**

Notes are an integral part of these consolidated financial statements.

Accounting policies for the consolidated accounts

Corporate information

TietoEVRY Corporation (business identity code 0101138-5) is a Finnish public limited liability company organized under the laws of Finland. It is domiciled in Espoo and the address of the Group head office is Keilalahdentie 2-4, 02101 Espoo, Finland. The company is listed on NASDAQ Helsinki and Stockholm as well as in Oslo Børs.

TietoEVRY is a leading Nordic digital services company serving clients across Sweden, Norway and Finland and offering software, IT solutions and consulting services, as well as operations of IT systems. In addition, the Group offers outsourcing services and services related to data communication and data security.

Tieto and EVRY merged on 5 December 2019. In the consolidated financial statements, the merger has been accounted for as a business combination using the acquisition method with Tieto determined as the acquirer of EVRY. The consolidated financial statements include EVRY's income statement from 5 December 2019 onwards and statement of financial position as of 31 December 2019. Therefore, the historical financial information of Tieto does not give a comparable base for financial information of the present combined company.

More information of the merger is disclosed in **note 1**.

The Board of Directors approved these consolidated financial statements on 24 February 2020. According to the Limited Liability Companies Act, the shareholders have the right at the Annual General Meeting to either approve, amend or reject the consolidated financial statements after the publication.

Basis of preparation

These consolidated financial statements of TietoEVRY Corporation have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations as adopted by the European Union. The financial statements also comply with Finnish accounting principles and corporate legislation complementing the IFRSs. The consolidated financial statements are presented in millions of euros and have been prepared under the historical cost convention, unless otherwise stated in these accounting policies. All figures presented have been rounded, and consequently the sum of individual figures can deviate from the presented sum figure. Key figures have been calculated using exact figures.

Adoption of new and amended IFRS standards and interpretations

The Group has applied the following new or amended standards starting from 1 January 2019.

IFRS 16 Leases

IFRS 16 removed the distinction between operating and finance leases. Under the new standard, an asset (right to use the leased item) and a financial liability to pay rentals are recognized in the statement of financial position. The Group adopted IFRS 16 using modified retrospective approach, where the requirements of the standard have been applied to open contracts in scope on the date of transition and comparatives have not been restated. Adoption of IFRS 16 had no effect on Group equity.

Nature and the effect of adoption of IFRS 16

Group as a lessee - Leases previously classified as operating leases

Upon transition to IFRS 16, the Group recognized lease liabilities in relation to leases which had previously been classified as operating leases and reported as straight-line expenses during the lease term in other operating expenses or employee benefit expenses. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities upon transition was 3.85%.

The Group has assessed lease of software to be outside the scope of IFRS 16.

Leases previously classified as finance leases were carried forward at the same carrying amounts of lease assets and liabilities immediately before transition. Upon transition, it was identified that operating lease commitments included payments of services of EUR 15.1 million. These have been excluded from the table below which illustrates the bridge between previous off-balance sheet leases and lease liabilities on 1 Jan 2019.

	EUR million
Rent and Operating lease commitments on 31 Dec 2018	**166.9**
Changes in lease term considerations	18.0
Other	-2.0
Rent and Operating lease commitments subject to discounting	**182.9**
Discounting effect	-17.8
Finance lease liabilities	1.6
Lease liabilities on 1 Jan 2019	**166.7**

The right-of-use assets were measured at the same value as lease liabilities, adjusted for any pre-payments or accrued costs or discounts immediately before transition. The IFRS 16 transition had the following impact on statement of financial position:

Assets

EUR million	2018 31 Dec	IFRS 16	2019 1 Jan
Capitalized finance leases	1.6	-1.6	—
Right-of-use assets			
Buildings	—	144.3	144.3
Machinery and equipment	—	19.3	19.3
Total	**1.6**	**162.0**	**163.6**

Liabilities

EUR million	2018 31 Dec	IFRS 16	2019 1 Jan
Trade and other payables	-3.1	3.1	—
Lease liabilities			
Current	-0.8	-45.2	-46.0
Non-current	-0.8	-119.9	-120.7
Total	**-4.7**	**-162.0**	**-166.7**

IFRS 16 impact in 2019

The table below presents IFRS 16 transition impact for Tieto. EVRY December is excluded.

EUR million	2019 1-3	2019 4-6	2019 7-9	2019 10-12	2019 Total
On depreciations	11.5	11.7	11.8	11.8	46.8
On EBITDA	12.4	12.8	12.5	12.4	50.1
On EBIT	0.9	1.1	0.7	0.6	3.3
On net result	-0.4	-0.6	-0.7	-0.7	-2.4
In the cash flow from operating activities (offset in the cash flow from financing activities)	13.8	11.6	11.0	12.0	48.4
On Net debt/EBITDA	0.5	0.4	0.4	0.4	
IFRS 16 had an estimated impact of EUR 0.03 on EPS for 2019					

Practical expedients applied upon transition

The Group applied the following practical expedients upon transition:

- At the date of initial application it was not reassessed whether a contract is a lease.
- Where the contract contained options to extend or terminate the lease hindsight was used in determining the lease term.
- The Group relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Initial direct costs for the measurement of the right-of-use asset at the date of initial application were excluded.

Group as a lessor

IFRS 16 did not change lessor accounting and, therefore, there was no impact on the Group upon transition.

The revised accounting policy on leases is described under heading Leases.

Other standards

Other amendments to IFRS standards or new IFRIC interpretations had no impact on TietoEVRY's consolidated financial statements.

New or amended IFRS standards or IFRIC interpretations that are not yet effective are not expected to have a material impact on the Group's financial statements in the current or future reporting periods. Those will be adopted as of their effective date.

Consolidation principles

The consolidated financial statements include the Parent company TietoEVRY Corporation and all subsidiaries over which the Parent company has directly or indirectly more than one half of the voting rights, or the Parent company is otherwise in control of the company. Control exists when TietoEVRY is exposed to, or has rights to, variable returns from its involvement with the entity and can affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is achieved until the date on which control ceases by using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group and it includes also the fair value of any asset or liability resulting from a contingent consideration. Contingent consideration classified as liability is remeasured at its fair value at each reporting date and the subsequent changes to fair value are recognized in profit or loss. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognized as goodwill at the acquisition date. If the cost of the acquisition is less than the fair value of the net assets acquired in the case of a bargain purchase, the resulting gain is recognized in profit or loss.

Intra-group receivables, payables and transactions including dividends and internal profit are eliminated on consolidation. When necessary, subsidiaries' accounting policies have been aligned to correspond to the Group's accounting policies. The result for the period and items of other comprehensive income are allocated to the equity holders of the company and non-controlling interests and presented in the income statement and statement of other comprehensive income. Non-controlling interests are shown separately under shareholders' equity.

Companies, where TietoEVRY has assumed management responsibility, has contractually based joint control with a third party and has right to the net assets of the company based on the contractual arrangement are included in the consolidated financial statements as joint ventures. Joint ventures are accounted by using the equity method under which the investments in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of joint venture's losses exceeds the carrying amount of the investment, the investment is recognized at zero value in the statement of financial position and the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

Sales to and purchases from joint ventures are made on normal market terms and conditions and at market prices. The Group's share of the joint ventures' result for the period is separately disclosed in the income statement.

Segment reporting

The reportable segments of TietoEVRY in these consolidated financial statements consist of - Digital Experience, Hybrid Infra, Industry Software, Product Development Services and EVRY. As the merger was completed close to year-end and the new operating model of TietoEVRY has not yet been implemented as of 31 December 2019, EVRY is reported as one segment.

The operating segments are reported in a manner consistent with the internal reporting provided to the Leadership team which has been identified as TietoEVRY's chief operating decision maker being responsible for allocating resources and assessing performance of the operating segments as well as deciding on strategy. Segment reporting is prepared according to IFRS accounting principles.

No internal sales occur between the reportable segments as in the internal reporting, revenue and costs are recognized directly to the respective customer projects in the service lines. The performance of segments is assessed based on operating profit (EBIT).

Group level costs related to Global management, Support functions and other non-allocated costs are not included in the segments but are reported under Support Functions and Global Management in the segment reporting.

Foreign currency transactions

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, which is the Parent company's functional and presentation currency.

Foreign currency transactions are translated into local functional currencies using the exchange rates prevailing on the transaction date. The foreign currency monetary items are translated using period end exchange rates. The foreign currency non-monetary items held at fair value are translated into the functional currency using the exchange rate prevailing at the date when the fair value was determined or remeasured. Other non-monetary items are recognized at the exchange rate prevailing on the transaction date.

For internal, long-term loans to subsidiaries, when classified as net investment in foreign operation, all related unrealized foreign exchange gains and losses are recognized in profit or loss in the separate financial statements. In the consolidated financial statements, such exchange differences are recognized initially in other comprehensive income and reclassified from equity to profit or loss on disposal of the net investment.

Other foreign exchange gains and losses related to business operations are included in operating profit. Foreign exchange gains and losses associated with financing are recognized in finance income and expenses.

For those Group entities whose functional and presentation currency is not the euro, the income statements and statements of financial position are translated into the Group presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated using the exchange rates prevailing at the reporting date;
- income and expenses for each income statement are translated using the average exchange rates of the reporting period;
- all resulting translation differences are recognized in other comprehensive income.

When a subsidiary is sold, any translation differences are recognized in the consolidated income statement as part of the gain or loss on the sale.

Goodwill and fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated into euro using the exchange rates prevailing at the reporting date. Translation differences arising are recognized in other comprehensive income.

Revenue recognition

The business models of the Group consist of continuous services, software solutions, projects and consulting. Goods mainly include sales of software licenses. Revenue comprises the fair value for the sale of IT services and goods, net of value-added tax, discounts and exchange rate differences.

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes consideration collected on behalf of third parties. The Group recognises revenue when it transfers control of a good or service to a customer.

Revenue from service contracts is based on service volumes or time and materials and the performance obligations are recognized over the accounting period in which the services are rendered or project completed. The services are generally satisfied and the control transferred to the customer over time given that either the customer simultaneously receives and consumes the benefits provided by the Group, or the Group's performance does not create an asset with an alternative use for the Group, in which case there is an enforceable right to payment for work completed to date.

In majority of the businesses, covering continuous services, time and material projects and consulting, the performance obligations satisfied are invoiced on monthly basis. At the time of invoicing, a receivable is recognised by the Group as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The standard payment term is 30 days, net, according to the Group's Credit Policy. Goods, typically distinct licenses, that provide a right to use the software, are invoiced on delivery. The license revenue is recognized at a point in time when the license is delivered, the legal title has passed, the customer has accepted the license and has access to the licensed software. Distinct licenses, that provide a right to access the software, are recognized over the contract period.The contract assets or liabilities do not typically arise in the businesses described above.

For contracts comprising fixed-price projects, revenue is recognized based on the actual service provided by the reporting date as a proportion of the total services to be provided. This is determined based on the cost of actual labour hours spent relative to the total expected cost of labour hours, as it best depicts the transfer of control to the customer. Estimates of revenues, costs or progress towards completion are revised if circumstances change and any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by the management. Invoicing and customer payments in the fixed-price projects follow the payment schedule defined in the customer contract. If the services rendered by the Group exceed the payment, a contract asset is recognized, and if the payments exceed the services rendered, a contract liability is recognized.

The customer contracts of the Group typically comprise several of the business models described above. The most appropriate presentation on how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors is considered to be the disaggregation of revenue presented in the segment reporting in **note 2**. The disaggregation of Customer sales from long-term fixed-price contracts by segment represents the revenue from contracts for which the risks are different compared to other contracts with customers.

Some contracts include delivery of hardware together with variety of services from the Group. Hardware is usually provided by another service provider. The installation of hardware is simple, does not include an integration service from the Group and could be performed by another party. It is, therefore, accounted for as a separate performance obligation. In these contracts, TietoEVRY usually acts as an agent, as the Group does not obtain control of the hardware provided by another party before it is transferred to the customer.

Where the contracts include multiple performance obligations, the transaction price is allocated to each performance obligation based on the stand-alone selling prices, which are observable from the contracts and represent prices for services rendered in similar circumstances to similar customers. Revenue from contracts granting a discount retrospectively to the customer is recognized based on the price specified in the contract, net of the estimated discounts. Accumulated customer specific experience is used to estimate and provide for the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

The Group grants assurance type of warranties which guarantee that the delivery complies with agreed specifications. These are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The Group does not have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Consequently, the Group does not adjust any of the transaction prices for the time value of money.

The Group capitalizes material costs of set-up activities related to transition or implementation projects in the initial phase of continuous operating service contracts, when the criteria for capitalization according to IFRS 15 are met. The set-up activities do not result in the transfer of a promised good or service and are not identified as a performance obligation to the customer. The capitalized costs of a contract are amortized during the period when the revenue for related continuous operating service contract is recognized.

Management judgement is required when estimating recognition of revenue for fixed price projects and amounts of retrospective discounts. Judgement is also used when determining what is the contract and what are the set-up costs to be capitalized. More information is disclosed under heading Critical accounting estimates and assumptions.

Income taxes

Tax expense for the period includes current taxes of the Group companies based on taxable profit for the year, together with tax adjustments for previous years and changes in deferred taxes. Tax is recognized in the income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related income tax is also recognized in other comprehensive income or directly in equity, respectively. The share of results in joint ventures is reported in the income statement based on the net result and thus, including the income tax effect.

Deferred income tax is recognized, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using the tax rates and laws which have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. The most significant temporary differences arise from depreciation differences, tax losses carried forward and intangible assets. Deferred taxes are accounted for temporary differences except for the following: for such goodwill that is not deductible for taxation purposes, the initial recognition of an asset or liability in a transaction other than a business combination that affect neither accounting nor taxable profit or loss, and differences related to investments in subsidiaries to the extent that they will probably not be reversed in the foreseeable future.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The deferred tax assets and liabilities arising from consolidation are recognized in the consolidated statement of financial position if it is probable that the related tax effects will occur.

Government grants

Government grants are recognized as other operating income on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. Investment grants related to acquisitions of property, plant and equipment and intangible assets are deducted from the cost of the asset in question in the statement of financial position and recognized as income on a systematic basis over the useful life of the asset in the form of reduced depreciation or amortization expense.

Research and development costs

Research costs are expensed when incurred. Development costs related to major new software products are capitalized as intangible assets when it is probable that the development will generate future economic benefits for the Group, and certain criteria related to commercial and technological feasibility are met. Development costs comprise service and solution development focusing on, for example, industry-specific software, customer experience management and security services, as well as cloud services. Additionally, the costs for related internal development, e.g. automation in infrastructure services, are included in development costs.

Subsequent to initial recognition, capitalized development costs are measured at cost less accumulated amortization and impairment losses.

Goodwill and other intangible assets

Goodwill arising on a business combination represents the excess of the aggregate of the consideration transferred, the amount of non-controlling interests in the acquiree and previously held equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. Goodwill is not amortized, but tested for impairment at least annually. Goodwill is measured at cost less accumulated impairment losses. In respect of joint ventures, goodwill is included in the carrying amount of the investment.

Other intangible assets than goodwill are recognized initially at cost. An intangible asset is recognized only if it is probable that the future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. All other costs are expensed as incurred. After initial recognition, intangible assets are measured at cost less amortizations and accumulated impairment losses. Intangible assets are amortized over their useful lives with the straight-line method. TietoEVRY does not have any intangible assets with indefinite useful lives other than goodwill.

Intangible assets acquired in business combinations are measured at fair value at the acquisition date. These are usually customer or technology related and have finite useful lives.

The Group applies the following useful lives:

	Years
Software	3
Other intangible assets	3–10
Technology related intangible assets recognized at fair value from acquisitions	3–15
Customer related intangible assets recognized at fair value from acquisitions	2–10
Trademark	6

Gains and losses on disposal of intangible assets are included in other operating income and expenses.

Impairment testing of goodwill

Goodwill recognized in a business combination is tested for impairment annually or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of impairment testing, goodwill is allocated to the operating segments of the Group, which are the cash generating units (CGU) expected to benefit from the synergies of the business combination. If the carrying amount of goodwill allocated to the operating segments exceeds its recoverable amount, an impairment loss equal to the difference is recognized in profit or loss. The recoverable amount is the higher of the value in use represented by the net present value of future cash flows and the fair value less costs to sell. Impairment losses on goodwill are not reversed.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Government grants received are deducted from the cost.

Land is not depreciated. Property, plant and equipment acquired in business combinations are measured at fair value at the acquisition date. Depreciation is recognized according to plan based on the estimated economic lives of the individual assets and accounted for in accordance with the straight-line method. The assets' residual useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The group applies the following useful lives:

	Years
Buildings and structures	25–40
Data processing equipment[1)]	1–5
Other machinery and equipment	5
Other tangible assets	5

[1)] Purchases of personal computers are expensed immediately.

Leases

Group as a lessee

Initially, lease liabilities are measured at the commencement date at the present value of the lease payments, discounted using the interest rate implicit in the lease, if it can be readily determined. If the rate can’t be readily determined, such as in real estate leases, the incremental borrowing rate is used which reflects the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Incremental borrowing rate is defined for each legal entity, differentiated based on lease contract length and updated on a yearly basis.

Lease term includes non-cancellable period for which the Group has the right to use the underlying asset, together with both enforceable:

- Periods covered by an option to extend the lease, if the Group is reasonably certain to exercise that option; and
- Periods covered by an option to terminate the lease, if the Group is reasonably certain not to exercise that option.

The decision if extension or termination options of lease contracts would be used, lies within related organisation responsible for underlying asset management and is in line with overall strategy and business development plans.

In determining if either lessor or lessee would incur more than insignificant penalties by using or not using either of options, the Group considers not only penalties directly defined in contracts, but also wider economic costs, such as, reallocation costs or finding new tenants.

Lease payments include fixed payments, in substance fixed payments, lease payments that depend on index or rate and exercise price of purchase option, if it is reasonably certain to be exercised.

Subsequently, lease liabilities are measured at amortized cost, by increasing or reducing the carrying amount to reflect interest on the lease liability and the lease payments made, respectively. Lease liabilities are remeasured for lease reassessments done or modified to reflect revised in-substance fixed lease payments.

Interest expenses are recognized in profit or loss.

Right-of-use assets are initially measured at the amount equal to lease liability:

- less payments made at or before commencement date and lease incentives received
- adding initial direct costs; and
- adjusting by estimated dismantling or site restoration costs

Subsequently, right-of-use assets are measured applying cost model, where asset cost is reduced by accumulated depreciation and impairment losses and adjusted by remeasurement of a respective lease liability.

Right-of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

TietoEVRY has applied recognition exemptions allowed by the standard not to capitalize short term leases (lease term less than 1 year at commencement, where there is no purchase option) and leases of low value assets. Typically, such assets would include lease individual IT equipment and office furniture. Payments for such assets are recognized in profit or loss on straight-line basis during the lease term. The Group has also elected to separate service component of a lease for all asset types, except for cars, where only variable lease payments are excluded from the measurement of lease liability.

The Group presents cash payments for the principal portion of lease liabilities as cash flows from financing activities and interest portion within cash flows from operating activities. Until 1 Jan 2019, all the lease payments for operating leases were presented in the cash flow from operating activities. Short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability are presented as part of operating activities.

Group as a lessor

If an arrangement conveys a right to use a specific asset to a purchaser, often together with related services, the assets, mainly technical equipment, are classified as embedded finance leases. Sales derived from these embedded finance leases are recognized at the beginning of the agreement period. The annual payments are disclosed as amortization of the finance lease loan receivable and interest income.

Inventories

Inventories consists of cards, chips and PCs and are measured at the lower of cost and net realisable value. Cost is determined based on average cost and net realisable value represents the estimated selling price under normal commercial conditions less estimated costs of sale.

Financial instruments

Recognition, de-recognition and measurement

Derivatives and Other shares and securities owned by the Parent company, are accounted at fair value through profit or loss. Trade Receivables, Lease receivables, Other interest bearing receivables and Cash and cash equivalents have Business Model to collect contractual cash flows that are solely payments of principal and interest and, therefore, those are accounted at amortized cost. Trade Receivables to be sold via non-recourse factoring are accounted at fair value through profit or loss.

Regular way purchases and sales of financial assets are accounted for at settlement date, for all categories of financial assets, where entity sell them and which are not derivatives.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

All financial instruments are initially recognized at fair value. Transaction costs are included in the carrying value only if the financial instrument is not recorded at fair value through profit or loss in which case transaction costs are expensed in profit or loss. Usually the fair value equals the amount received or paid.

Hedge accounting

Cash flow hedges that qualify for hedge accounting

During reporting period, the Group has been designating certain derivatives as hedges of a particular risk associated with a highly probable forecast transaction (cash flow hedge).

At inception of the hedge accounting, The Group documents the economic relationship between the hedging instruments and hedged items, its' risk management objective and strategy for undertaking the hedge transaction.

Derivatives are Financial assets or Financial liabilities measured at fair value. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. Amounts are reclassified to income statement in periods when the hedged item affects profit or loss. Where the hedged items subsequently result in the recognition of a non-financial asset, the spot component of forward contracts is always included within the initial cost of the asset. The group decides the treatment of forward element for each cash flow hedge relationship individually.

Hedge effectiveness is determined first upon inception and later throughout the hedge relationship period at least at each reporting date. This is done by assessing the prospective capacity of the derivatives in offsetting changes in fair values or cash flows of hedged items. When the critical terms of hedged transaction no longer match exactly with the critical terms of the hedging instrument, the group uses the hypothetical derivative method to assess effectiveness. The ineffective portion of changes in fair value of designated derivatives is recognized immediately in the income statement within the other financial income or expenses.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

Impairment of financial assets

Financial assets that are subject to impairment calculations include trade receivables, contract assets, finance lease receivables and cash and cash equivalents.

Regarding finance lease receivables, impairment will be evaluated on an individual case-by-case basis, at least on each reporting date. For cash and cash equivalents, the Group considers these not to be subject to impairment unless unexpected circumstances occur.

For all the other assets mentioned above, TietoEvry has elected to apply the simplified option permitted by IFRS 9 and always calculates lifetime expected credit losses (ECL). The Group has elected to use the practical expedient and calculate ECL based on a pre-defined provision matrix. Therefore, the Group has performed its external customer segmentation so that each customer segment would bear similar credit characteristics, based on the following criteria:

- Country Group (Finland, Sweden, Norway, Other European Union countries, Other countries)
- Customer Industry Group (Financial Services, Public Healthcare & Welfare, Industrial Customer Services)
- Balance due status (Not yet due, overdue 1–7 days, 8–30 days, 31–60 days, 61–90 days, over 90 days)

For each segment, the ECL rate (expressed as a percentage) indicates the historical average defaults identified during the past three years and also the Group's assessment of the possible impact from changes in the overall economic environment in which its customers operate. These general provisions can be increased if the customer has filed for bankruptcy but has not yet registered the fact or if there are any facts or circumstances indicating that the customer's credit risk is above industry/country average.

When calculating ECL for contract assets, the ECL rate set for "not yet due" invoices in the provision matrix is used.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with banks and other liquid investments that are readily convertible to known amount of cash within three months and which are subject to an insignificant risk of changes in value. Bank overdrafts are included in current liabilities in the statement of financial position.

Assets held for sale

Non-current assets are classified as held for sale if their carrying amounts are expected to be recovered principally through sale and the sale is highly probable. From the date of classification, the assets are measured at the lower of the carrying amount and the fair value less costs to sell, and the recognition of depreciation is discontinued.

Provisions

A provision is a liability of uncertain timing or amount, which should be recognized when the entity has a present legal or constructive obligation as a result of a past event and it is more likely than not that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation can be measured reliably. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation.

Employee benefits

Post-employment benefits

Group companies in different countries have number of different post-employment benefit plans in accordance with local requirements and practices. The majority of the plans are classified as defined contribution plans. The fixed contributions to defined contribution plans are recognized as employee benefit expenses in the period to which they relate. The Group has no further legal or constructive payment obligations once the contributions have been paid.

Other post-employment benefit plans than defined contribution plans are defined benefit plans. Typically, defined benefit plans define an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. Defined benefit plans are funded with payments to insurance companies.

For defined benefit plans the net liability recognized in the statement of financial position equals the present value of the defined benefit obligation at the closing date less the fair value of the plan assets. The present value of the defined benefit obligation is determined separately for each plan by independent actuaries using the projected unit credit method.

Current service costs, past service costs and gains or losses on settlements are recognized in employee benefit expenses. Net interest expense or income is recognized in financial items under interest expense or interest income. All remeasurements of the defined benefit liability or asset arising from experience adjustments and changes in actuarial assumptions are recognized directly in other comprehensive income.

Share-based payments

TietoEVRY has share-based incentive plans for its key employees. The plans are accounted for as equity-settled and they include both market and non-market based vesting conditions. The plans are valued at fair value based on the market price of TietoEVRY share at the grant date and recognized as an employee benefit expense during the vesting period with a corresponding entry in equity.

The level of the realization of the set financial targets influences the amount in which rewards are recognized and paid. The expense determined at the grant date is based on the Group’s estimate of the number of shares that will ultimately vest. The estimate is reviewed at each reporting date and the potential impact of any adjustments to the initial estimates is recognized in profit or loss and a corresponding adjustment is made to equity.

Equity, dividends and own shares

Dividends proposed by the Board of Directors are not deducted from distributable equity until approved by the Annual General Meeting of Shareholders.

When TietoEVRY Corporation's own shares are repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a deduction in equity.

Earnings per share

Basic Earnings per share (EPS) is calculated by dividing the net profit attributable to the shareholders of the Parent company by the weighted average number of shares in issue during the year, excluding shares purchased by TietoEVRY and held as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding during the year with the shares estimated to be delivered based on the share-based incentive plans.

Critical accounting estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and contingent liabilities at the reporting date as well as the reported amounts of revenues and expenses during the reporting period. In addition, management judgement is required in the application of accounting policies, especially when IFRS standard has alternative accounting, valuation and presentation methods. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from the estimates.

Management believes that the following accounting principles represent those matters requiring the exercise of judgement where a different opinion could result in significant changes to reported results.

Revenue recognition

Recognition of revenue for fixed-priced projects requires an estimation of the revenues, costs and progress towards completion for which the actuals may differ from the estimates. The estimates are revised if circumstances change. Any resulting changes to revenues or costs are recognized in profit or loss in the period in which the change become known by the management. Share of revenue from fixed-priced projects is not material from the total Group revenue.

For contracts where the total transaction price is not known when the contract is initiated, the retrospective discounts are estimated based on management's experiences of the earlier purchases of the customers under similar contracts. This estimation is regularly updated during the contract period. Revenue is only recognized to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group typically provides the customers with wide variety of comprehensive services. The individual service delivery contracts are often structured under a common frame contract where general terms for the service delivery to the customer are defined. The content of the delivery, performance obligations and usually also pricing, are defined in the service delivery contracts. Management judgement is used to identify what is the entirety of which revenue is recognized; either an individual service delivery contract or a group of combined contracts.

Material costs of set-up activities related to transition projects in the initial phase of continuous operating service contracts are capitalized. Management judgement has been used when developing an internal guidance on what kind of tasks are defined as set-up activities in the Group.

More information on revenue is disclosed in **notes 2** and **3**.

Valuation of assets acquired and liabilities assumed in business combinations

Assets acquired and liabilities assumed in business combinations are recognized at fair value. The valuation requires management to determine the appropriate valuation techniques and inputs for fair value measurements, such as discount rate. The management believes that the used estimates and assumptions are sufficiently reasonable for determining fair values. Information about the valuation of the assets acquired and liabilities assumed in business combinations are disclosed in **note 1**.

Valuation of goodwill

Goodwill is tested for impairment at least annually. Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill has been allocated. The value-in-use calculation requires management to estimate the future cash flows expected to arise from the cash-generating units and an appropriate discount rate to calculate present value. Details of the impairment testing and the key assumptions used are explained further in **note 26.**

Capitalized development costs

Management judgement is required when the Group capitalizes costs of internally generated intangible assets. The most critical judgement areas relate to the fulfilment of the criteria when development costs can be capitalized, the estimation of future economic benefits that are expected from the intangible asset and the depreciation period of the intangible asset. Capitalized development costs are disclosed in **note 12**.

Provisions

Provisions require management to assess the best estimate of the future costs needed to settle the present obligation at the reporting date. The actual costs may differ from the estimated costs. The most significant provisions relate to restructurings for which more information is disclosed in **note 18.**

Deferred taxes

The group operates globally and is, therefore subject to changing tax laws in multiple jurisdictions. The interpretation of tax legislation requires management judgement, and the applied interpretations may include uncertainties. At each reporting date, the management assesses the amount of probable future taxable profits against which unused tax losses can be utilized. As the actual profits may differ from the forecasts, the change will affect the taxes in future periods. More information on taxes is disclosed in **note 11.**

Employee benefits

The present value of pension obligations is based on actuarial calculations in which several financial and demographic assumptions are used. Any change in these assumptions will impact the carrying amount of pension obligations. The assumptions used are disclosed in **note 10.**

At each reporting date, the number of shares that are expected to vest from the Group's share-based incentive plans is revised. As part of this evaluation, the changes in the forecasted performance of the Group, the expected turnover of the personnel participating in the plans and other information impacting the number of shares to vest, is taken into consideration. More information on the share-based payment plans is disclosed in **note 9.**

Valuation of accounts receivables

The Group estimates the impairment losses on accounts receivables based on expected credit losses according to IFRS 9. For this purpose, the external customers have been segmented based on customer location and industry so that each customer segment would bear similar credit characteristics. The calculation of expected credit losses rate (expressed as a percentage) requires management judgement as the Group will take into consideration historical average defaults identified during the past 3 years, and these rates are then being adjusted by Group's assessment of overall market situation in each customer country group. More information on expected credit losses is disclosed in **note 21.**

Leases

Whenever it is not possible to determine rate implicit in the lease, incremental borrowing rate has been used to discount lease payments, which further impacts the value of right-of-use asset, lease liabilities in the statement of financial position, and split between depreciations and interest expenses. Management judgement has been used in determining the incremental borrowing rate that would reflect the rate of interest that TietoEVRY group would pay to borrow over similar term, and with similar security,the funds necessary to obtain an asset over similar value to the right-of-use asset in similar economic environment.

Management judgement has also been applied in determining lease term, where there are either extension or termination options included in lease contracts. **Note 19** explains what approach has been used for "evergreen" or "rolling" lease agreements.

If lease contract contains non-lease components, those are separated from lease payments on fair market value basis. If such information is not readily available, management judgement has been applied in estimating the value.

PERFORMANCE OF THE YEAR

1. Changes in Group structure

It was announced on 18 June 2019 that Tieto and EVRY will be combined through a taxable statutory cross-border absorption merger of EVRY into Tieto. Following the resolutions of the Extraordinary General Meetings of Tieto and EVRY on 3 and 2 September, respectively, the Competition Authorities approved the merger and all conditions for the completion of the merger were fulfilled on 29 November 2019. The merger was registered with the Finnish Trade Register on 5 December 2019, and the name of the combined company was changed to TietoEVRY Corporation.

The purpose of the Merger is to create one of the most competitive digital services and software companies in the Nordics. With combined revenue of EUR 3 billion and 24 000 professionals, the Combined Company will be well positioned to create digital advantages for Nordic enterprises and society. The Merger will combine strong digital competences and industry software with advanced cloud and infrastructure services. Based on Tieto's and EVRY's product and competence portfolios, the Merger creates potential to further increase competitiveness of the combination for the benefit of customers and employees – and potential to grow across businesses.

The Merger will be highly complementary from a geographical, offering and customer perspective. It will also create one of the largest digital services communities in the Nordics. The Merger further drives scale, longer-term revenue synergies, as well as innovation through combined targeted investments. The combination is expected to create value for shareholders through targeted cost synergies.

The business of EVRY at the time of the merger consisted of a comprehensive portfolio of services and software designed to meet all customer needs, including advisory and consulting services, industry-specific software and the design, implementation and maintenance of customized solutions and IT operations.

The merger has been accounted for in the consolidated financial statements as a business combination using the acquisition method with Tieto determined as the acquirer of EVRY based on the structure of the merger. The companies have been consolidated from the acquisition date, 5 December 2019 onwards.

Merger consideration

The shareholders of EVRY received 0.12 new shares in Tieto and NOK 5.28 in cash for each share in EVRY as merger consideration. Thus, a total of 44 316 519 new shares of the Company were issued, increasing the total number of shares in TietoEVRY to 118 425 771 shares. The shares were admitted to trading on Nasdaq Helsinki Ltd and Nasdaq Stockholm AB and on the Oslo Børs as of 5 December 2019.

The following table summarizes the acquisition date fair value of the merger consideration transferred.

EUR million	
Merger consideration in shares[1)]	1 194.8
Merger consideration in cash	191.7
Cash flow hedge used as basis adjustment[2)]	4.3
Replacement share-based payment award[3)]	6.7
Total	**1 397.5**

[1)] Based on 44 316 519 shares issued and closing price of EUR 26.96 of Tieto share on 4 December 2019 on Nasdaq Helsinki.
[2)] Tieto had a dedicated forward contract as a hedging instrument in a cash flow hedging relationship to hedge the cash component of the merger consideration which has been used as a basis adjustment.
[3)] Fair value at the time of the merger of vested long-term and short-term incentive plans of EVRY that will be continued and transformed in a value neutral way into restricted stock units in TietoEVRY.

Recognized amounts of identifiable assets acquired and liabilities assumed

The following table summarizes the recognized fair values of assets acquired and liabilities assumed. The accounting of the merger is still provisional pending the finalization of the valuation of the assets acquired and liabilities assumed. As the merger was completed close to year-end, the provisional amounts recognized will be adjusted within 12 months after the date of acquisition, to reflect new information obtained about facts and circumstances that existed at the date of acquisition.

EUR million	
Intangible assets	364.1
Property, plant and equipment	27.9
Right of use assets	156.8
Investments in joint ventures	7.8
Deferred tax assets	61.8
Inventory	4.7
Trade and other receivables	311.0
Cash and cash equivalents	17.2
Assets held for sale	19.0
Loans	-694.4
Deferred tax liabilities	-107.2
Provisions	-3.8
Pension obligations	-27.8
Trade and other payables	-293.0
Liabilities held for sale	-3.0
Total net assets acquired	**-158.8**
Goodwill	**1 556.3**
Total	**1 397.5**

The identified intangible assets relate to customer relationships, technology, the EVRY brand and order backlog. Fair values for the intangible assets have been determined using appropriate valuation methods including the multi-period excess earnings method for the customer relationships, excess earnings method for the order backlog and relief from royalty method for technology and the EVRY brand. The amortisation periods for these intangible assets vary between 6 to 15 years. Goodwill is attributable to market share, synergies, workforce and new competencies. It will not be deductible for tax purposes, except for the parent company share of goodwill, EUR 212 million. The transaction costs of EUR 11.7 million incurred by Tieto and EVRY in connection with the merger primarily consist of financial, legal and advisory costs and are included in other operating expenses in the income statement and in cash flow from operating activities. The costs for the issuance of the merger consideration shares amounted to EUR 4.1 million (net of taxes) and have been deducted from invested unrestricted equity reserve in 2019.

Cash flow on acquisition

EUR million	
Merger consideration in cash	191.7
Cash and cash equivalent balances acquired	-17.2
Total	**174.4**

Since the date of acquisition, the acquired entity has contributed EUR 120 million to the revenue and EUR -0.4 million to the operating profit of the Group. If the business combination had taken place at the beginning of the year, the Group revenue would have been approximately EUR 2 951 million and operating profit approximately EUR 194 million after additional amortization from the fair value adjustments to intangible assets.

Assets held for sale

The competition clearance from the Norwegian Competition Authority was subject to divestment of EVRY's case management and archiving systems for the public sector in Norway (the "Relevant Business Unit") prior to the closing of the merger.

EVRY has entered into an agreement with Karbon Invest AS to divest the Relevant Business Unit. The execution of the divestment agreement satisfies the Norwegian Competition Authority's remedy requirement for the merger. The closing of the agreement is expected in the first quarter 2020. In the statement of financial position the assets and related liabilities are separately presented on lines "Assets held for sale" and "Liabilities attributable to assets held for sale", respectively. These include mainly intangible assets of EUR 18.7 million.

Change in contingent consideration from acquisitions completed in 2018

Contingent consideration related to 2018 acquisitions and respective contingent liability decreased with EUR 2.7 million.

EUR million	
Contingent consideration on 1 Jan 2019	4.4
Change recognized in 2019	-2.7
Remaining contingent consideration	**1.7**

2. Segment information

The reportable segments of TietoEVRY in these consolidated financial statements consist of - Digital Experience, Hybrid Infra, Industry Software, Product Development Services and EVRY. As the merger was completed close to year-end and the new operating model of TietoEVRY has not yet been implemented as of 31 December 2019, EVRY is reported as one segment.

Digital Experience

The Digital Experience business includes consulting services, including design of service experiences, smart use of data, IT architecture consulting, business process and change management as well as system integration services and application development and management. The segment currently focuses on Finland and Sweden, and it serves customers also in Norway, Austria, the Baltic countries and Russia. Services are delivered primarily by employees based in the Nordic countries but also through delivery centres in the Baltic countries and India. The business has the largest market share in Finland.

Hybrid Infra

The Hybrid Infra business provides enterprises with life cycle management of IT infrastructure, covering a wide variety of different technologies. The hybrid infrastructure foundation is to ensure Nordic customers' business continuity and renewal and services include capacity services, hybrid cloud orchestration, and managed security services. The business has a clear geographical focus on Finland, Sweden and Norway, and the Group is positioned as the leading provider in Finland and is among top 3 providers in Sweden. Services are delivered from both onshore locations in the Nordic countries and the main offshore delivery centre in the Czech Republic.

Industry Software

Industry Software provides with industry-specific software products for business-critical processes of clients in the financial services, public and healthcare and welfare sectors as well as in the forest industry and the energy and oil and gas segments. Customers are in the Nordic countries while the Group also has industry software for its global customers in the payments segment and the oil and gas and forest sectors. Majority of the business continues to be license-based while the share of software as a service is on the rise. In the license-based business revenue comprises solution installations and license fees as well as maintenance, which is typically based on multi-year agreements.

Product Development Services

Product Development Services provides software R&D services with focus on the telecom sector and expanding to new domains such as automotive. Services are provided globally for communications infrastructure companies, consumer electronics and semiconductor companies as well as automotive industry. Services are currently provided mainly from global centres in Poland, China, Sweden, the Czech Republic and Finland.

EVRY

The business of EVRY consist of a comprehensive portfolio of services and software designed to meet all customer needs, including advisory and consulting services, industry-specific software and the design, implementation and maintenance of customized solutions and IT operations.

Other operations consist of investments and revenue from few specific projects that aim to scale and create future business for the Group. In addition, Group level costs, e.g. costs related to Global management, Group's share of support functions and other non-allocated costs are reported under Other operations.

Customer revenue by segment

EUR million	2019	2018	Change %
Digital Experience	483.1	487.3	-1
Hybrid Infra	531.4	519.4	2
Industry Software	455.5	455.0	—
Product Development Services	142.9	135.8	5
EVRY	119.9	—	100
Segments total	**1 732.7**	**1 597.5**	**8**
Other operations	1.4	2.1	-34
Group total	**1 734.0**	**1 599.5**	**8**

Customer revenue by country

EUR million	2019	2018	Change %
Finland	706.8	692.7	2
Sweden	639.5	625.1	2
Norway	245.5	155.9	57
Other	142.2	125.9	13
Group total	**1 734.0**	**1 599.5**	**8**

Customer revenue from long-term fixed-price contracts by segment

EUR million	2019	2018
Digital Experience	6.8	9.4
Hybrid Infra	0.6	2.8
Industry Software	12.9	15.1
Product Development Services	3.8	0.2
EVRY	3.5	—
Group total	**27.6**	**27.5**

TietoEVRY does not have individual significant customers as defined in IFRS 8.

Operating profit (EBIT) by segment

EUR million	2019	2018	Change %
Digital Experience	43.5	59.2	-27
Hybrid Infra	51.4	48.7	6
Industry Software	58.1	59.7	-3
Product Development Services	13.7	13.9	-2
EVRY	-0.4	—	-100
Segments total	**166.3**	**181.5**	**-8**
Other operations	-42.1	-26.8	-57
Group total	**124.2**	**154.7**	**-20**

Operating margin (EBIT) by segment

%	2019	2018	Change pp
Digital Experience	9.0	12.2	-3
Hybrid Infra	9.7	9.4	—
Industry Software	12.8	13.1	—
Product Development Services	9.6	10.2	-1
EVRY	-0.3	—	-100
Operating margin (EBIT)	**7.2**	**9.7**	**-3**

Calculation of alternative performance measures

TietoEVRY presents certain financial measures, which, in accordance with the "Alternative Performance Measures" guidance issued by the European Securities and Markets Authority, are not accounting measures defined or specified in IFRS and are, therefore, considered alternative performance measures. TietoEVRY believes that alternative performance measures provide meaningful supplemental information to the financial measures presented in the consolidated financial statements prepared in accordance with IFRS and increase the understanding of the profitability of TietoEVRY's operations. Alternative performance measures are not accounting measures defined or specified in IFRS and, therefore, they are considered non-IFRS measures, which should not be viewed in isolation or as a substitute to the IFRS financial measures.

Adjusted operating profit (EBIT)	=	Operating profit + adjustments
Adjusted operating profit margin (EBIT), %	=	$\frac{\text{Adjusted operating profit (EBIT)}}{\text{Revenue}}$
Adjustments	=	Amortization of acquisition-related intangible assets, restructuring costs,capital gains/ losses, goodwill impairment charges and other items affecting comparability

Adjusted operating profit (EBIT) by segment

EUR million	2019	2018	Change %
Digital Experience	61.0	63.8	-4
Hybrid Infra	65.5	52.4	25
Industry Software	63.0	59.9	5
Product Development Services	14.3	14.1	2
EVRY	14.1	—	100
Segments total	**217.9**	**190.2**	**15**
Other operations	-21.6	-22.2	-3
Group total	**196.4**	**168.0**	**17**

Adjusted operating margin (EBIT) by segment

%	2019	2018	Change pp
Digital Experience	12.6	13.1	—
Hybrid Infra	12.3	10.1	2
Industry Software	13.8	13.2	1
Product Development Services	10.0	10.4	—
EVRY	11.8	—	100
Adjusted operating margin (EBIT)	**11.3**	**10.5**	**1**

Personnel by segment

	End of period				Average	
	2019	Change %	Share %	2018	2019	2018
Digital Experience	5 133	-2	21	5 252	5 237	5 133
Hybrid Infra	3 192	-10	13	3 533	3 350	3 417
Industry Software	4 263	6	18	4 038	4 170	4 029
Product Development Services	1 700	6	7	1 608	1 660	1 573
EVRY	8 949	100	37	—	746	—
Segments total	**23 237**	**61**	**97**	**14 431**	**15 162**	**14 152**
Other operations	759	—	3	759	762	755
Group total	**23 996**	**58**	**100**	**15 190**	**15 923**	**14 907**

Personnel by country

	End of period				Average	
	2019	Change %	Share %	2018	2019	2018
Finland	3 248	-4	14	3 392	3 289	3 396
Sweden	4 614	49	19	3 106	3 210	3 078
India	4 182	54	17	2 721	2 869	2 697
Czech Republic	2 482	-2	10	2 538	2 533	2 421
Latvia	896	34	4	671	703	638
Poland	757	14	3	662	696	632
Norway	4 358	> 100	18	607	924	601
Ukraine	1 922	100	8	—	195	—
China	452	-9	2	497	482	483
Estonia	303	—	1	301	295	293
Austria	175	8	1	162	170	149
Lithuania	104	-10	—	115	110	112
Other	501	20	2	418	447	407
Group total	**23 996**	**58**	**100**	**15 190**	**15 923**	**14 907**
Onshore countries	12 693	69	53	7 498	7 841	7 451
Offshore countries	11 303	47	47	7 692	8 082	7 456
Group total	**23 996**	**58**	**100**	**15 190**	**15 923**	**14 907**

Non-current assets by country

EUR million	31 Dec 2019	31 Dec 2018	Change %
Finland	131.0	81.4	61
Sweden	113.9	39.7	> 100
Norway	526.4	8.1	> 100
Other	55.9	8.8	> 100
Group total	**827.3**	**137.9**	**> 100**

Non-current assets include property, plant and equipment, right of use assets (2019) and intangible assets excluding goodwill.

The fair value of all allocated assets recognized in the merger are included in Norway's non-current assets in 2019 prior the finalization of merger accounting and allocation to reportable segments.

Depreciation by segment

EUR million	2019	2018	Change %
Digital Experience	3.6	0.3	> 100
Hybrid Infra	39.3	31.5	25
Industry Software	1.6	0.3	> 100
Product Development Services	0.3	—	> 100
EVRY	3.1	—	100
Segments total	**47.9**	**32.2**	**49**
Other operations	40.2	7.0	> 100
Group total	**88.1**	**39.2**	**> 100**

Amortization on intangible assets recognized at fair value from acquisitions by segment

EUR million	2019	2018	Change %
Digital Experience	1.4	1.6	-15
Hybrid Infra	0.1	—	47
Industry Software	2.9	3.6	-18
Product Development Services	—	—	—
EVRY	3.2	—	100
Segments total	**7.5**	**5.2**	**44**
Other operations	—	—	—
Group total	**7.5**	**5.2**	**44**

Amortization on other intangible assets by segment

EUR million	2019	2018	Change %
Digital Experience	0.3	0.4	-4
Hybrid Infra	8.7	9.0	-3
Industry Software	0.2	0.4	-57
Product Development Services	—	—	—
EVRY	0.9	—	100
Segments total	**10.1**	**9.7**	**4**
Other operations	0.4	0.9	-58
Group total	**10.4**	**10.6**	**-2**

3. Revenue

Assets and liabilities related to contracts with customers

EUR million	Note	31 Dec 2019	31 Dec 2018	1 Jan 2018
Trade receivables	14	450.9	293.9	308.9
Contract assets	14	68.3	39.5	53.6
Contract liabilities	20	41.9	30.5	30.8

Revenue recognized in relation to contract liabilities

EUR million	2019	2018
Revenue recognized from the opening value of contract liabilities[1)]	33.0	25.5

[1)] Includes EUR 7.5 million revenue that is recognized from EVRY's opening values as of 5th December 2019.

Unsatisfied fixed-price long-term contracts

EUR million	2019	2018
Transaction price allocated to long-term fixed price contracts that are partially or fully unsatisfied on 31 Dec	56.7	35.9

It is expected that 56% of the transaction price allocated to the long-term fixed-price contracts as of 31 Dec 2019 will be recognized as revenue during 2020 (EUR 31.9 million). The remaining 44% (EUR 24.8 million) will be recognized in 2021 or later reporting periods.

All other contracts with the customers are for periods of one year or less or are billed based on time incurred or products or services delivered. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Assets recognized from costs to fulfil a contract

EUR million	2019	2018
Capitalized set-up costs on 31 Dec	21.7	8.7
Amortization of capitalized set-up costs	1.5	0.6

In the statement of financial position, capitalized set-up costs of EUR 11.3 million are presented within other non-current receivables and current portion of EUR 10.5 million in trade and other receivables.

4. Other operating income

EUR million	2019	2018
Gain on sale of property, plant and equipment	–	0.4
Gain on sale of subsidiaries and business operations	–	4.6
Rental income	1.3	2.0
Government grants released	0.6	0.7
Foreign exchange gains on derivatives	5.7	3.7
Decrease of contingent considerations	2.6	3.8
Other	6.6	6.8
Total	**16.9**	**22.0**

5. Other operating expenses

EUR million	2019	2018
Rents, licences and maintenance related to software	67.3	61.3
Data and phone communication	11.0	11.3
ICT purchases and services	38.9	40.5
Advertising and marketing	6.5	5.8
Travelling	16.9	16.8
Training	6.1	7.4
Consulting	32.2	27.1
Fees to auditors	1.9	1.9
Premises related	32.0	68.8
Foreign exchange losses on derivatives	1.0	1.4
Other operating expenses	21.6	19.5
Total	**235.4**	**261.8**

Fees to auditors

	2019	2018	
EUR million	Deloitte	Deloitte	PwC
Audit fees	0.9	0.3	0.8
Audit related[1)]	0.7	–	–
Tax advisory	0.2	0.1	0.1
Other services	0.1	0.1	0.5
Total	**1.9**	**0.4**	**1.4**

[1)] In 2019, audit related services included auditors reports and statement on TietoEVRY merger.

6. Financial income and expenses

2019 EUR million	Interest income	Interest expenses	Foreign exchange gains and losses	Other financial income	Other financial expenses	Total
Financial assets at fair value through profit or loss	—	—	-15.6	—	—	-15.6
Financial assets at amortized cost	2.2	—	5.6	0.1	—	7.9
Financial liabilities measured at amortized cost	—	-11.0	—	—	-4.3	-15.3
Total according to IFRS 9 classification	**2.2**	**-11.0**	**-10.0**	**0.1**	**-4.3**	**-23.0**
Net defined benefit obligation	—	-0.0	—	—	—	-0.0
Total	**2.2**	**-11.0**	**-10.0**	**0.1**	**-4.3**	**-23.0**

2018 EUR million	Interest income	Interest expenses	Foreign exchange gains and losses	Other financial income	Other financial expenses	Total
Financial assets at fair value through profit or loss	—	—	-3.4	—	—	-3.4
Loans and receivables	2.2	—	4.4	0.1	—	6.7
Financial liabilities measured at amortized cost	—	-4.3	—	—	-0.9	-5.2
Total according to IAS 39 classification	**2.2**	**-4.3**	**1.0**	**0.1**	**-0.9**	**-1.9**
Net defined benefit obligation	—	0.0	—	—	—	0.0
Total	**2.2**	**-4.3**	**1.0**	**0.1**	**-0.9**	**-1.9**

Foreign exchange gains and losses included in the operating profit were EUR 0.6 (2.3) million in 2019.

7. Earnings per share

44 316 519 new shares were issued as part of the merger consideration to EVRY's shareholders and the total number of shares increased to 118 425 771. The comparative period presented in the table below is based on the shares in issue of Tieto Oyj prior to the merger and is not, therefore, comparable (see **note 1** for more information).

	2019	2018
Net profit for the financial year attributable to owners of the Parent company (EUR million)	79.0	123.2
Earnings per share (EUR)		
Basic	1.02	1.67
Diluted	1.02	1.66
Weighted average number of shares during the year		
Basic	77 193 387	73 809 855
Effect of dilutive share-based incentive plans	283 550	189 324
Diluted	77 476 937	73 999 179

EMPLOYEE BENEFITS

8. Employee benefit expenses

EUR million	2019	2018
Wages and salaries	738.9	674.1
Termination benefits	2.6	–
Post-employment benefits		
Defined contribution plans	73.3	74.3
Defined benefit plans	1.2	2.7
Other statutory social costs	138.7	126.1
Share-based payments	2.4	7.2
Other personnel expenses	32.6	20.6
Total	**989.7**	**905.0**

Management remuneration

	2019		2018	
EUR thousand	President and CEO	Leadership team	President and CEO	Leadership team
Salaries and benefits	713.2	3 193.5	640.9	2 427.2
Bonuses[1)]	1 114.1	2 553.4	440.2	822.7
Share-based payments	309.6	629.9	660.0	1 727.1
Statutory pensions	132.8	444.6	176.3	395.7
Supplementary pensions	105.3	389.9	138.3	376.6
Total	**2 375.0**	**7 211.3**	**2 055.7**	**5 749.3**

[1)] Comparative figure updated with the actual amount paid.

The President and CEO, Kimmo Alkio is entitled to a bonus corresponding maximum of 100% of base salary based on the Group's external revenue, profit and achievement of strategic goals when achievements exceed the targets set. The annual contribution for the President and CEO's supplementary pension arrangement is 23% of the annual base salary. The President and CEO's retirement age is 63. In case his assignment is terminated, the period of notice is 12 months and the severance payment is equivalent to the base salary and the short-term target incentive for six months in addition to the salary for the notice period. The President and CEO participates in the Long-term incentive programmes according to respective terms and conditions decided by the Board of Directors. In 2019, after deductions for applicable taxes, a total of 12 236 (9 950) shares were delivered to the President and CEO.

The other Leadership team members are entitled to a bonus corresponding maximum of 75% of base salary based on their individual goals when achievements exceed the targets set. The bonus arrangement for the Leadership team members that joined from EVRY during 2019, is capped at different levels, up to a maximum of 150% of the regular annual salary for the relevant persons. The annual contribution for the Leadership team members' supplementary pension arrangement is 15% of the annual base salary. The retirement age of the Leadership team members is according to national legislation. The termination terms vary and the amounts correspond to the periods of notice. The Leadership team members participate in the Long-term incentive programmes according to respective terms and conditions decided by the Board of Directors. In 2019, after deductions for applicable taxes, a total of 26 817 (25 292) shares were delivered to the Leadership team members.

Remuneration for the Board of Directors

EUR thousand	2019	2018
Board members at 31 December 2019		
Tomas Franzén, Chairperson Board and RC[1]	56.4	–
Salim Nathoo, Deputy Chairperson[1]	21.7	–
Timo Ahopelto	60.4	54.4
Liselotte Hägertz Engstam	60.4	53.6
Harri-Pekka Kaukonen, Chairperson ARC	79.6	74.2
Endre Rangnes	65.2	51.2
Niko Pakalén[2]	55.6	–
Rohan Haldea[1]	13.5	–
Leif Teksum[1]	15.1	–
Former Board members		
Kurt Jofs[3]	118.0	106.2
Johanna Lamminen[4]	61.2	54.4
Sari Pajari	–	3.2
Jonas Synnergren[5]	6.4	51.2
Jonas Wiström	–	2.4
Total	**613.5**	**450.8**

1) From 5 December
2) From 21 March
3) Board Chairperson until 4 December
4) Board member until 4 December
5) Board member until 21 March

Each member of the Board of Directors receives a fixed annual remuneration and additional meeting based remuneration. According to the decision by the Annual General Meeting, the yearly remuneration is as follows: Chairperson EUR 98 000, Deputy Chairperson EUR 58 000, ordinary member EUR 38 000 and Committee Chairperson EUR 58 000 (if not the Chairperson or the Deputy Chairperson). The meeting based remuneration is 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 Group.

The Annual General Meeting also approved that part of the fixed annual remuneration may be paid in Tieto Corporation's shares purchased from the market. An elected member of the Board of Directors may, at his/her discretion, choose to receive the fee from the following five alternatives:

(i) No cash, 100% in shares

(ii) 25% in cash, 75% in shares

(iii) 50% in cash, 50% in shares

(iv) 75% in cash, 25% in shares, or

(v) 100% in cash, no shares.

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

In connection with the merger, Apax Partners LLP, acting through the company Lyngen Holdco S.A.R.L., Cevian Capital Partners Limited and Solidium Oy, entered into a binding governance agreement concerning the nomination of members of the company's Board of Directors.

After the completion of the TietoEVRY merger, the composition of the company's Shareholders' Nomination Board was revised based on holdings registered in the Finnish, Norwegian and Swedish shareholders' registers on 9 December 2019. The largest shareholders appointed the following representatives announced by TietoEVRY's shareholders:

- Gabriele Cipparrone, Partner, Apax Partners LLP
- Martin Oliw, Partner, Cevian Capital AB
- Petter Söderström, Investment Director, Solidium Oy
- Mikko Mursula, Chief Investment Officer, Ilmarinen Mutual Pension Insurance Company
- Tomas Franzén, Chairman of the Board of Directors, TietoEVRY Corporation.

9. Share-based incentive plans

The aim of TietoEVRY's share-based incentive plans is to align the objectives of shareholders and key employees in order to increase the value of the company in the long-term. At the end of 2019, TietoEVRY's share-based incentive plans included Performance Share Plans 2017–2019, 2018–2020 and 2019–2021 as well as Restricted Share Plans 2017–2019, 2018–2020 and 2019–2021. The rewards from the plans will be paid partly in the company's shares and partly in cash. The cash proportion is intended to cover taxes and tax-related costs arising from the reward. As a rule, no reward will be paid, if a participant´s employment or service ends before the reward payment. The Board of Directors anticipates that share rewards to be delivered to the participants under the plans will consist of shares to be acquired from the market. Thus, no new shares will be issued in connection with the plans.

The Performance Share Plan 2016–2018 and the Restricted Share Plan 2016–2018 ended in 2019. Based on the achievements of the targets a total of 212 952 gross shares were earned and of these 110 658 net shares were delivered to the participants. Tieto used its treasury shares for the reward payments.

Future cash payment to be made to the tax authorities from share-based payments, estimated at the end of the period at EUR 7.1 million.

Main terms and conditions of the share-based incentive plans

	Performance Share Plan		
	2017–2019	2018–2020	2019–2021
Plan launched	2 February 2017	22 February 2018	16 January 2019
Performance Period	2017–2019	2018–2020	2019–2021
Vesting conditions	Total Shareholder Return of TietoEVRY share (TSR), strategic target related to TietoEVRY's growth and TietoEVRY's Earnings per Share (EPS). Valid employment or director agreement of a key employee upon the reward payment.		
Exercised	In shares and cash in 2020	In shares and cash in 2021	In shares and cash in 2022
Number of participants on 31 Dec 2019	125	119	104
Other	On 31 Dec 2019, rewards to be paid correspond to the value of approximate number of 323 550 TietoEVRY gross shares.	On 31 Dec 2019, rewards to be paid correspond to the value of approximate number of 343 940 TietoEVRY gross shares.	On 31 Dec 2019, rewards to be paid correspond to the value of approximate number of 408 766 TietoEVRY gross shares.

	Restricted Share Plan		
	2017–2019	2018–2020	2019–2021
Plan launched	2 February 2017	22 February 2018	16 January 2019
Vesting period	2017–2019	2018–2020	2019–2021
Vesting conditions	Valid employment or director agreement of a key employee upon the reward payment.		
Exercised	In shares and cash in 2020	In shares and cash in 2021	In shares and cash in 2022
Number of participants on 31 Dec 2019	59	151	125
Other	On 31 Dec 2019, rewards to be paid correspond to the value of approximate number of 42 600 TietoEVRY gross shares.	On 31 Dec 2019, rewards to be paid correspond to the value of approximate number of 64 832 TietoEVRY gross shares.	On 31 Dec 2019, rewards to be paid correspond to the value of approximate number of 53 070 TietoEVRY gross shares.

Assumptions made in determining the fair value of the TietoEVRY's Share-based incentive plans

For Performance Share Plans and Restricted share plans the fair value has been determined at grant using the fair value of TietoEVRY Corporation share as of the grant date, expected outcome and expected dividends.

The fair value of social costs settled in cash are remeasured at each reporting date untill settlement.

For share plan grants made in 2019, the fair value has been determined at grant date using the following share price and expected dividends:

- Share price at grant: EUR 21.97
- Expected dividends: EUR 4.53
- Share price at year end: EUR 27.72

Share option programme transferred from EVRY

As part of the Merger plan it was agreed that EVRY's incentive plans will continue and will be transformed in a value neutral way into restricted stock units or performance shares in the Combined Company, with equivalency on all material respects with regards to economic value, vesting conditions and other terms and conditions, taking into account the strike price of the options and by applying an option conversion ratio of 1:0.1423. Any existing right for EVRY to settle options and/or restricted stock units under the plans in cash, will continue as a right for the Combined Company (see **note 1** for more information).

55 employees were included in the programme at 31 December 2019.

	Interim Restricted Share Plan (Conversion from EVRY plans)		
	Long-Term Incentive Plan 2017	**Long-Term Incentive Plan 2018**	**Short-Term Incentive Plan 2018**
Plan launched	December 2017	December 2018	November 2018
Vesting period	2/3 in 2019 and 1/3 in 2020	1/3 in 2019, 1/3 in 2020 and 1/3 in 2021	2020
Vesting conditions	Valid employment or director agreement upon the reward payment. Awarded shares will be be locked in and may not be sold for 12 months following the vesting dates.		
Exercised	In shares and cash in 2020 and 2021	In shares and cash in 2020, 2021 and 2022	In shares and cash in 2020
Number of participants on 31 Dec 2019	42	55	3
Other	On 31 Dec 2019, rewards to be paid correspond to the value of approximate number of 203 325 TietoEVRY shares.	On 31 Dec 2019, rewards to be paid correspond to the value of approximate number of 239 829 TietoEVRY shares.	On 31 Dec 2019, rewards to be paid correspond to the value of approximate number of 53 449 TietoEVRY shares.

Share-based payments included in employee benefit expenses

EUR million	2019	2018
Equity-settled share-based incentive plans	2.4	6.3
Social costs settled in cash[1)]	0.4	0.9
Total	**2.8**	**7.2**

[1)] TietoEVRY's share-based incentive plans are accounted for as equity-settled. Social costs from the plans are reported as cash-settled.

10. Defined benefit plans

Tieto manages Defined benefit plans through insurance companies. The employer has guaranteed to the members of the plans a certain level of benefit after their retirement, which depends on the length of service and salary base. The salary base is an average of last years' salaries indexed with common salary index. After the retirement, the benefit payable is indexed yearly.

In Sweden, the Group's risk is only on active employees, but in Finland the Group's risk covers also around 1 000 non-active employees. When the pensioner who has a vested pension, retires, the final amount of the pension is revised in the Finnish pension plan and as a result, the employer may incur additional costs. In addition, in the Finnish pension plan, the index increases that are borne by the employer during the period between the grant date of the vested pension and the beginning of the pension are charged only in the year when the pension is granted. In some insurance contracts, under certain conditions, the insured person has the right to retire earlier than at the normal retirement age. These additional expenses are charged on the beginning of the retirement.

In Finland, the plan covers 6 active employees and it is closed for future pension accruals. The active employees have been able to transfer their defined benefit pension to a defined contribution plan from 1 Jan 2017, and some have chosen this option. As a result, a settlement gain of EUR 0.6 million was recognized in 2019 personnel expenses and the net defined benefit liability decreased by the corresponding amount.

In Sweden, the plan covers approximately 100 active employees. As the Group does not have actuarial or investment risk for those plan members whose employment has ceased, the plan members are removed from the pension plan and a settlement is recognized annually. In 2019, a settlement loss of EUR 0.9 million was recognized in personnel expenses and the net defined benefit liability increased by the corresponding amount.

In Norway, the defined benefit pension scheme is closed and the Group has instead established an unfunded compensation scheme for the employees. The size of the compensation and the profile for its accrual are calculated based on parameters at the time of the change and are accounted for as a defined benefit pension scheme in the financial statements. The accrual formula and profile of for the compensation scheme are used as the basis to make provisions in the accounts so that the total compensation earned to date by employees at any time is provided for as a liability in the consolidated statement of financial position. The plan covers 904 employees.

Defined benefit cost recognized in income statement and in other comprehensive income

EUR million	2019	2018
Service cost		
Current service cost	0.9	1.0
Settlements	0.3	1.7
Net interest	-0.0	-0.0
Total	**1.2**	**2.7**
Amounts recognized in other comprehensive income		
Remeasurement		
Gains (-)/losses (+) from change in demographic assumptions	1.7	-1.3
Gains (-)/losses (+) from change in financial assumptions	11.0	-0.4
Gains (-)/losses (+) from experience adjustments	2.2	-0.6
Gains (-)/losses (+) on plan assets	-3.6	2.9
Total	**11.3**	**0.6**

Amounts recognized in the statement of financial position

	Present value of defined benefit obligaton[1]		Fair value of plan assets[2]		Net liability	
EUR million	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
1 Jan	80.7	88.6	-76.3	-84.1	4.4	4.5
Current service cost	0.9	1.0	—	—	0.9	1.0
Interest expense/income	1.6	1.6	-1.6	-1.5	0.0	0.0
Contribution	—	—	-4.5	-3.6	-4.5	-3.6
Benefits paid	-2.6	-2.2	2.6	2.2	0.0	0.0
Curtailment and settlement	-8.1	-4.4	8.4	6.2	0.3	1.7
Actuarial gains/losses	10.0	-2.3	1.3	2.9	11.3	0.6
Acquisitions of subsidiaries	27.8	—	—	—	27.8	—
Exchange rate difference	0.4	-1.5	0.9	1.8	1.3	0.3
31 Dec	**110.7**	**80.7**	**-69.1**	**-76.3**	**41.6**	**4.4**

[1] Of which EUR 42.0 (43.8) million in Finland, EUR 39.7 (36.9) million in Sweden and EUR 29.0 million in Norway.
[2] Of which EUR 33.9 million (33.9) in Finland and EUR 35.2 million (42.4) in Sweden.

EUR million	2019	2018
Defined benefit obligations	41.6	9.9
Defined benefit plan assets	—	-5.5
Net liability	**41.6**	**4.4**

Allocation of plan assets

	2019		2018	
	EUR million	%	EUR million	%
In Sweden, plan assets are comprised as follows				
Equity instruments	7.9	22.4	13.6	32.0
Debt instruments	15.7	44.7	19.5	46.1
Property	3.8	10.8	4.5	10.7
Other	7.8	22.1	4.7	11.2
Total	**35.2**	**100.0**	**42.4**	**100.0**

In Finland, the plan assets are accrued from the insurance premiums paid to the insurance company and accumulated up to the reporting date. The assets are part of the insurance company's investment assets and they are responsible for reporting the assets.
A specification of the plan assets is not available.

Actuarial assumptions

%	2019	2018
Finland		
Discount rate	0.8	1.8
Future salary increases	2.9	3.3
Future pension increases	1.5	1.9
Inflation rate	1.2	1.6
Sweden		
Discount rate	1.4	2.3
Future salary increases	3.3	3.4
Future pension increases	1.8	1.9
Inflation rate	1.8	1.9
Norway		
Discount rate	2.3	–
Future salary inflation	2.3	–
Growth in the basic state pension (G)	2.0	–
Annual increase in pensions	0.5	–

Sensitivity analysis of actuarial assumptions

The following table shows how possible change in one assumption, holding other assumptions constant, affect the defined benefit obligation.

	Change in assumption	Increase in assumption	Decrease in assumption
Impact on defined benefit obligation in Finland			
Discount rate	0.5%	-6.6%	7.4%
Future pension increase	0.5%	6.8%	-6.2%
Life expectancy	+1 year	5.4%	
Impact on defined benefit obligation in Sweden			
Discount rate	0.5%	-11.0%	12.4%
Future salary increase	0.5%	3.5%	-3.5%
Future pension increase	0.5%	12.3%	-11.1%
Life expectancy	+1 year	5.1%	
Impact on defined benefit obligation in Norway			
Discount rate	0.5%	-1.9%	2.1%
Future salary increase	0.5%	0.5%	-0.5%
Future pension increase	0.5%	1.5%	-1.4%
Life expectancy	+1 year	1.5%	

Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation is 14 years in Finland, 20 years in Sweden and 9 years in Norway.

The following table shows the maturity profile of the future benefit payments which are the basis for the calculated undiscounted defined benefit obligation.

EUR million	2019
Maturity under 1 year	3.4
Maturity 1–5 years	19.3
Maturity 5–10 years	26.5
Maturity 10–30 years	93.6
Maturity over 30 years	17.3
	160.2

Expected contributions in 2020

Expected contributions to post-employment benefit plans for the year ending 31 Dec 2020 are EUR 3.4 million.

Multi-employer plans

The ITP pension plans operated by Alecta and Collectum in Sweden are multi-employer defined benefit pension plans which pool the assets contributed by various entities that are not under common control and the assets provide benefits to employees of more than one entity. It has not been possible to get sufficient information for the calculation of obligations and assets by employer from Alecta and Collectum and, therefore, these plans have been accounted for as defined contribution plans in the consolidated financial statements. In TietoEVRY 4 805 employees are included in these pension plans. The yearly contribution to the plans are around EUR 31 million.

3 263 employees in the Group’s Norwegian companies are members of an early retirement scheme (AFP), which is a multi-company defined benefit scheme, and is financed by premium payments determined as a percentage of salary. There is no reliable measurement and allocation of liabilities and assets between the companies that participate in the scheme.

The scheme is therefore treated for accounting purposes as a defined contribution pension scheme and the premiums paid are recognized as costs through profit and loss. The premium rate for 2019 was 2.5% corresponding to EUR 4.2 million. The scheme is underfunded, and the administrator (Fellesordningen for AFP) assumes that premiums will have to increase over time in order to ensure sufficient buffer capital to cope with increased payments. Companies that participate in the AFP scheme are jointly and severally liable for two-thirds of the pension payments due to employees who satisfy the terms and conditions at any time. The liability applies both to shortfalls in premium payments and if the premium rate applied proves insufficient to meet the liabilities. In the event that the scheme is terminated, the participating companies have a duty to continue to make premium payments to provide for pension payments to employees who are members of the scheme or who satisfy the requirements of collective agreements for such pension arrangements at the date of termination.

INCOME TAXES

11. Income taxes

Income tax expense in income statement

EUR million	2019	2018
Current taxes	21.8	26.9
Change of deferred taxes	0.3	3.1
Taxes for prior years	—	-0.4
Total	**22.1**	**29.6**
Reconciliation of income tax expense		
Profit before taxes	101.2	152.8
Tax calculated at the domestic corporation tax rate of 20%	20.2	30.6
Effect of different tax rates in foreign subsidiaries	0.8	0.3
Taxes for prior years	—	-0.4
Income not subject to tax due to tax exemption	-0.6	-0.9
Expenses not deductible for tax purposes	2.6	2.0
Realisability of deferred tax assets	-0.3	-2.7
Deferred tax resulting from change in tax rate	—	-1.3
Tax on foreign dividend distribution	-0.1	2.7
Share of joint ventures´ results reported net of tax	-1.1	-1.2
Other items	0.6	0.5
Total	**22.1**	**29.6**
Effective tax rate, %	21.8	19.4

Deferred tax assets and deferred tax liabilities

EUR million	31 Dec 2019	31 Dec 2018
Deferred tax assets	35.9	23.6
Deferred tax liabilities	91.8	38.0
Net deferred tax liability	**-55.9**	**-14.4**

Majority of the deferred tax assets and liabilities are expected to be recovered after more than 12 months.

Movements in deferred tax assets and liabilities during the year

EUR million	1 Jan 2019	Charged to income statement	Charged to other comprehensive income	Acquisitions and disposals	Other changes	31 Dec 2019
Deferred tax asset						
Restructuring costs	0.8	-0.7	—	—	—	0.1
Other provisions	1.8	-0.2	—	16.1	0.1	17.8
Employee benefits	3.1	1.4	-0.2	—	0.1	4.4
Depreciation difference	9.7	-1.9	—	—	—	7.8
Leasing	—	0.5	—	—	—	0.5
Other temporary difference	3.2	-1.2	—	5.5	—	7.5
Fair value adjustments	0.2	-0.2	0.2	—	-0.2	—
Tax losses carried forward	4.8	-0.8	—	40.2	-0.1	44.1
Offset against deferred tax liabilities	—	—	—	-46.3	—	-46.3
Total	**23.6**	**-3.1**	**—**	**15.5**	**-0.1**	**35.9**
Deferred tax liability						
Depreciation difference	0.1	—	—	1.3	—	1.4
Intangible assets	24.2	-1.4	—	105.9	-1.6	127.1
Employee benefits	1.1	0.4	-2.5	—	—	-1.0
Leasing	0.1	0.4	—	—	—	0.5
Untaxed reserves	7.2	-0.7	—	—	0.1	6.6
Other temporary difference	5.3	-1.5	—	—	-0.3	3.5
Offset against deferred tax assets	—	—	—	-46.3	—	-46.3
Total	**38.0**	**-2.8**	**-2.5**	**60.9**	**-1.8**	**91.8**
Net deferred tax liability	**-14.4**	**-0.3**	**2.5**	**-45.4**	**1.7**	**-55.9**

On 31 Dec 2019, the Group had deferred tax assets on recognized tax losses carried forward totalling EUR 44.1 (4.8) million, which had no expiry date.

On 31 Dec 2019 the Group had deferred tax assets on operational tax losses carried forward totalling EUR 2.1 (0.7) million which were not recognized due to uncertainty of utilization.

The group does not have any material uncertain tax positions in accordance with IFRIC 23 Uncertainty over Income Tax Treatments.

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EUR million	1 Jan 2018	Charged to income statement	Charged to other comprehensive income	Acquisitions and disposals	Other changes	31 Dec 2018
Deferred tax asset						
Restructuring costs	1.0	-0.2	–	–	–	0.8
Other provisions	1.9	-0.2	–	–	0.1	1.8
Employee benefits	3.0	0.4	-0.4	–	0.1	3.1
Depreciation difference	9.6	0.1	–	–	–	9.7
Other temporary difference	3.0	0.5	–	–	-0.3	3.2
Fair value adjustments	0.1	-0.3	0.3	–	0.1	0.2
Tax losses carried forward	7.1	-2.7	–	0.5	-0.1	4.8
Total	**25.7**	**-2.4**	**-0.1**	**0.5**	**-0.1**	**23.6**
Deferred tax liability						
Depreciation difference	0.1	–	–	–	–	0.1
Intangible assets	26.5	-1.7	–	–	-0.6	24.2
Employee benefits	1.5	0.1	-0.5	–	–	1.1
Finance leases	0.1	–	–	–	–	0.1
Untaxed reserves	6.9	0.4	–	–	-0.1	7.2
Other temporary difference	3.4	1.9	–	0.2	-0.2	5.3
Total	**38.5**	**0.7**	**-0.5**	**0.2**	**-0.9**	**38.0**
Net deferred tax liability	**-12.8**	**-3.1**	**0.4**	**0.3**	**0.8**	**-14.4**

ASSETS

12. Intangible assets

EUR million	Goodwill	Software acquired separately	Intangible assets recognized from acquisitions	Capitalized development costs	Other	Advance payments	Total
Acquisition cost 1 Jan 2019	**442.6**	**44.0**	**42.2**	**3.6**	**43.1**	**3.0**	**578.5**
Acquisitions of subsidiaries	1 556.3	2.7	247.4	198.1	0.2	—	2 004.7
Additions	—	3.3	—	17.0	0.2	1.5	22.0
Disposals	—	-7.0	—	-1.3	-1.6	—	-9.9
Reclassifications	—	2.0	—	0.0	0.0	-2.0	0.0
Translation differences	42.6	0.0	7.2	5.2	0.0	-0.0	55.0
Acquisition cost 31 Dec 2019	**2 041.5**	**44.9**	**296.8**	**222.6**	**42.0**	**2.5**	**2 650.3**
Accumulated amortization and impairments 1 Jan 2019	**—**	**-34.6**	**-18.3**	**—**	**-36.5**	**-0.9**	**-90.2**
Acquisitions of subsidiaries	—	-2.2	—	-81.9	-0.2	—	-84.3
Disposals	—	6.8	—	1.3	1.7	—	9.9
Amortization	—	-6.4	-7.5	-1.0	-3.1	—	-18.1
Impairments	—	—	—	—	—	—	—
Reclassifications	—	0.0	—	0.0	0.0	—	—
Translation differences	—	0.0	-0.1	-2.0	0.0	0.0	-2.0
Accumulated amortization and impairments 31 Dec 2019	**—**	**-36.4**	**-25.9**	**-83.5**	**-38.1**	**-0.9**	**-184.9**
Carrying value 1 Jan 2019	442.6	9.4	23.9	3.6	6.6	2.1	488.2
Carrying value 31 Dec 2019	**2 041.5**	**8.5**	**270.8**	**139.1**	**3.8**	**1.7**	**2 465.4**

EUR million	Goodwill	Software acquired separately	Intangible assets recognized from acquisitions	Capitalized development costs	Other	Advance payments	Total
Acquisition cost 1 Jan 2018	**441.3**	**37.9**	**43.7**	**—**	**45.4**	**4.5**	**572.8**
Acquisitions of subsidiaries	12.8	0.0	2.3	—	0.1	—	15.2
Additions	—	6.0	—	3.6	0.4	2.1	12.1
Disposals	-3.5	-2.8	-3.1	—	-2.0	—	-11.4
Reclassifications	—	3.2	—	—	-0.6	-3.7	-1.1
Translation differences	-8.0	-0.2	-0.7	—	-0.1	-0.0	-9.0
Acquisition cost 31 Dec 2018	**442.6**	**44.0**	**42.2**	**3.6**	**43.1**	**3.0**	**578.5**
Accumulated amortization and impairments 1 Jan 2018	**—**	**-30.7**	**-14.4**	**—**	**-34.5**	**-0.9**	**-80.5**
Acquisitions of subsidiaries	—	-0.0	—	—	—	—	-0.0
Disposals	—	2.1	1.5	—	2.0	—	5.6
Amortization	—	-7.2	-5.2	—	-3.4	—	-15.8
Impairments	—	—	—	—	—	—	0.0
Reclassifications	—	1.0	—	—	-0.7	—	0.4
Translation differences	—	0.2	-0.1	—	0.1	0.0	0.1
Accumulated amortization and impairments 31 Dec 2018	**—**	**-34.6**	**-18.3**	**—**	**-36.5**	**-0.9**	**-90.2**
Carrying value 1 Jan 2018	441.3	7.2	29.3	—	10.9	3.7	492.4
Carrying value 31 Dec 2018	**442.6**	**9.4**	**23.9**	**3.6**	**6.6**	**2.1**	**488.2**

13. Property, plant and equipment

EUR million	Land	Buildings and structures	Machinery and equipment	Capitalized finance leases	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost 1 Jan 2019	**1.2**	**3.8**	**314.6**	**3.9**	**55.3**	**6.0**	**384.8**
Acquisitions of subsidiaries	–	–	91.7	–	13.8	–	105.5
Additions	–	–	26.5	–	1.8	3.5	31.8
Disposals	–	–	-28.0	–	-0.6	-0.3	-28.9
Reclassifications	–	–	4.4	-3.9	0.3	-4.2	-3.4
Translation differences	–	–	0.9	–	0.1	-0.0	1.0
Acquisition cost 31 Dec 2019	**1.2**	**3.8**	**410.2**	**–**	**70.7**	**5.0**	**490.8**
Accumulated amortization and impairments 1 Jan 2019	**–**	**-1.7**	**-265.2**	**-2.4**	**-22.3**	**-0.9**	**-292.5**
Acquisitions of subsidiaries	–	–	-67.7	–	-9.9	–	-77.5
Disposals	–	–	26.7	–	0.4	–	27.2
Depreciation	–	-0.1	-31.7	–	-6.5	–	-38.3
Reclassifications	–	–	0.0	2.4	-0.1	–	2.3
Translation differences	–	–	-0.7	–	-0.1	–	-0.8
Accumulated amortization and impairments 31 Dec 2019	**–**	**-1.8**	**-338.5**	**–**	**-38.4**	**-0.9**	**-379.6**
Carrying value 1 Jan 2019	1.2	2.1	49.3	1.6	32.9	5.1	92.3
Carrying value 31 Dec 2019	**1.2**	**2.0**	**71.7**	**–**	**32.2**	**4.1**	**111.2**

EUR million	Land	Buildings and structures	Machinery and equipment	Capitalized finance lease	Other tangible assets	Advance payments and work in progress	Total
Acquisition cost 1 Jan 2018	**1.2**	**3.8**	**303.4**	**3.9**	**53.9**	**3.1**	**369.3**
Acquisitions of subsidiaries	—	—	0.2	—	0.3	—	0.5
Additions	—	—	30.4	—	2.8	4.3	37.4
Disposals	—	—	-17.2	—	-1.8	-0.2	-19.2
Reclassifications	—	—	1.0	—	0.8	-1.2	0.6
Translation differences	—	—	-3.1	—	-0.7	0.0	-3.8
Acquisition cost 31 Dec 2018	**1.2**	**3.8**	**314.6**	**3.9**	**55.3**	**6.0**	**384.8**
Accumulated amortization and impairments 1 Jan 2018	**—**	**-1.6**	**-252.3**	**-1.6**	**-18.0**	**-1.0**	**-274.4**
Acquisitions of subsidiaries	—	—	-0.2	—	-0.2	—	-0.4
Disposals	—	—	17.0	—	1.8	0.1	18.9
Depreciation	—	-0.1	-32.3	-0.8	-6.0	—	-39.2
Reclassifications	—	—	0.0	—	-0.4	—	-0.4
Translation differences	—	—	2.5	—	0.5	0.0	3.0
Accumulated amortization and impairments 31 Dec 2018	**—**	**-1.7**	**-265.2**	**-2.4**	**-22.3**	**-0.9**	**-292.5**
Carrying value 1 Jan 2018	1.2	2.2	51.1	2.4	35.9	2.1	94.9
Carrying value 31 Dec 2018	**1.2**	**2.1**	**49.3**	**1.6**	**32.9**	**5.1**	**92.3**

14. Non-current and current trade and other receivables

EUR million	31 Dec 2019	31 Dec 2018
Non-current		
Prepaid expenses and contract assets	22.5	3.7
Other	15.2	11.2
Total	**37.6**	**14.9**
Current		
Trade receivables at amortized cost	450.9	293.9
Prepaid expenses and accrued income		
Contract assets[1)]	68.3	39.5
Licence fees	31.6	20.4
Rents	0.4	3.1
Social costs	0.8	1.6
Accrued interest income	0.2	0.1
Other prepaid expenses	68.1	14.0
Other interest-bearing receivables[2)]	11.9	–
Other	26.3	6.6
Total	**658.6**	**379.4**

[1)] The increase is due to EVRY being consolidated from 5th December 2019 onwards.
[2)] Receivables related to assets financed as part of customer deliveries.

15. Cash and cash equivalents

EUR million	31 Dec 2019	31 Dec 2018
Cash in hand and at bank	148.7	135.8
Short-term deposits	15.9	28.8
Total	**164.6**	**164.6**

Short-term deposits are readily convertible to a known amount of cash within 3 months' time. Cash and cash equivalents are carried at nominal value, which corresponds to their fair value.

EQUITY AND LIABILITIES

16. Share capital and reserves

EUR million	Number of shares	Share capital	Share issue premiums and other reserves	Invested unrestricted equity reserve	Total
1 Jan 2018	73 723 125	76.6	42.6	12.8	132.0
Shares delivered from the share-based incentive plans[1)]	103 224	—	—	—	—
Translation difference	—	—	-1.1	—	-1.1
31 Dec 2018	**73 826 349**	**76.6**	**41.5**	**12.8**	**130.9**
Shares delivered from the share-based incentive plans[1)]	110 658	—	—	—	—
Shares issued as Merger consideration	44 316 519	—	—	1 190.7	—
Translation difference	—	—	-0.6	—	-0.6
31 Dec 2019	**118 253 526**	**76.6**	**40.9**	**1 203.5**	**1 321.0**
Treasury shares[2)]	172 245				
Total number of shares on 31 Dec 2019²?	**118 425 771**				

[1)] Shares granted from treasury shares without effect to share capital.
[2)] On 31 Dec 2018, the number of shares in the company's possession totalled 282 903 and the total number of shares was 74 109 252.

The company has one class of shares, and each share has one vote at the Annual General Meeting and equal rights to dividend and other distribution of assets. The company's Articles of Association includes a voting constraint at the Annual General Meeting that no-one is entitled to vote on more than one-fifth of the votes represented at the Annual General Meeting. TietoEVRY's shares have no nominal value and their book value counter value is one euro. All issued shares have been fully paid.Share issue premiums and other reserves include share issue premium of Parent company and statutory reserve fund of Tieto Sweden AB.

Invested unrestricted equity reserve

The invested unrestricted equity reserve includes the subscription price of shares to the extent that it has not been recorded in share capital according to specific resolution. The increase in the invested unrestricted equity reserve in 2019 was due to the merger of Tieto and EVRY. 44 316 519 new shares were issued with a closing price of EUR 26.96 of Tieto share on 4 December 2019 on Nasdaq Helsinki, corresponding to EUR 1 194.8 million increase in Invested unrestricted equity reserve. Costs of EUR 4.1 million related to the share issue has been deducted from the invested unrestricted equity reserve. See **note 1** for more information.

Distributable funds

On 31 Dec 2019, the distributable funds of the parent company totalled EUR 1 802.4 million of which retained earnings were EUR 507.7 million and net profit for the financial year EUR 87.1 million. The Board of Directors proposes to the Annual General Meeting in 2020 that a dividend of EUR 1.27 per share is paid for 2019 (dividend of EUR 1.45 per share paid for 2018).

17. Interest-bearing loans and borrowings

EUR million	31 Dec 2019	31 Dec 2018
Non-current		
Bonds	99.3	99.2
Other loans	492.2	85.5
Lease liabilities	222.9	0.8
Total	**814.5**	**185.5**
Current		
Other loans	351.4	99.9
Cash Pool liabilities towards joint ventures	21.2	17.8
Lease liabilities	75.4	0.8
Total	**448.0**	**118.6**
Total Interest bearing loans and borrowings	**1 262.5**	**304.0**

More information on debt structure and carrying interest rates is disclosed in note 21.

Liabilities arising from financing activities

			Non-cash changes						
EUR million	31 Dec 2018	Cash flows[1)]	Foreign exchange gains and losses	IFRS 16 transition	Acquisitions and disposals	New contracts	De-recognized contracts	Other	31 Dec 2019
Non-current interest-bearing loans	184.6	-136.5	—	—	534.1	9.1	—	0.2	591.5
Current interest-bearing loans	117.8	243.0	—	—	—	11.9	—	0.1	372.6
Lease liabilities	1.6	-50.3	1.7	165.1	160.3	27.1	-7.7	0.4	298.3
Total	**304.0**	**56.2**	**1.8**	**165.1**	**694.4**	**48.0**	**-7.7**	**0.7**	**1 262.5**

1) In cash flow statement EUR -534.1 million repayment of acquired EVRY loans is classified as Cash flow from investing activities, the rest of EUR 106,5 million is reported under Cash flow from financing activities.

			Non-cash changes					
EUR million	**31 Dec 2017**	**Cash flows**	**Foreign exchange gains and losses**	**Acquisitions and disposals**	**New leases**	**Derecognition of leases**	**Other**	**31 Dec 2018**
Non-current interest-bearing loans	100.8	183.4	—	1.0	—	—	-100.6	184.6
Current interest-bearing loans	133.8	-116.9	—	0.3	—	—	100.6	117.8
Finance lease liabilities	2.5	-0.8	—	—	—	—	—	1.6
Total	**237.1**	**65.7**	**—**	**1.3**	**—**	**—**	**—**	**304.0**

18. Provisions

EUR million	Provisions for restructuring	Provisions for loss-making contracts	Other provisions
1 Jan 2019	5.4	1.6	3.8
Translation differences	-0.2	0.0	0.0
Acquisitions of subsidiaries	2.7	—	1.2
Increases in provisions	23.8	1.8	2.6
Use of provisions	-17.0	-1.1	-0.3
Reversal of provisions	-0.3	-0.2	-1.5
31 Dec 2019	**14.4**	**2.0**	**5.8**
of which			
Non-current	6.9	—	2.2
Current	7.5	2.0	3.6
Total	**14.4**	**2.0**	**5.8**

Major part of the new restructuring provisions in 2019 are related to efficiency programmes in Sweden and in Finland.

EUR million	Provisions for restructuring	Provisions for loss-making contracts	Other provisions
1 Jan 2018	7.5	1.9	3.5
Translation differences	-0.2	-0.0	-0.0
Acquisitions of subsidiaries	-0.3	—	-0.0
Increases in provisions	7.1	1.4	2.8
Use of provisions	-8.4	-1.5	-0.7
Reversal of provisions	-0.2	-0.3	-1.8
31 Dec 2018	**5.4**	**1.6**	**3.8**
of which			
Non-current	0.5	—	2.9
Current	4.9	1.6	0.9
Total	**5.4**	**1.6**	**3.8**

19. Leases

TietoEVRY as a lessee

TietoEVRY group leases premises, IT equipment and cars. In monetary terms, the highest portion of the Groups lease portfolio is for leasing premises. TietoEVRY Group also leases equipment for Datacentres to support continuous service delivery to its customers. Rent of company cars is part of employees benefit package, the portion of employee share in payment being subject to local HR policies and varies between 0% to 100%.

Lease terms are negotiated on individual basis and contain a wide range of renewal and termination options. As of 31 Dec 2019, weighted average residual lease term for lease contract is 8.8 years (residual term vary between 0.1–48 years). Lease term for premises leases referred to as "evergreen leases" or "rolling" leases has been determined based on the internally defined site categories. Those take into consideration the number of full time employees and strategic importance of the site, allowing longer lease term for larger Level 1 sites (5 years and more) and recognizing higher flexibility for smallest Level 1 sites (1 year, short-term lease exemption from on balance sheet treatment not applied). Total annual leasing expenses (depreciation and interest) for such leases amounted to 8.9 million EUR during year 2019, weighted average remaining lease term being 2.7 years.

Average annual incremental borrowing rate applied to discounting future cash flows for existing lease agreements at year end is 4.15%.

TietoEVRY as a lessor

In order to achieve certain deliveries in customer contracts, TietoEVRY requires IT equipment. When such equipment is explicitly or implicitly identified from customer contract and it is the customer who directs the use of it, TietoEVRY would recognize that as a lease component in customer contract. Further the lease is classified either as Operating lease or Finance lease. As of 31 Dec 2019, all such cases have been classified as Finance leases.

Impact on income statement

EUR million		31 Dec 2019	31 Dec 2018
TietoEVRY as a Lessee	Buildings	-38.8	—
TietoEVRY as a Lessee	Equipment and Machinery	-11.0	—
	Depreciation expenses of Right-of-use assets[1]	**-49.9**	**—**
TietoEVRY as a Lessee	Expense relating to variable lease payments, short term and low value leases[2]	-7.6	—
TietoEVRY as a Lessee	Operating lease expense (IAS 17) included in personnel and other operating costs	—	-58.4
	Other income and expenses	**-7.6**	**-58.4**
TietoEVRY as a Lessor	**Revenue**	**4.0**	**—**
TietoEVRY as a Lessor	**Materials and services**	**-4.9**	**—**
TietoEVRY as a Lessor	Finance income on the net investment in lease	0.1	0.1
TietoEVRY as a Lessee	Interest expense on lease liabilities[1]	-6.3	-0.1
	Expenses reported in Financial items	**-6.2**	**—**
	Total impact on Income Statement from leasing contracts	**-64.5**	**-58.4**

[1] Amounts include merged companies expenses from 5th Dec 2019 onwards.
[2] Includes EUR -5.6 million variable lease payments related to buildings lease contracts.

Impact on Statement of cash flows

Leasing contracts contributed to the following cash outflow for 12 month period ending in years 2019 and 2018:

EUR million		31 Dec 2019	31 Dec 2018
TietoEVRY as a Lessee	Interest paid (Cash flow from Operating activities)	-6.0	-0.1
	Principal paid (Cash flow from Financing activities)	-50.3	-0.8

Cash paid for short-term leases and variable lease payments in year ending 31 Dec 2019 was EUR -7.6 million.

Impact on Statement of financial position

Right-of-use assets

The carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset were as follows:

EUR million		Buildings	Machinery and Equipment	Total
TietoEVRY as a Lessee	**31 Dec 2018**	**—**	**—**	**—**
	IFRS 16 transition adjustment	144.3	19.3	163.6
	Acquisition and mergers impact	151.2	5.6	156.8
	Additions	14.0	13.1	27.1
	Terminations	-7.2	-0.5	-7.7
	Transfer to Fixed assets	—	-0.6	-0.6
	Depreciation	-38.5	-11.3	-49.9
	Currency translation differences	2.6	—	2.6
	31 Dec 2019	**266.5**	**25.6**	**292.1**

Lease liabilities

EUR million	31 Dec 2019	31 Dec 2018
Short term	75.4	0.8
Long term	222.9	0.8
Total	**298.3**	**1.7**

Balances in comparative period ending 31 December 2018 represent outstanding liabilities for Finance leases (IAS 17). Please see **Accounting Policies** for further details on IFRS 16 transition impact.

The movement in lease liabilities over reporting period is presented in **Note 17**.

The maturity structure of contractual undiscounted lease payments is presented in **Note 21**.

Lease receivables

Net investment in lease

EUR million	31 Dec 2019	31 Dec 2018
Short term	1.8	0.9
Long term	3.8	0.7
Total	**5.6**	**1.6**

Maturity analysis - contractual undiscounted cash flows for finance leases

EUR million	31 Dec 2019	31 Dec 2018
Within one year	2.0	0.9
One to two years	1.7	–
Two to three years	1.2	–
Three to four years	0.7	–
Four to five years	0.2	–
Two to five years	–	0.7
More then five years	–	–
Total undiscounted lease payments receivable	**5.9**	**1.6**
Unearned finance income	-0.2	-0.1
Discounted unguaranteed residual value	–	–
Net investment in lease	**5.6**	**1.6**

20. Non-current and current trade and other payables

EUR million	31 Dec 2019	31 Dec 2018
Non-current		
Advanced payments	33.4	0.4
Accruals	3.3	2.8
Total	**36.7**	**3.2**
Current		
Trade payables	219.2	101.5
Contract liabilities	41.9	30.5
Accrued liabilities		
Employee-related accruals	170.8	126.0
Interest	0.9	2.2
Rent	0.1	3.0
Other accrued expenses	103.1	29.8
Value added tax liabilities	52.5	31.8
Payroll tax liabilities	94.4	14.9
Total	**682.8**	**339.7**

21. Management of financial risks

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and commodity risk), credit risk and liquidity risk. The operative management of the treasury activities of TietoEVRY is centralized into Group Treasury. The Group Treasury is responsible for managing the Group’s financial risk position and maintaining adequate liquidity. The Treasury Policy, which has been approved by the Board of Directors, defines the principles for measuring and managing liquidity risk, interest rate risk, foreign exchange risks and counterparty risk of the Group. The Treasury Policy also defines the division of responsibilities with regard to financial risk management. The Group reviews and monitors financial risks on a regular basis.

Market risk

Currency risk management

Transaction risk

Currency risk means the risk that the result or economic situation of the Group changes due to changes in exchange rates. Foreign trade, Group internal transactions and liquidity management in non-euro countries generate transaction exposure to the Group. The objective of the Groups' currency risk policy is to secure profitability of operative business by managing recognized exposures while maintaining on a Group level a sufficient flexibility to adjust to changing currency markets. The Treasury Policy defines the approved hedging instruments for TietoEVRY, and the Group's policy is to hedge all identified currency exposures within the limits defined in the Policy. The underlying exposure includes financial items denominated in non-functional currencies of operating companies, such as interest bearing external receivables and payables, internal funding, foreign currency bank account balances, and estimated cash flows such as firm commitments and future trade transactions.

Swedish krona, Norwegian krona, Czech koruna, Indian rupee, Polish zloty and US dollar are the largest currencies in the exposure. Russian rouble does not have a material impact on group exposure. During 2019, currency forward contracts and swaps were used to mitigate the risks. Gains and losses from foreign exchange contracts are recognized in the consolidated income statement.

Group Companies must hedge all their identified currency risks with the Group Treasury unless there are legal restrictions preventing this. The benchmark for the Group’s currency position is a situation where all the identified currency risks are eliminated. A deviation from this benchmark is defined as an open position. The following deviations can be made based on the total size of the Group’s gross currency position (identified currency risks, excluding the hedging transactions):

- +/- 15 %: Group Treasury
- +/- 25 %: Treasury Committee
- Greater deviation: Board of Directors

The overall operational hedging ratio at the end of Dec 2019 was 103% (99%).

Identified currency transaction risk exposure and sensitivity analysis

EUR million	Loans and Cash	Estimated cash flows	Leases	Total foreign exchange exposure	External foreign exchange hedges	Transaction exposure sensitivity[1]	Foreign exchange hedge sensitivity[1]	Net effect gain/(loss)
SEK								
31 Dec 2019	**175.9**	**23.4**	**—**	**199.3**	**-169.4**	**-17.6**	**16.9**	**-0.7**
31 Dec 2018	0.7	23.9	—	24.6	-25.1	-0.1	2.5	2.4
NOK								
31 Dec 2019	**11.2**	**-1.5**	**—**	**9.7**	**-52.5**	**-1.1**	**5.3**	**4.1**
31 Dec 2018	-12.3	-2.0	—	-14.3	14.2	1.2	-1.4	-0.2
PLN								
31 Dec 2019	**-0.9**	**-7.6**	**1.7**	**-6.8**	**7.6**	**-0.1**	**-0.8**	**-0.8**
31 Dec 2018	-0.1	-6.9	—	-7.0	6.9	—	-0.7	-0.7
CZK								
31 Dec 2019	**-4.5**	**-50.9**	**12.7**	**-42.7**	**54.5**	**-0.8**	**-5.5**	**-6.3**
31 Dec 2018	-7.0	-44.4	—	-51.4	51.1	0.7	-5.1	-4.4
INR								
31 Dec 2019	**—**	**-28.9**	**—**	**-28.9**	**28.9**	**—**	**-2.9**	**-2.9**
31 Dec 2018	—	-33.3	—	-33.3	33.1	—	-3.3	-3.3
USD								
31 Dec 2019	**1.7**	**11.9**	**-1.4**	**12.2**	**-11.9**	**—**	**1.2**	**1.2**
31 Dec 2018	1.7	11.6	—	13.3	-13.1	-0.2	—	-1.3
Other								
31 Dec 2019	**-1.5**	**-0.8**	**—**	**-2.3**	**0.8**	**0.2**	**-0.1**	**0.1**
31 Dec 2018	-1.8	-1.5	—	-3.3	1.5	0.2	-0.2	0.0

[1] The maximum pre-tax effect (EUR million) of 10% negative change in exchange rates on the Group's foreign exchange position over the following year.

Translation risk

According to the Treasury Policy, hedging translation exposure is subject to Board of Directors' decision. Exposure includes the acquisition price, share capital and restricted and non-restricted reserves of subsidiaries in non-euro countries, as well as the result of the period. NOK 13 619 and SEK 6 366 million exposure forms the majority of the translation risk. The translation position was unhedged at the end of 2019.

Interest rate risk management

The most significant part of Group's interest rate risk arises from Group's borrowings and financial investments. The objective of interest rate risk management is to minimize the effect of interest rate fluctuations on TietoEVRY’s annual results and economic positions. Group Treasury is responsible for the monitoring and operative management of the Group’s interest rate position. Interest rate position includes loans, financial investments and interest rate derivative contracts. The Treasury Policy defines the interest rate risk management principles and allowed interest rate hedging instruments for the Group. According to the Treasury Policy, 12 months is defined as a benchmark for the Group's interest rate position, in terms of weighted average time to re-pricing. After the drawdown of the new funding due to the merger, the ratio was at 11 months (28 months in 2018) at the end of the year.

Group borrowings and financial investments overview

31 Dec 2019 EUR million	Amount	Average rate, %	Rate sensitivity[2)]
Capital markets[3)]	-99.3	1.4	0.0
Money markets	103.4	0.6	0.2
Other loans	-803.6	0.8	-7.8
Other receivables	22.2	3.0	0.0
Leasing	-292.7	4.2	-2.9

31 Dec 2018 EUR million	Amount	Average rate, %	Rate sensitivity[2)]
Capital markets	-199.1	2.1	0.0
Money markets	164.6	5.6	1.6
Other loans	-85.4	1.1	-0.9
Other receivables	0.5	0.4	0.0

[2)] The maximum pre-tax effect (EUR million) of 1% rise in interest rates on the Group's net interest expenses over the following year.

[3)] The duration of underlying instruments was 4.6 (3.0 in 2018).

Commodity risk management

Majority of power procurement has been centralized to a selected supplier and under the selected model, Group does not enter into any new power derivative agreements in its own name.

Liquidity risk management and funding

Liquidity risk management and funding principles are defined in the Treasury Policy. One of the key tasks of Group Treasury is to secure adequate funding for the Group. The Group has a committed EUR 250 million credit facility, which matures in 2024. The Group has also overdraft facilities and a EUR 250 million commercial paper programme available to maintain flexibility in funding and a EUR 50 million sale of receivables facility.

In May, the Group repaid the expiring 100 million bond. To support the merger transaction, new funding of EUR 700 million was drawn in December from the new credit facilities negotiated due to the merger.

Debt structure

31 Dec 2019 EUR million		Amount drawn	Amount available	Maturity structure 2020	2021	2022	2023	2024	2025–
Loans	Bond	100.0	—	—	—	—	—	100.0	—
	Commercial paper programme	40.0	250.0	40.0	—	—	—	—	—
	Revolving credit facility	—	250.0	—	—	—	—	—	—
	Liabilities towards joint ventures	21.2	—	21.2	—	—	—	—	—
	European Investment Bank	85.0	—	—	6.5	13.1	13.1	13.1	39.2
	Bridge loan	300.0	—	300.0	—	—	—	—	—
	Syndicated term loan	400.0	—	—	—	—	80.0	320.0	—
	Other loans	21.7	—	12.5	6.7	2.3	0.3	—	—
		967.9	500.0	373.7	13.2	15.4	93.4	433.1	39.2
	Interest payments	—	—	7.7	6.1	5.9	5.7	4.1	0.3
Trade payables	Outflow	—	—	219.2	—	—	—	—	—
Other liabilities	Lease liabilities	358.3	—	79.1	66.3	51.8	33.9	23.7	103.5
Total		**1 326.2**	**500.0**	**679.7**	**85.6**	**73.1**	**133.0**	**460.9**	**143.0**

31 Dec 2018				Maturity structure					
EUR million		**Amount drawn**	**Amount available**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024–**
Loans	Bond	200.0	—	100.0	—	—	—	—	100.0
	Commercial paper programme	—	250.0	—	—	—	—	—	—
	Revolving credit facility	—	150.0	—	—	—	—	—	—
	Liabilities towards Joint Ventures	17.8	—	17.8	—	—	—	—	—
	European Investment Bank	85.0	85.0	—	—	6.5	13.1	13.1	13.1
	Other loans	0.4	—	0.4	—	—	—	—	—
		303.3	485.0	118.3	—	6.5	13.1	13.1	113.1
	Interest payments	—	—	4.7	1.8	1.8	1.7	1.7	1.9
Trade payables	Outflow	—	—	101.5	—	—	—	—	—
Other liabilities	Financial lease liability	1.7	—	0.9	0.8	—	—	—	—
Total		**305.0**	**485.0**	**225.4**	**2.6**	**8.3**	**14.8**	**14.8**	**115.0**

Credit risk management

Credit risk is managed on Group level. Credit risk derives from financial investments, derivative contracts and customer-related risks, such as accounts receivables. Group Treasury maintains a list of approved counterparts for commercial paper investments and other financial transactions in accordance with limits set in the Treasury Policy. According to the Treasury Policy, core banks of the Group should have a minimum long-term rating of Baa3 or BBB-. The Credit Policy defines the limits for the acceptable level of customer credit risk in terms of invoicing schedules and payment terms. Customer-related credit risks are assessed based on payment history and financial strength in accordance with the Credit Policy.

Since 2018, the Group has applied the impairment requirements as defined in IFRS 9. The Group elected to use the simplified method of applying life-time expected credit losses for all its financial assets and Provision Matrix for its customer related impairment estimates. Default event is defined as 90 days past due or write off event due to inability of collecting the debt.

The Group has performed its external customer segmentation so that each customer segment would bear similar credit characteristics and are subject to separately defined loss rate, based on the following criteria:

- Country Group (Finland, Sweden, Norway, Other European Union countries, Other countries)
- Industry Group (Financial Services, Public Healthcare & Welfare, Industrial Customer Services)
- Balance due status (Not yet due, overdue 1–7 days, 8–30 days, 31–60 days, 61–90 days, over 90 days)
- Expected Credit loss rates applied during 2019 are based on historical defaults identified during years 2016–2018.

The Group increased the ECL rates for Country Group Sweden by 1% for all overdue trade receivables due to weakening growth prospects of the economy.

In addition, the Group uses customer credit insurance, given by global credit insurer, as a collateral. Excluded from credit insurance cover are all Public Sector customers and some other selected customers. For those customer receivables which are covered by insurer, no impairment is calculated, since the Group considers that the credit risk is significantly mitigated by transferring that to the insurer. In case of default by customer under insurance, the credit insurer covers 90% of the open accounts receivables, or up to limit received from credit insurer.

The Group has two Sale of Receivables facilities, EUR 50 million and NOK 450 million. Such receivables sold via non-recourse factoring are classified at fair value through profit or loss and, therefore, no credit losses are calculated, see **Note 14**. There are no major concentrations of credit risk in the Group, whether through exposure to individual customers, specific industry sectors and/or regions. The maximum exposure to customer related credit risk at the reporting date is the carrying value of trade receivables.

Group trade receivables maturity and expected credit losses

31 Dec 2019 EUR million	Not yet due	Overdue 1–7 days	Overdue 8–30 days	Overdue 31–60 days	Overdue 61–90 days	Overdue over 90 days	Grand Total
Gross Trade receivables subject to impairment	286.0	28.0	5.2	8.2	2.7	16.0	346.2
Average Expected loss rate applied	-0.2 %	-0.5 %	-0.5 %	-2.3 %	-0.7 %	-1.5 %	-0.4 %
Collective loss allowance	-0.7	-0.1	0.0	-0.2	0.0	-0.2	-1.3
Individual loss allowance	-1.1	-0.1	0.0	-0.1	-0.1	-1.0	-2.4
Total loss allowance	**-1.8**	**-0.2**	**-0.0**	**-0.3**	**-0.1**	**-1.3**	**-3.7**
Trade receivables net of ECL	**284.1**	**27.8**	**5.2**	**7.9**	**2.6**	**14.8**	**342.5**
Trade Receivables covered by Collateral	86.3	13.2	1.9	3.7	0.3	3.2	108.5
Total Trade Receivables at amortized cost	**370.4**	**41.1**	**7.0**	**11.6**	**2.9**	**18.0**	**451.0**

When calculating ECL for contract assets, the ECL rate set for “not yet due” invoices in the provision matrix is used, based on the same customer segmentation groups.

Net contract assets

31 Dec 2019 EUR million	Not yet due
Contract assets	68.4
Average ECL applied	-0.2%
Collective loss allowance	-0.1
Net contract assets	**68.3**

The following table shows the movement in lifetime ECL that has been recognised for trade and other receivables.

	Trade receivables		Contract assets	
EUR million	2019	2018	2019	2018
1 Jan	**0.8**	**1.9**	**0.1**	**—**
Amounts restated through retained earnings	—	0.4	0.0	0.1
1 Jan, adjusted	**0.8**	**2.3**	**0.1**	**0.1**
Acquisitions of subsidiaries	1.1	—	—	—
Impairment losses recognized	0.8	5.2	—	—
Amounts written off this year as uncollectable	1.9	—	—	—
Impairment losses reversed	-0.5	-6.6	—	—
Amount recovered during the year	-0.4	-0.1	—	—
31 Dec	**3.7**	**0.8**	**0.1**	**0.1**

Impairment losses recognized on trade receivables and contract assets are included in other operating expenses in the income statement.

Capital management

The objective is to keep the capital structure on a level securing adequate financial flexibility for the operations. The capital structure of the Group is being continuously monitored through Net debt/EBITDA ratio. The ratio is calculated by dividing interest-bearing net debt with the average 12 months' EBITDA (excluding capital gains) of the Group.

	31 Dec 2019	31 Dec 2018
Net debt	1 070.0	137.4
12 months EBITDA (excluding capital gains)	233.4	208.0
Net debt/EBITDA (excluding capital gains)	4.6	0.7

Net debt/EBITDA ratio at the end of 2019 is not comparable with prior period. Due to the timing of the merger with EVRY, Net debt increased by the additional funding obtained for the transaction. However, EBITDA includes EVRY result only from 5th December 2019 onwards. IFRS 16 impact on Net Debt/EBITDA is estimated to be +0.4.

Net debt/EBITDA ratio (excluding capital gains, but including advances received) is a covenant used in certain funding arranfor Revolving credit facility. TietoEVRY Group is within limits for this covenant as at the reporting date and comparative period.

Offsetting financial assets and liabilities

Agreements with derivatives' counterparties are based on ISDA Master Agreements or on agreements with similar content with regards to offsetting financial assets and liabilities. Based on the terms of these agreements, offsetting is possible only under certain circumstances, such as, default of either of parties or other force majeure events. If any of those occur, then the net position owing/receivable to a single counterparty will be taken as owing.

Derivative financial assets and liabilities

31 Dec 2019 EUR million	Gross amounts of recognized financial instruments in statement	Gross amounts set off in the statement of financial position	Net amounts of financial instruments recognized	Related amounts not set off in the statement of financial position		Net amount
				Financial Instruments	Cash collateral received	
Derivative financial assets	4.3	—	4.3	-3.4	—	0.9
Derivative financial liabilities	-19.0	—	-19.0	3.4	—	-15.6

31 Dec 2018 EUR million	Gross amounts of recognized financial instruments in statement	Gross amounts set off in the statement of financial position	Net amounts of financial instruments recognized	Related amounts not set off in the statement of financial position		Net amount
				Financial Instruments	Cash collateral received	
Derivative financial assets	2.6	—	2.6	-0.3	—	2.3
Derivative financial liabilities	-0.4	—	-0.4	0.3	—	-0.1

22. Financial assets and liabilities - carrying amount and fair value and fair value hierarchy

Financial assets

EUR million	31 Dec 2019 Carrying amounts	31 Dec 2019 Fair values	31 Dec 2018 Carrying amounts	31 Dec 2018 Fair values	Fair value hierarchy
Financial assets at fair value through profit or loss					
Non-current					
Other financial assets at fair value through profit or loss	0.6	0.6	0.5	0.5	Level 3
Current					
Trade receivables at fair value through profit or loss[1)]	9.3	9.3	0.9	0.9	Level 2
Current derivative receivables	4.3	4.3	2.6	2.6	Level 2
Financial assets at amortized cost					
Non-current					
Other loan receivables, interest-bearing	10.3	10.3	0.5	0.5	Level 2
Lease receivables	3.8	3.8	0.7	0.7	Level 2
Current					
Other loan receivables, interest-bearing	11.9	11.9	–	–	Level 2
Lease receivables	1.8	1.8	0.9	0.9	Level 2
Trade receivables	450.9	450.9	293.9	293.9	Level 2
Accrued interest income	0.2	0.2	0.1	0.1	Level 2
Cash and cash equivalents	164.6	164.6	164.6	164.6	Level 2
Total	**657.6**	**657.6**	**464.8**	**464.8**	

Financial liabilities

EUR million	31 Dec 2019 Carrying amounts	31 Dec 2019 Fair values	31 Dec 2018 Carrying amounts	31 Dec 2018 Fair values	Fair value hierarchy
Financial liabilities at fair value through profit or loss					
Current derivative liabilities	19.0	19.0	0.4	0.4	Level 2
Financial liabilities measured at amortized cost					
Non-current					
Lease liability	222.9	222.9	0.8	0.8	Level 2
Loans[2)]	591.5	594.0	184.6	201.3	Level 2
Current					
Trade payables	219.2	219.2	101.5	101.5	Level 2
Accrued interest	0.9	0.9	2.2	2.2	Level 2
Lease liability	75.4	75.4	0.8	0.8	Level 2
Loans	372.6	372.6	117.8	117.8	Level 2
Total	**1 501.7**	**1 504.2**	**408.2**	**424.9**	

Foreign exchange derivatives' fair values are calculated according to foreign exchange and interest rates on the closing date.

Loans and receivables and financial liabilities are held at amortized cost using the effective interest rate method. Their carrying amounts are considered to approximate their fair value, except for:
[1)] Trade receivables sold under non-recourse factoring agreements (EUR9.3 million on 31 Dec 2019) are classified as Financial assets at fair value through profit or loss and presented separately from other trade receivables. Group estimates that the carrying amount approximates the fair value due to their short-term nature.
[2)] Includes fixed rate bond where carrying amount of EUR 99.3 million has not been adjusted to match the fair value of EUR 101.8 million. Fair value of the bond has been calculated based the on the prevailing market rate at the end of the reporting period.

23. Derivatives

Nominal amounts of derivatives

Includes the gross amount of all nominal values for contracts that have not yet been settled or closed. The amount of nominal value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by other contracts.

EUR million	31 Dec 2019	31 Dec 2018
Foreign exchange forward contracts	1 694.1	170.0

Fair values of derivatives

Derivatives are used for economic purposes only.

Foreign exchange forward contracts	31 Dec 2019	31 Dec 2018
Gross positive fair values	4.3	2.6
Gross negative fair values	-19.0	-0.4
The net fair values at the reporting date	**-14.7**	**2.2**

Foreign exchange derivatives' fair values are calculated according to foreign exchange and interest rates on the closing date.

Hedge Accounting

Since second quarter, the Group had dedicated a forward contract as a hedging instrument in a cash flow hedge relationship to hedge highly probable forecasted transaction in non-functional currency, which was, the cash component of a consideration payable to EVRY shareholders in a merger transaction. The critical terms of the underlying transaction were:

- Nominal amount (sell EUR 196.5 million, buy NOK 1 950 million at forward rate of 9.9233)
- Maturity (both forward contract and underlying transaction were expected to realize by Q1 2020)

The merger took place on 5th of December 2019, which is before the originally expected Q1 2020. The hedging relationship was discontinued the moment the merger date was determined and cumulative change in fair value of the derivative at that point in time (EUR -4,3 million) has been used as basis adjustment to cash component of the merger consideration paid to EVRY shareholders.

GROUP STRUCTURE AND GOODWILL

24. Subsidiary shares

Subsidiary shares owned by the Parent company

Company name	Domicile	Parent company´s holding %	31 Dec 2019 Book value in the Parent company EUR million
EVRY Card Issuing AS	Norway	100.0	77.4
EVRY Card Payments AS	Norway	100.0	0.0
EVRY Card Services AS	Norway	100.0	82.3
EVRY Danmark A/S	Denmark	100.0	–
EVRY Norge AS	Norway	100.0	858.3
EVRY Sweden Holding AB	Sweden	100.0	468.9
EVRY Økonomitjenester AS	Norway	100.0	16.4
Fellesdata AS	Norway	100.0	–
Tieto Austria GmbH	Austria	100.0	0.8
Tieto (Beijing) Technology Co., Ltd.	China	100.0	0.4
Tieto Canada Inc.	Canada	100.0	1.0
Tieto China Co., Ltd.	China	100.0	4.3
Tieto Czech s.r.o.	Czech Republic	100.0	8.0
Tieto Czech Support Services s.r.o.	Czech Republic	100.0	–
Tieto Denmark A/S	Denmark	100.0	5.3
Tieto DK A/S	Denmark	100.0	1.6
Tieto Estonia AS	Estonia	100.0	3.3
Tieto Finland Oy	Finland	100.0	137.2
Tieto Finland Support Services Oy	Finland	100.0	1.6
Tieto Germany GmbH	Germany	100.0	0.5
Tieto Global Oy	Finland	100.0	1.1
Tieto Great Britain Ltd.	Great Britain	100.0	0.5
Tieto Latvia SIA	Latvia	100.0	10.3
Tieto Lietuva UAB	Lithuania	100.0	2.6
Tieto Netherlands Holding B.V.	Netherlands	100.0	24.5
Tieto Norway AS	Norway	100.0	172.5
Tieto Poland Sp. z o.o	Poland	100.0	3.3
Tieto Sdn Bhd	Malaysia	100.0	0.2
Tieto Singapore Pte. Ltd.	Singapore	100.0	0.3
Tieto Support Services Sp. z o.o.	Poland	100.0	0.4
Tieto Sweden AB	Sweden	100.0	549.3
TietoEnator Inc.	The United States	100.0	8.0
Total			**2 440.3**

Shares in Group companies owned by subsidiaries

Company name	Domicile	Group holding %	31 Dec 2019 Book value in the Parent company EUR million
Alliance Drift AS	Norway	100.0	0.0
Avega Affero AB	Sweden	100.0	0.2
Avega Amplio AB	Sweden	100.0	0.5
Avega Aqilo AB	Sweden	100.0	0.1
Avega Catalyst AB	Sweden	100.0	0.4
Avega Complius AB	Sweden	90.2	0.0
Avega Dinamiko AB	Sweden	90.1	0.0
Avega Effectus AB	Sweden	100.0	0.9
Avega Group AB	Sweden	100.0	45.1
Avega Kipeo AB	Sweden	100.0	1.6
Avega Kite AB	Sweden	100.0	0.0
Avega Miundo AB	Sweden	100.0	0.0
Avega Mtoni AB	Sweden	90.2	0.0
Avega Nuvem AB	Sweden	90.2	0.0
Avega Primero AB	Sweden	100.0	0.1

Avega Proferio AB	Sweden	100.0	0.9
Avega Qurio AB	Sweden	98.2	2.8
Avega Scire AB	Sweden	100.0	0.2
Avega Senso AB	Sweden	100.0	0.0
Bekk Consulting AS	Norway	100.0	47.2
Emric AB	Sweden	100.0	34.3
Emric d.o.o. Beograd	Serbia	100.0	0.0
Emric Operations AB	Sweden	100.0	0.4
EVRY AB	Sweden	100.0	24.9
EVRY Advantage AB	Sweden	100.0	0.1
EVRY Card Services AB	Sweden	100.0	25.7
EVRY Card Services Oy	Finland	100.0	6.5
EVRY Financial Service UK Ltd.	Great Britain	100.0	0.1
EVRY Financing AB	Sweden	100.0	0.0
EVRY Financing AS	Norway	100.0	2.1
EVRY Finland Oy	Finland	100.0	4.7
EVRY India Pvt. Ltd.	India	100.0	14.5
EVRY Latvia SIA	Latvia	100.0	0.0
EVRY SG Pte. Ltd.	Singapore	100.0	–
EVRY Sweden AB	Sweden	100.0	170.4
EVRY USA Corporation Inc.	The United States	100.0	0.5
Eye-share AS	Norway	100.0	2.5
Findwise AB	Sweden	100.0	15.0
Findwise ApS	Denmark	100.0	0.0
Findwise Sp. z o.o.	Poland	100.0	0.2
Gjeldsregisteret AS	Norway	100.0	0.0
Infopulse Bulgaria Ltd.	Bulgaria	100.0	0.1
Infopulse Europe GmbH	Germany	100.0	0.0
Infopulse Poland Sp. z o.o.	Poland	100.0	0.0
Infopulse Ukraine LLC	Ukraine	100.0	0.0
Interpost AS	Norway	100.0	0.0
NetRelations of Scandinavia AB	Sweden	100.0	0.3
NUK Holding AB	Sweden	100.0	17.9
PT Emric Asia	Indonesia	100.0	0.0
Sikri AS	Norway	100.0	0.0
Spring Consulting AS	Norway	100.0	0.1
Tieto Brasil Serviços Tecnológicos Ltda.	Brazil	100.0	0.1
Tieto India Pvt. Ltd.	India	100.0	60.6
Tieto Netherlands B.V.	Netherlands	100.0	2.9
Tieto Rus OOO	Russia	100.0	2.3
Tieto Sweden Support Services AB	Sweden	100.0	0.0
Tieto Ukraine Support Services LLC	Ukraine	100.0	0.8
Tieto U.S. Inc.	The United States	100.0	1.1
Total			**488.1**

All subsidiary undertakings are included in the consolidation. In India, the official reporting period is 1.4.–31.3. according to the Indian legislation.

Tieto Great Britain Ltd. is exempt from the requirements of the Companies Act 2006 relating to the audit by virtue of section 479A of that act. The parent company, TietoEVRY Oyj has given a parent undertaking guarantee for all the outstanding liabilities of Tieto Great Britain Ltd. at the end of the financial year 2019 and all members agree to the company being exempt from audit.

25. Interest in joint ventures

TietoEVRY has established the following joint ventures in order to be able to produce high quality IT services required by the customer. All other joint ventures are located in Finland except for BuyPass AS that is Norwegian company and joint venture of EVRY Norge AS.

Joint ventures

31 Dec	Number of shares		Parent company´s share %		Voting right %		Carrying value EUR million	
	2019	2018	2019	2018	2019	2018	2019	2018
Tieto Esy Oy	7 300	7 300	80.0	80.0	34.0	34.0	5.3	5.5
Tietollmarinen Oy	3 570	3 570	70.0	70.0	30.0	30.0	3.6	3.0
Tietokarhu Oy	8 000	8 000	80.0	80.0	20.0	20.0	6.1	7.5
BuyPass AS	21 100	–	50.0	–	50.0	–	8.2	–
							23.1	**16.0**

Reconciliation to carrying value

EUR million	2019	2018
Acquisition cost, 1 Jan	3.7	3.7
Acquisition	7.8	–
Translation difference	0.3	–
Acquisition cost, 31 Dec	**11.8**	**3.7**
Equity adjustments, 1 Jan	**12.3**	**12.6**
Share of results	5.7	5.8
Dividends received	-3.6	-3.2
Impairment	-3.1	-2.9
Equity adjustments, 31 Dec	**11.3**	**12.3**
Carrying value, 31 Dec	**23.1**	**16.0**

Equity adjustments include Group level goodwill of EUR 4.3 (7.4) million.

Financial and personnel information of Joint ventures

31 Dec 2019 EUR million	Tieto Esy Oy	Tietollmarinen Oy	Tietokarhu Oy	BuyPass AS
Non-current assets	0.0	0.0	0.5	2.6
Current assets	4.6	3.3	17.7	34.1
Total	**4.6**	**3.3**	**18.2**	**36.8**
Non-current liabilities	0.1	0.1	3.1	–
Current liabilities	1.0	1.0	7.3	20.4
Total	**1.1**	**1.1**	**10.3**	**20.4**
Net sales	5.2	7.2	28.5	2.0
Expenses	-4.2	-5.1	-22.7	-1.7
Profit before taxes	**1.0**	**2.1**	**5.8**	**0.3**
Income taxes	-0.2	-0.6	-1.0	-0.1
Net profit for the financial year	**0.8**	**1.5**	**4.8**	**0.2**
Dividends paid to TietoEVRY	**0.9**	**0.5**	**2.2**	**–**
Average full-time personnel during the financial year	**37**	**41**	**107**	**7**

31 Dec 2018 EUR million	Tieto Esy Oy	TietoIlmarinen Oy	Tietokarhu Oy
Non-current assets	0.0	0.2	0.1
Current assets	4.9	2.1	16.2
Total	**4.9**	**2.3**	**16.2**
Non-current liabilities	0.1	0.1	1.0
Current liabilities	1.1	0.9	9.4
Total	**1.1**	**1.0**	**10.3**
Net sales	6.1	4.8	32.8
Expenses	-4.7	-4.2	-25.6
Profit before taxes	**1.4**	**0.7**	**7.2**
Income taxes	-0.3	0.0	-1.6
Net profit for the financial year	**1.1**	**0.7**	**5.6**
Dividends paid to Tieto	**0.3**	**–**	**2.9**
Average full-time personnel during the financial year	**40**	**25**	**146**

There are no commitments or contingencies related to joint ventures.

26. Impairment testing of goodwill

Goodwill acquired in business combinations is allocated to cash-generating units (CGU), which are the reportable segments of the Group. Preliminary goodwill recognized in the merger of Tieto and EVRY was in total EUR 1 556.3 million. As the merger was completed close to year-end and the new operating model of TietoEVRY has not yet been implemented, preliminary allocation of the goodwill to the CGUs has not been done as of 31 December 2019. The fair value of the goodwill has been determined close to year-end and there have been no indications of impairment between the acquisition date 5 December and 31 December 2019. The valuation made on the acquisition date still supports the value of the goodwill, and thus, the goodwill from the merger has not been tested for impairment. More information of the merger is disclosed in **note 1.**

All CGUs contain goodwill that may be considered significant in comparison with the Group's total carrying amount of goodwill. Each CGU represent business operations providing services to selected customers in their market segments. From the second quarter of 2019, TietoEVRY also aligned the operating model to the new strategy, formed new segments and implemented internal business transfers between the segments. These business transfers were accompanied by relative amounts of goodwill from the previous segments to the new ones. At the end of 2019 goodwill of the Group has been allocated as follows:

Carrying amount of goodwill by CGU

EUR million	31 Dec 2019	31 Dec 2018
Digital Experience	216.6	–
Hybrid Infra	36.7	–
Industry Software	133.6	–
Product Development Services	53.3	54.2
EVRY	1 601.3	–
Total	**2 041.5**	**442.6**

Compared to 31 Dec 2018, the increase in the total goodwill is EUR 1 598.9 million. Goodwill increased EUR 1 556.3 million due to the merger and EUR 42.6 million due to currency effects.

The recoverable amounts of the CGUs of TietoEVRY are determined based on value-in-use calculations which are prepared using discounted cash flow projections. The cash flow projections covering a five-year period are based on financial forecasts approved by senior management and supported by industry growth forecasts obtained from external sources. Subsequent to the five-year projection period the growth rate used is 1%, which does not exceed the expectations of growth in real terms. Forecasted EBITDA margins are based on actual performance in prior years adjusted for expected efficiency improvements.

The discount rate applied to the cash flow projections is the weighted average pre-tax cost of capital (WACC). The discount rate is based on weighted average rates of 30-year government bond in the countries where the CGUs operate. The bond rates are adjusted for the general market risk and the business risk of the CGUs. The pre-tax discount rates for the CGUs vary between 6% and 13% (between 7% and 13%).

Assumptions used in discounting the cash flow projections by the CGUs

2019	Five-year period 2020–2024		
%	Growth rate	EBITDA margin	WACC
Digital Experience	1–6	12–19	6,4
Hybrid Infra	-4–3	16–17	6.4
Industry Software	4–5	17–18	7.0
Product Development Services	6	11–12	12.8

2018	Initial three-year period		Subsequent 2 years	
%	Growth rate	EBITDA margin	Growth rate	WACC
Technology Services and Modernization	1–2	15–16	2	6.8
Business Consulting and Implementation	6–7	10–11	3–4	6.8
Industry Solutions	4–10	13–18	4–5	7.1
Product Development Services	5–6	10	4	12.8

As a result of the impairment testing, no impairment was identified. Value-in-use calculation for each CGU is most sensitive to changes in interest rates and EBITDA margin assumptions. The recoverable amounts of the CGUs would equal their carrying amounts if either of the key assumptions were to change as follows:

2019	Change in key assumption	
%	WACC	EBITDA margin
Digital Experience	>25	-12
Hybrid Infra	8	-3
Industry Software	>25	-10
Product Development Services	5	-3

The recoverable amount in Hybrid Infra, EUR 525 million, is EUR 298 million above the carrying amount. The recoverable amount in Product Development Services, EUR 133 million, is EUR 42 million above the carrying amount.

OTHER INFORMATION

27. Commitments and contingencies

EUR million	31 Dec 2019	31 Dec 2018
For TietoEVRY obligations		
Guarantees[1]		
Performance guarantees	7.0	1.1
Lease guarantees	48.2	8.1
Other	–	0.8
Other TietoEVRY obligations		
Rent commitments due in one year	–	39.6
Rent commitments due in 1–5 years[2]	20.3	113.7
Rent commitments due after 5 years	–	8.3
Operating lease commitments due in one year	–	8.8
Operating lease commitments due in 1–5 years	–	11.6
Operating lease commitments due after 5 years	–	–
Commitments to purchase assets	–	5.3
Other	1.1	0.8
On behalf of third parties		
Guarantees[1]		
Performance guarantees	24.9	25.4

[1] In addition commitments of EUR 41.9 (8.0) million related to liabilities in the consolidated statement of financial position.
[2] Parent company has signed Provisional rent contract, where the existence of obligation will be confirmed by certain future events, not wholly within control of TietoEVRY.

TietoEVRY's ability to perform its obligations to customers can be affected by a failure by any significant supplier or partner to fulfil its obligations. Such failure may expose TietoEVRY to liabilities and impact the profitability of the company. The company has, for example, outsourced certain infrastructure operations to IBM, and a potential failure in deliveries by IBM under this agreement could lead to such consequences. In June 2019, IBM submitted a brief notice of arbitration to TietoEVRY, stating that the agreement is unbalanced and should be revised by the arbitrators. In October 2019, TietoEVRY submitted notices of arbitration against IBM in relation to a claim for reimbursement of disputed payments made by the company to IBM, as well as general failure by IBM to deliver its services in accordance with the terms of the Master Services Agreement. There is contact between the parties in respect of potential solutions to the challenges.

28. Related party transactions

Related parties of Tieto include subsidiaries, joint ventures and key management of the company and their close family members. Key management includes the members of the Board of Directors, Leadership and the President and CEO.

Sales to and purchases from related parties are made on normal market terms and conditions and at market prices. There are no commitments or contingencies on behalf of related parties.

The transactions with related parties are presented below. More information on joint ventures is disclosed in note 25 and subsidiaries are listed in note 24. Information on management remuneration is disclosed in note 8.

Transactions and balances with joint ventures

EUR million	31 Dec 2019	31 Dec 2018
Sales	6.2	1.5
Other operating income	3.6	3.8
Purchases	3.8	4.1
Receivables	0.8	0.7
Liabilities including cash pool	21.6	18.2

For some joint ventures, TietoEVRY Corporation has committed, together with the other owners, to contribute in proportion to its ownership, to financing arrangements that are based on approved strategy plans.

29. Events after the reporting period

There have been no events after the reporting period that would have an impact on the consolidated financial statements.

PARENT COMPANY´S FINANCIAL STATEMENTS (According to Finnish Accounting Standards)

Income statement

EUR	Note	2019	2018
Net sales	2	136 998 464.54	166 343 633.36
Other operating income	3	33 411 993.10	32 382 596.33
Personnel expenses	4	-18 843 890.43	-16 877 285.94
Depreciation and impairment losses	9, 10	-5 488 989.70	-4 202 665.74
Other operating expenses	5	-170 391 975.27	-191 249 187.79
Operating profit		**-24 314 397.76**	**-13 602 909.78**
Financial income and expenses	7	36 412 570.36	90 523 243.01
Profit before appropriations and taxes		**12 098 172.60**	**76 920 333.23**
Appropriations			
Change in cumulative accelerated depreciation		–	49 462.49
Group contribution		83 700 000.00	74 100 000.00
Profit before taxes		**95 798 172.60**	**151 069 795.72**
Income taxes	8	-8 715 792.37	-11 503 353.77
Net profit for the financial year		**87 082 380.23**	**139 566 441.95**

Balance Sheet

Assets

EUR	Note	31 Dec 2019	31 Dec 2018
Non-current assets			
Intangible assets	9	228 936 201.17	8 164 547.97
Tangible assets	10	2 645 806.09	3 858 368.33
Investments	11	2 454 204 709.24	940 868 684.69
Total non-current assets		**2 685 786 716.50**	**952 891 600.99**
Current assets			
Long-term receivables			
Receivables from Group companies	12	167 663 980.66	44 546 039.77
Other receivables	12	2 737 500.71	876 313.23
		170 401 481.37	**45 422 353.00**
Current receivables			
Accounts receivables		–	3 130.08
Receivables from Group companies	13, 14	298 389 688.63	96 466 044.92
Receivables from joint ventures	13, 14	142 067.54	138 114.20
Other receivables		7 059 949.59	2 663 616.62
Prepaid expenses and accrued income	14	6 945 991.34	5 326 458.37
		312 537 697.10	**104 597 364.19**
Cash and cash equivalents		86 602 543.61	117 681 035.04
Total current assets		**569 541 722.08**	**267 700 752.23**
Total assets		**3 255 328 438.58**	**1 220 592 353.22**

Shareholders' equity and liabilities

EUR	Note	31 Dec 2019	31 Dec 2018
Shareholders' equity	15		
Share capital		76 555 412.00	76 555 412.00
Share issue premiums		13 791 579.51	13 791 579.51
Invested unrestricted equity reserve		1 207 617 299.51	12 843 921.39
Retained earnings		507 732 602.91	472 259 988.62
Net profit for the financial year		87 082 380.23	139 566 441.95
Total equity		**1 892 779 274.16**	**715 017 343.47**
Provisions	16	656 918.41	206 715.14
Liabilities			
Non-current liabilities			
Bonds	17	100 000 000.00	100 000 000.00
Loans	17	482 438 727.90	85 000 000.00
Other non-current liabilities	17	2 348.13	2 348.13
Total non-current liabilities		**582 441 076.03**	**185 002 348.13**
Current liabilities	18		
Accounts payables		20 641 311.16	7 472 320.18
Liabilities to Group companies	18, 19	362 988 322.76	179 546 085.68
Liabilities to joint ventures	18, 19	21 208 737.04	17 843 192.08
Bonds	18	—	100 000 000.00
Loans		302 561 272.10	—
Other current liabilities		59 793 466.35	719 980.76
Accrued liabilities and deferred income	19	12 258 060.57	14 784 367.78
Total current liabilities		**779 451 169.98**	**320 365 946.48**
Total liabilities		**1 361 892 246.01**	**505 368 294.61**
Total equity and liabilities		**3 255 328 438.58**	**1 220 592 353.22**

Statement of cash flow

EUR	2019	2018
Cash flow from operating activities		
Net profit before appropriations and taxes	12 098 172.60	76 920 333.23
Adjustments		
Depreciation, amortization and impairment losses	5 488 989.64	4 450 668.78
Net financial income	-36 412 570.36	-90 523 243.01
Other adjustments	26 829.17	-350.87
Other non-cash items	872 077.36	266 561.97
Cash generated from operating activities before net working capital	**-17 926 501.59**	**-8 886 029.90**
Change in net working capital		
Change in current receivables	12 328 119.31	10 127 609.05
Change in current non-interest-bearing liabilities	2 316 435.85	-10 837 417.05
Cash generated from operating activities	**-3 281 946.43**	**-9 595 837.90**
Interest expenses and other financial expenses paid	-19 705 936.53	-15 505 905.97
Interest income received	7 454 512.76	10 038 904.86
Dividend received and equity refund	54 504 452.45	94 246 754.12
Income taxes paid	-11 771 194.19	-5 431 565.33
Cash flow from operating activities	**27 199 888.06**	**73 752 349.78**

EUR	2019	2018
Cash flow from investing activities		
Purchase of tangible and intangible assets	-1 141 296.62	-2 263 737.51
Proceeds from sale of tangible and intangible assets	192 885.00	702 778.55
Acquisition of subsidiaries	-202 191 209.58	—
Disposal of other shares, net of cash disposed	500.00	—
Loans granted	-316 114 807.17	-7 841 504.75
Repayment of EVRY loans	-534 075 644.20	—
Proceeds from other loans	308 773 046.35	7 888 523.08
Cash flow from investing activities	**-744 556 526.22**	**-1 513 940.63**
Cash flow from financing activities		
Dividends paid	-107 208 660.15	-103 356 888.60
Conveyance of own shares	2 385 430.72	2 276 314.10
Proceeds from long-term borrowings	400 000 000.00	185 000 000.00
Bridge loan related to merger	300 000 000.00	—
Proceeds from short-term borrowings	12 326 598.61	982 114 590.08
Repayment of bond	-100 000 000.00	—
Repayments of other short-term borrowings	-12 275 918.25	-1 089 077 991.55
Change in intercompany cash pool, net	116 950 695.80	-12 118 415.26
Group contributions received	74 100 000.00	45 400 000.00
Cash flow from financing activities	**686 278 146.73**	**10 237 608.77**
Change in cash and cash equivalents	**-31 078 491.43**	**82 476 017.92**
Cash and cash equivalents at the beginning of period	117 681 035.04	35 205 017.12
Cash and cash equivalents at the end of period	86 602 543.61	117 681 035.04
	-31 078 491.43	**82 476 017.92**

Notes to the parent company´s financial statements (FAS)

Parent company accounting principles

The financial statements of the Parent company TietoEVRY Corporation are prepared in accordance with Finnish Accounting Standards (FAS).

EVRY ASA merged into Tieto Corporation 5th December 2019. The name of the combined entity is TietoEVRY Corporation. In the financial statements, the merger has been accounted for using the acquisition method with Tieto determined as the acquirer of EVRY. The historical financial information of Tieto Oyj does not give a comparable base for financial information of the present combined company. More information of the merger is disclosed in **note 1**.

TietoEVRY Corporation (business identity code 0101138-5) is a Finnish public limited IT service and software company organized under the laws of Finland and domiciled in Espoo: Keilalahdentie 2-4, 02101 Espoo, Finland. The company is listed on NASDAQ Helsinki and Stockholm as as in Oslo Børs. The Board of Directors approved the financial statements to be published 24th February 2020. According to the Limited Liability Companies Act the shareholders have at the Annual General Meeting the right to approve, disapprove or change the financial statements after the publication.

Foreign currency items

Foreign currency transactions are initially translated at the exchange rate prevailing on the transaction date. Foreign currency items at the end of the financial period are valued at the exchange rates on the balance sheet date. Foreign currency items are hedged using derivative contracts.

Exchange gains and losses on net financial liabilities are reported in the income statement under financial items, while other exchange gains or losses are included in operating profit. Gains and losses arising from revaluation of derivative contracts are, depending on their nature, reported either under financial items or operating profit.

Net sales

Net sales include internal service fees and exchange rate differences from accounts receivables, less indirect taxes such as value added tax.

Other operating income

Other operating income includes mainly rental income and gains from asset disposals.

Pension arrangements

The company’s pension obligations are administered through pension insurance institutions. Pension obligations are fully covered.

Financial instruments

The company applies the Finnish Accounting Act chapter 5 section 2a and records financial instruments initially at fair value.

See financial instruments accounting policies in the consolidated financial statements.

Appropriations

Group contributions are included in appropriations.

Valuation of fixed assets

Fixed assets are carried at cost less accumulated depreciation. Depreciation is charged according to plan based on the estimated economic lives of the individual assets and accounted for in accordance with the straight-line method.

The company applies the following economic lives:

	Years
Intangible assets (software)	3
Other capitalized expenditure	3–10
Trademark	6
Goodwill from operations	10
Buildings	25–40
Data processing equipment[1)]	3–5
Other machinery and equipment	5
Other tangible assets	5

[1)] Purchases of personal computers are expensed immediately.

Income taxes

The income statement includes the company's income taxes based on taxable profit for the period according to local tax regulations as well as adjustments to prior-year taxes. The information related to deferred tax items is included in the notes.

1. Merger

Merger consideration

The shareholders of EVRY received 0.12 new shares in Tieto and NOK 5.28 in cash for each share in EVRY as merger consideration. Thus, a total of 44 316 519 new shares of the Company were issued, increasing the total number of shares in TietoEVRY to 118 425 771 shares. The shares were admitted to trading on Nasdaq Helsinki Ltd and Nasdaq Stockholm AB and on the Oslo Børs as of 5 December 2019.

The following table summarizes the acquisition date fair value of the merger consideration transferred.

EUR	
Merger consideration in shares[1)]	1 194 773 378.12
Merger consideration in cash	191 897 383.04
Cash flow hedge used as bases adjustment[2)]	4 295 184.84
Total	**1 390 965 946.00**

[1)] Based on 44 316 519 shares issued and closing price of EUR 26.96 of Tieto share on 4 December 2019 on Nasdaq Helsinki.
[2)] Tieto had a dedicated forward contract as a hedging instrument in a cash flow hedging relationship to hedge the cash component of the merger consideration which has been used as a basis adjustment.

Recognized amounts of identifiable assets acquired and liabilities assumed

EUR	
Assets	
Other intangible rights	11 966 972.73
Subsidiary shares	1 503 321 389.97
Loan receivables	199 444 917.75
Prepaid expenses and accrued income	6 167 946.58
Other receivables	74 523 932.64
Total assets	**1 795 425 159.67**
Liabilities	
Loans from financial institutions	457 579 924.31
Accounts Payable	4 835 983.17
Accrued liabilities and deferred income	985 155.74
Other liabilities	153 207 733.72
Total liabilities	**616 608 796.94**
Total net assets acquired	**1 178 816 362.73**
Goodwill	**212 149 583.27**
Merger considerations	**1 390 965 946.00**

The transaction costs of EUR 11 715 791.60 incurred in connection with the merger primarily consist of financial, legal and advisory costs. EUR 10 293 826.54 of transaction costs was capitalized to the subsidiary shares and EUR 1 421 965.01 are included in other operating expenses in the income statement.

More information of the merger is in the consolidated financial statements **note 1**.

2. Net sales

EUR	2019	2018
Internal service fees	136 998 464.54	166 343 633.36
Total	**136 998 464.54**	**166 343 633.36**

Net sales by country	2019	2018
Finland	58 791 885.00	74 186 976.18
Sweden	41 709 191.99	54 455 131.29
Norway	13 738 756.71	15 148 151.59
Other	22 758 630.84	22 553 374.30
Total	**136 998 464.54**	**166 343 633.36**

3. Other operating income

EUR	2019	2018
Rental income	26 636 116.68	28 411 786.16
Other income	6 775 876.42	3 970 810.17
Total	**33 411 993.10**	**32 382 596.33**

4. Personnel expense

EUR	2019	2018
Wages and salaries	16 451 389.42	14 251 625.35
Pension expenses	1 911 050.11	2 204 018.56
Other pay-related statutory social costs	481 450.90	421 642.03
Total	**18 843 890.43**	**16 877 285.94**

The parent company had an average of 113 employees during 2019 and 130 employees in 2018.

5. Other operating expenses

EUR	2019	2018
Voluntary personnel expenses	896 545.48	915 984.76
Licenses and maintenance	12 464 081.82	11 827 767.32
ICT and data communication expenses	7 854 839.36	8 356 420.43
Internal service fees	97 467 170.86	120 119 813.25
Rents and other premises expenses	22 289 272.31	23 453 244.04
Advertising and marketing	3 641 623.00	3 521 868.61
Leased labour	1 391 428.01	1 624 140.18
Consulting and lawyers	7 309 718.54	6 474 910.70
Meetings	644 751.23	843 029.72
Recruiting	986 706.88	898 372.56
Derivative Exchange Rate Losses on Other Expenses	6 481 596.84	5 096 501.49
Other operating expenses	8 964 240.94	8 117 134.73
Total	**170 391 975.27**	**191 249 187.79**

2018 has been reclassified to reflect 2019. Retirement losses of EUR 248 003.04 have been moved from depreciation and impairment losses to other operating expenses in comparative figures.

Fees to auditors

	2019	2018	
EUR	Deloitte	Deloitte	PwC
Audit fees	730 000.00	150 000.00	200 000.00
Audit related fees[1]	697 000.00	—	—
Tax consultation	174 000.00	13 000.00	—
Other services	—	27 000.00	450 000.00
Total	**1 601 000.00**	**190 000.00**	**650 000.00**

[1] In 2019, audit related services included auditors reports and statement on TietoEVRY merger.

6. Management remuneration

See **Note 8** in Notes to the consolidated financial statements.

7. Financial income and expenses

EUR	2019	2018
Dividend income		
Dividend income from Group companies	50 894 062.39	91 047 254.12
Dividend income from joint ventures	3 610 390.06	3 199 500.00
	54 504 452.45	**94 246 754.12**
Other interest and financial income		
From Group companies	2 856 569.60	2 369 199.59
From other companies	16 995 781.49	15 421 294.38
	19 852 351.09	**17 790 493.97**
Investment write-downs	-269 100.68	—
Interest and other financing expenses		
To Group companies	-530 325.27	-463 808.60
To other companies	-37 144 807.23	-21 050 196.48
	-37 675 132.50	**-21 514 005.08**
Total	**36 412 570.36**	**90 523 243.01**

8. Income taxes

EUR	2019	2018
Taxes for the financial period / appropriations	16 740 000.00	14 820 000.00
Taxes for the financial period / regular operations	-25 463 389.86	-26 299 212.99
Taxes for the previous years	7 597.49	-24 140.78
Total	**-8 715 792.37**	**-11 503 353.77**

9. Intangible assets

EUR	31 Dec 2019	31 Dec 2018
Intangible rights		
Acquisition cost, 1 Jan	12 212 823.14	12 212 823.14
Additions	12 159 857.73	702 778.55
Disposals	-192 885.00	-702 778.55
Acquisition cost, 31 Dec	**24 179 795.87**	**12 212 823.14**
Accumulated amortization, 1 Jan	12 196 874.42	11 919 775.27
Amortization for the period	156 019.69	277 099.15
Accumulated amortization, 31 Dec	**12 352 894.11**	**12 196 874.42**
Book value, 31 Dec	11 826 901.76	15 948.72
Goodwill		
Acquisition cost, 1 Jan	–	–
Additions	212 149 583.27	–
Acquisition cost, 31 Dec	**212 149 583.27**	**–**
Amortization for the period	1 539 795.36	–
Accumulated amortization, 31 Dec	**1 539 795.36**	**–**
Book value, 31 Dec	210 609 787.91	–
Other capitalized expenditures		
Acquisition cost, 1 Jan	19 211 927.78	18 804 046.70
Additions	153 961.48	1 085 244.00
Disposals	-1 789.99	-677 362.92
Acquisition cost, 31 Dec	**19 364 099.27**	**19 211 927.78**
Accumulated amortization, 1 Jan	11 063 328.53	9 833 430.38
Accumulated amortization for disposals and reclassifications	–	-470 100.23
Amortization for the period	1 801 259.24	1 699 998.38
Accumulated amortization, 31 Dec	**12 864 587.77**	**11 063 328.53**
Book value, 31 Dec	6 499 511.50	8 148 599.25
Total	**228 936 201.17**	**8 164 547.97**

2018 has been reclassified to reflect 2019. Retirement losses of EUR 207 262.69 have been moved from amortization for the period to disposals in comparative figures.

10. Tangible assets

EUR	31 Dec 2019	31 Dec 2018
Land		
Acquisition cost, 1 Jan	60 270.13	60 270.13
Acquisition cost, 31 Dec	**60 270.13**	**60 270.13**
Machinery and equipment		
Acquisition cost, 1 Jan	32 172 179.57	31 859 468.66
Additions	794 450.14	422 239.96
Disposals	-15 097.03	-118 766.75
Reclassifications	—	9 237.70
Acquisition cost, 31 Dec	**32 951 532.68**	**32 172 179.57**
Accumulated depreciation, 1 Jan	28 411 451.67	26 313 792.44
Accumulated depreciation for disposals and reclassifications	—	-127 908.98
Depreciation for the period	1 991 915.35	2 225 568.21
Accumulated depreciation, 31 Dec	**30 403 367.02**	**28 411 451.67**
Book value, 31 Dec	2 548 165.66	3 760 727.90
Other tangible assets		
Acquisition cost, 1 Jan	37 370.30	46 608.00
Reclassifications	—	-9 237.70
Acquisition cost, 31 Dec	**37 370.30**	**37 370.30**
Accumulated depreciations, 1 Jan	—	3 592.42
Accumulated depreciation for reclassifications	—	-3 592.42
Accumulated depreciation, 31 Dec	**—**	**—**
Book value, 31 Dec	37 370.30	37 370.30
Total	**2 645 806.09**	**3 858 368.33**

2018 has been reclassified to reflect 2019. Retirement losses of EUR 40 740.35 have been moved from amortization for the period to disposals in comparative figures.

11. Investments

EUR	31 Dec 2019	31 Dec 2018
Subsidiary shares		
Acquisition cost, 1 Jan	937 013 913.29	937 013 913.29
Additions	1 513 615 216.51	—
Acquisition cost, 31 Dec	**2 450 629 129.80**	**937 013 913.29**
Book value, 31 Dec	2 450 629 129.80	937 013 913.29
Shares in joint ventures		
Acquisition cost, 1 Jan	3 691 233.78	3 691 233.78
Impairment	-269 100.68	—
Acquisition cost, 31 Dec	**3 422 133.10**	**3 691 233.78**
Book value, 31 Dec	3 422 133.10	3 691 233.78
Other shares and interests		
Acquisition cost, 1 Jan	163 537.62	163 537.62
Disposals	-10 091.28	—
Acquisition cost, 31 Dec	**153 446.34**	**163 537.62**
Book value, 31 Dec	153 446.34	163 537.62
Total	**2 454 204 709.24**	**940 868 684.69**

Subsidiary shares

See Note 24 in Notes to the consolidated financial statements.

Joint ventures owned and managed by the parent company

See Note 25 in Notes to the consolidated financial statements.

12. Long-term receivables

EUR	31 Dec 2019	31 Dec 2018
Loan receivables from Group companies		
Subordinated loan	40 490 868.02	41 248 976.09
Other loan receivables	127 173 112.64	3 297 063.68
Other receivables	2 737 500.71	876 313.23
Total	**170 401 481.37**	**45 422 353.00**

13. Current intercompany receivables

EUR	31 Dec 2019	31 Dec 2018
Receivables from Group companies		
Accounts receivable	10 942 452.31	11 245 926.58
Loan receivables	194 262 470.31	2 927 110.23
Other receivables	5 790 446.27	4 572 105.53
Group contribution receivables	83 700 000.00	74 100 000.00
Prepaid expenses and accrued income	3 694 319.74	3 620 902.58
Total	**298 389 688.63**	**96 466 044.92**
Receivables from joint ventures		
Accounts receivable	142 067.54	137 694.54
Prepaid expenses and accrued income	–	419.66
Total	**142 067.54**	**138 114.20**

14. Prepaid expenses and accrued income

EUR	31 Dec 2019	31 Dec 2018
Prepaid expenses and accrued income from Group companies		
Other	3 694 319.74	3 620 902.58
Prepaid expenses and accrued income from joint ventures	–	419.66
Prepaid expenses and accrued income from other companies		
Licence fees	4 256 944.78	3 213 385.27
Rents	437 362.41	738 059.07
Social costs	33 019.05	77 124.16
Bond discount and issue costs	1 228 829.87	199 515.16
Other	989 835.23	1 098 374.71
	6 945 991.34	**5 326 458.37**
Total	**10 640 311.08**	**8 947 360.95**

15. Changes in shareholders' equity

EUR	31 Dec 2019	31 Dec 2018
Restricted equity		
Share capital, 1 Jan	76 555 412.00	76 555 412.00
Share capital, 31 Dec	**76 555 412.00**	**76 555 412.00**
Share issue premiums, 1 Jan	13 791 579.51	13 791 579.51
Share issue premiums, 31 Dec	**13 791 579.51**	**13 791 579.51**
Restricted equity total	**90 346 991.51**	**90 346 991.51**
Unrestricted equity		
Invested unrestricted equity reserve, 1 Jan	12 843 921.39	12 843 921.39
Merger consideration	1 194 773 378.12	—
Invested unrestricted equity reserve, 31 Dec	**1 207 617 299.51**	**12 843 921.39**
Retained earnings, 1 Jan	611 826 430.57	572 638 721.84
Shares distributed to personnel	3 114 832.49	2 978 155.38
Dividend distributions	-107 208 660.15	-103 356 888.60
Retained earnings, 31 Dec	**507 732 602.91**	**472 259 988.62**
Net profit for the financial year	87 082 380.23	139 566 441.95
Unrestricted equity total	**1 802 432 282.65**	**624 670 351.96**
Shareholders' equity, total	**1 892 779 274.16**	**715 017 343.47**
Distributable funds		
Invested unrestricted equity reserve	1 207 617 299.51	12 843 921.39
Retained earnings	507 732 602.91	472 259 988.62
Net profit for the financial year	87 082 380.23	139 566 441.95
Total	**1 802 432 282.65**	**624 670 351.96**
Breakdown of the parent's share capital		
Number of shares	118 425 771	74 109 252
Euros	76 555 412.00	76 555 412.00

16. Provisions

EUR	31 Dec 2019	31 Dec 2018
Restructuring commitments	656 918.41	206 715.14
Total	**656 918.41**	**206 715.14**

17. Non-Current liabilities

EUR	31 Dec 2019	31 Dec 2018
Bonds	100 000 000.00	100 000 000.00
Loans	482 438 727.90	85 000 000.00
Other non-current liabilities	2 348.13	2 348.13
Total	**582 441 076.03**	**185 002 348.13**

Fair value of bond has been calculated based on prevailing market rate at the reporting date and as of 31 Dec 2019 was EUR 101 829 000 (EUR 100 174 000 in 2018).

18. Current liabilities

EUR	31 Dec 2019	31 Dec 2018
Liabilities to Group companies		
Accounts payable	4 368 722.11	5 601 603.12
Other liabilities including cash pool	353 581 621.24	168 321 245.00
Accrued liabilities and deferred income	5 037 979.41	5 623 237.56
	362 988 322.76	**179 546 085.68**
Liabilities to joint ventures		
Accounts payable	2 964.22	11 121.56
Other liabilities including cash pool	21 205 772.82	17 832 070.52
	21 208 737.04	**17 843 192.08**
Liabilities to other companies		
Accounts payable	20 641 311.16	7 472 320.18
Bonds	–	100 000 000.00
Loans	302 561 272.10	–
Commercial papers	39 994 667.38	–
Other current liabilities	19 798 798.97	719 980.76
Accrued liabilities and deferred income	12 258 060.57	14 784 367.78
	395 254 110.18	**122 976 668.72**
Total	**779 451 169.98**	**320 365 946.48**

Loans and receivables and financial liabilities are held at amortized cost using the effective interest rate method. Their carrying amounts are considered to approximate their fair value, except for the fixed rate bond where carrying amount has not been adjusted to match the fair value.

19. Accrued liabilities and deferred income

EUR	31 Dec 2019	31 Dec 2018
Accrued liabilities and deferred income from Group companies		
Personnel related expenses	–	713 575.56
Service fee	4 717 331.99	4 527 393.99
Interest	275 227.05	5 144.27
Other	45 420.37	377 123.74
	5 037 979.41	**5 623 237.56**
Accrued liabilities and deferred income from other companies		
Vacation pay and related social costs	1 605 639.24	1 757 482.54
Other accrued payroll and related social costs	3 083 790.09	1 283 952.55
Other social costs	488 785.83	767.00
Interest	897 236.41	2 200 445.57
Rents	1 504 461.35	2 091 166.63
Taxes	3 077 856.19	6 133 258.01
Other	1 600 291.46	1 317 295.48
	12 258 060.57	**14 784 367.78**
Total	**17 296 039.98**	**20 407 605.34**

20. Deferred tax assets and liabilities

EUR	31 Dec 2019	31 Dec 2018
Deferred tax assets		
From temporary differences	1 486 694.41	228 964.69
From appropriations	447 914.34	75 108.81
Total	**1 934 608.75**	**304 073.50**
Deferred tax liabilities		
From temporary differences	288 581.73	–
Total	**288 581.73**	**–**

Deferred tax items are not included in the balance sheet.

21. Contingent liabilities

EUR	31 Dec 2019	31 Dec 2018
On behalf of Group companies		
Guarantees	97 170 973.90	18 048 928.65
Other Tieto obligations		
Rent commitments due in 2020 (2019)	12 503 957.99	12 071 944.00
Rent commitments due later[1)]	51 102 130.67	35 918 027.00
Lease commitments due in 2020 (2019)[2)]	319 186.39	284 563.02
Lease commitments due later[2)]	401 414.10	362 678.82
On behalf of Third parties		
Guarantees	24 888 003.98	25 353 980.57

[1)] Parent company has signed Provisional rent contract, where the existence of obligation will be confirmed by certain future events, not wholly within control of TietoEVRY.

[2)] Lease commitments are principally three-year lease agreements that do not include buyout clauses.

In addition, to the above mentioned contingent liabilities, the Parent company has provided security relating to certain major contracts, regarding IPR indemnity clauses. The maximum amount of these liabilities does not exceed EUR 15 (15) million.

Tieto Great Britain Ltd. is exempt from the requirements of the Companies Act 2006 relating to the audit by virtue of section 479A of that act. The parent company, TietoEVRY Oyj has given a parent undertaking guarantee for all the outstanding liabilities of Tieto Great Britain Ltd. at the end of the financial year 2019 and all members agree to the company being exempt from audit.

22. Derivatives

Nominal amounts of derivatives

Includes the gross amount of all nominal values for contracts that have not yet been settled or closed. The amount of nominal value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by other contracts.

EUR	31 Dec 2019	31 Dec 2018
Foreign exchange forward contracts	1 792 642 049.66	267 000 855.88

Fair values of derivatives

Foreign exchange derivatives' fair values are calculated according to foreign exchange and interest rates on the closing date.

The net fair values of derivative financial instruments at the balance sheet date	31 Dec 2019	31 Dec 2018
Foreign exchange forward contracts	-15 699 509.61	53 693.86

Derivatives are used for economic purposes only.

Gross positive fair values of derivatives	31 Dec 2019	31 Dec 2018
Foreign exchange forward contracts	4 696 018.78	2 823 146.98

Gross negative fair values of derivatives	31 Dec 2019	31 Dec 2018
Foreign exchange forward contracts	-20 395 528.39	-2 769 453.13

Hedge Accounting

See note 23 in Notes to the consolidated financial statements.

Fair value measurement of financial assets and liabilities

See note 22 in Notes to the consolidated financial statements.

23. Management of financial risks

The operative management of the treasury activities of TietoEVRY is centralized into Group Treasury, which is operated from Parent company. The Group Treasury is responsible for managing the Group's financial risk position and maintaining adequate liquidity. The Treasury Policy, which has been approved by the board of directors, defines the principles for measuring and managing liquidity risk, interest rate risk, foreign exchange risks and counterparty risk of the Group. The Treasury Policy also defines the division of responsibilities with regard to financial risk management. The Group reviews and monitors financial risks on a regular basis.

Financial risks are assessed, measured and managed on a Group level. See Note 21 in Notes to the consolidated financial statements.

DIVIDEND PROPOSAL, SIGNATURES FOR THE BOARD OF DIRECTORS' REPORT AND FINANCIAL STATEMENTS AND AUDITOR'S NOTE

Dividend proposal

Distributable funds in the parent company	1 802 432 282.65
of which net profit for the current year	87 082 380.23
The Board of Directors proposes that the retained earnings of EUR 594 814 983.14 shall be used as follows:	
a total dividend of EUR 1.27 per share to be paid to shareholders	150 181 978.02
- the remainder be carried forward	444 633 005.12

In the opinion of the Board of Directors the proposed dividend distribution does not endanger the solvency of the company.

Signatures for the Financial statements and Board of Directors' report
Espoo, 24 February 2020

Tomas Franzén
Chairperson

Salim Nathoo
Deputy Chairperson

Timo Ahopelto

Liselotte Hägertz Engstam

Harri-Pekka Kaukonen

Endre Rangnes

Niko Pakalén

Rohan Haldea

Leif Teksum

Ilpo Waljus

Ola Hugo Jordhøy

Anders Palklint

Tommy Sander Aldrin

Kimmo Alkio
President and CEO

The Auditor's Note
Our auditors' report has been issued today.
Espoo, 27 February 2020

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

Auditor's Report

To the Annual General Meeting of TietoEVRY Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of TietoEVRY Oyj (business identity code 0101138-5) for the year ended 31 December, 2019. The financial statements comprise the consolidated statement of income state-ment, statement of comprehensive income, financial position, statement of cash flows, statement of changes in equity and notes, including a summary of significant accounting policies, as well as the parent company's income statement, balance sheet, statement of cash flows and notes.
In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Stand-ards (IFRS) as adopted by the EU,
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report submitted to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report.
We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

In our best knowledge and understanding, the non-audit services that we have provided to the parent company and group companies are in compliance with laws and regulations applicable in Finland regarding these services, and we have not provided any prohibited non-audit services referred to in Article 5(1) of regulation (EU) 537/2014.

The non-audit services that we have provided have been disclosed in note 5 to the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

Key audit matter	How our audit addressed the key audit matter
EVRY provisional acquisition accounting Refer to Note 1, in the consolidated financial statements. EVRY ASA merged to Tieto Oyj on December 5, 2019. The merger is accounted as a provisional in the financial statements in accordance with the International Financial Reporting Standard, IFRS 3 as a business combination. The Acquisition Cost for the group was EUR 1 397,5 million, of which EUR 191,7 million was paid as cash consideration and EUR 1 194,8 million with Tieto Oyj's shares. As the acquisition is material for the group and the application of accounting method includes substantial amount of management estimates and judgments, and thus we deem this as a key audit matter. The judgments and estimates applied includes the identification of all assets and liabilities, including valuating these identified assets and liabilities. For some of the fair-valued assets future cash flow- and taxable income estimates has been used. When valuating the provisional purchase price accounting, the key area was identifying and assessing fair value for identifiable intangible assets, which consisted of customer relationships, order backlog, technology, trade mark and some other assets. The management has used external advisors, when assessing and valuating the provisional fair values for the identified assets and liabilities. When the provisional purchase price calculation was prepared, the fair values for the tangible fixed assets and current assets and current liabilities was also evaluated. This matter is a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2) relating to the consolidated financial statements.	As part of our audit procedures we obtained understanding on the approach adopted by the management, when considering the provisional purchase price allocation in the financial accounting in accordance with IFRS 3. Furthermore we evaluated also the estimates and judgment applied by management. Our audit procedures have consisted of e.g.: • Reading through contracts and minutes of the meeting of Board of Directors, in order to identify the contractual terms, which has impact how the transaction is accounted for. • we have audited the consideration to supporting documentation. • we have utilized Deloitte's fair value experts, for evaluating whether the valuation methods applied by the management and methods used by the Company's external advisors are adequate and in compliance with the requirements as set by IFRS-standards. • benchmarking the key market parameters used by the management to external data, such as comparing the applied discount rate to comparable discount rates applied in the industry. • challenging the key estimates applied by the management, such as revenue growth estimates, applied royalty rate, customer churn ratio, aging of technology and evaluating the synergy estimates by evaluating the historical performance and by utilising our knowledge over the acquisition. • we have evaluated the applied useful economical timelines, based on our industry knowledge and understanding. • furthermore we have assessed the appropriateness of disclosures included to the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment testing of Goodwill Refer to Note 26 in the consolidated financial state-ments. Consolidated financial statements includes goodwill of EUR 2 041,5 million (EUR 442,6 million) of which EUR 1 601,3 relates to the provisional purchase price allocation for the EVRY acquisition completed 5 December 2019, in accordance with IFRS 3. The initial allocation of goodwill arising fom EVRY acquisition to cash-generating units has not been completed as of 31 December 2019, and thus, the goodwill from has not been tested for impairment. Management has conducted annual goodwill impairment testing and as a result no impairment was identified. Goodwill impairment testing requires substantial management judgment over the projected future business performance, cash flows and applied discount rate. As described in note 26, management concluded that goodwill related to TietoEVRY Product Development Services, EUR 53,3 million and goodwill related to TietoEVRY Hybrid Infra, EUR 36,7 million are more sensitive to risk of impairment. This matter is a significant risk of material misstatement referred to in EU Regulation No 537/241, point (c) of Article 10(2).	As part of our audit procedures we assessed key controls by each cash generating unit. In addition, we have assessed the key assumptions in the impairment testing performed by management for the Products Service Development cash generating by: • assessing the growth and profitability es-timates and comparing them to historical performance. • comparing the estimates with the latest approved budgets and strategic plans. • comparing applied discount rates to independent third party sources. • testing the accuracy and the underlying calculations. We also assessed the adequacy of the related disclosure information.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition Refer to accounting policies for the consolidated fi-nancial statements and notes 2 and 3. TietoEVRY Oyj consolidated Net Sales amounted to EUR 1 734,0 million. The Net Sales consist mostly of continuous services, software solutions and consulting. In addition to this, the Company has to some extent fixed-price pro-jects. Revenue from service contracts, software solutions and consulting is based on service volumes or time and materials; and the performance obligations are recognized over the accounting period in which the services are rendered. For contracts comprising fixed-price projects, revenue is recognized based on the actual service provided by the reporting date as a proportion of the total services to be provided. We identified two specific risks of error and fraud in respect of improper revenue recognition given the nature of the Group's services, as follows: • Inappropriate revenue cut-off in project and services sales; and • Inappropriate accounting for major projects. Revenue recognition due to its size require specific attention both from the accounting and the auditing perspective. In addition, management applies judgement when considering revenue recognition for fixed-price projects.	We evaluated the IT systems used in the determi-nation of revenue recognition by testing access and change management controls. We also evaluated process level controls by performing walkthroughs of each significant class of revenue transactions, assessed the design effectiveness of key controls and tested the operating effectiveness of those controls. Our substantive audit procedures to address the identified risk relating to revenue cut-off in projects and services sales consisted among others, performing transactional testing procedures to validate the recognition of revenue throughout the year as well as year-end. Our substantive audit procedures to address the risk of inappropriate accounting for major fixed-price projects were focused around judgements used by management in creating project estimates. We selected a sample of contracts and performed the following: • Ensured that the revenue recognition method applied was appropriate based on the terms of the arrangement; • Agreed project revenue estimate against the sales agreement, including contract amendments; • Tested the accuracy of the cost estimate by taking a sample of cost components and traced those to supporting documentation; and • Recalculated the revenue based on stage of com-pletion of the project. Assessed the appropriateness of the stage of completion by comparing actual costs per the Company's accounting records to the estimated total costs of the project.

We have no key audit matters to report with respect to our audit of the parent company financial statements. There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.

Responsibilities of the Board of Directors and the President and CEO for the financial statements

The Board of Directors and the President and CEO are responsible for the preparation of consolidated finan-cial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with stat-utory requirements. The Board of Directors and CEO are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material mis-statement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and CEO are responsible for assessing the parent company's and the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's responsibilities in the audit of financial statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- dentify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the President and CEO's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other mat-ters that may reasonably be thought to bear on our independence, and where applicable, related safe-guards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Information on our audit engagement
We have been acting as TietoEVRY's a total period of uninterrupted engagement of 2 years since 2018.

Other information
The Board of Directors and CEO are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our report thereon. We have obtained the report of the Board of Directors prior to the date of the auditor's report, and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other infor-mation identified above and, in doing so, consider whether the other information is materially incon-sistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to report of the Board of Directors, our responsibility also in-cludes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

Espoo, 27 February 2020

Deloitte Oy
Audit Firm

Jukka Vattulainen
Authorised Public Accountant (KHT)

Information for shareholders

Shareholder calendar 2020

- Record date for the AGM 16 March
- Registration period 14 February–20 March (Mon–Fri 9.00 am–3.00 pm (EET)
- AGM 26 March
- Record dates for dividend payment: first instalment: 30 March, second instalment: 30 September
- Payments of the dividend: first instalment as of 6 April, second instalment as of 7 October
- Interim report 1/2020 28 April
- Interim report 2/2020 24 July
- Interim report 3/2020 27 October

Annual general meeting

The Annual General Meeting of TietoEVRY Corporation will be held on Thursday 26 March 2020 at 4.00 pm (EET) at TietoEVRY's premises, address Keilalahdentie 2-4, Espoo.

Documents of the AGM

The documents of the AGM are available on the company's website at **www.tietoevry.com/agm.**

The right to participate and registration

Each shareholder, who is registered on 16 March 2020 in the shareholders' register of the company held by Euroclear Finland Oy, has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her Finnish book-entry account, is registered in the shareholders' register of the company.

A shareholder, who is registered in the shareholders' register of the company and wants to participate in the Annual General Meeting, shall register for the meeting no later than on 20 March 2020 at 3.00 p.m. (EET) by giving a prior notice of participation, which must be received by the company no later than by the above mentioned time. Such notice can be given either:

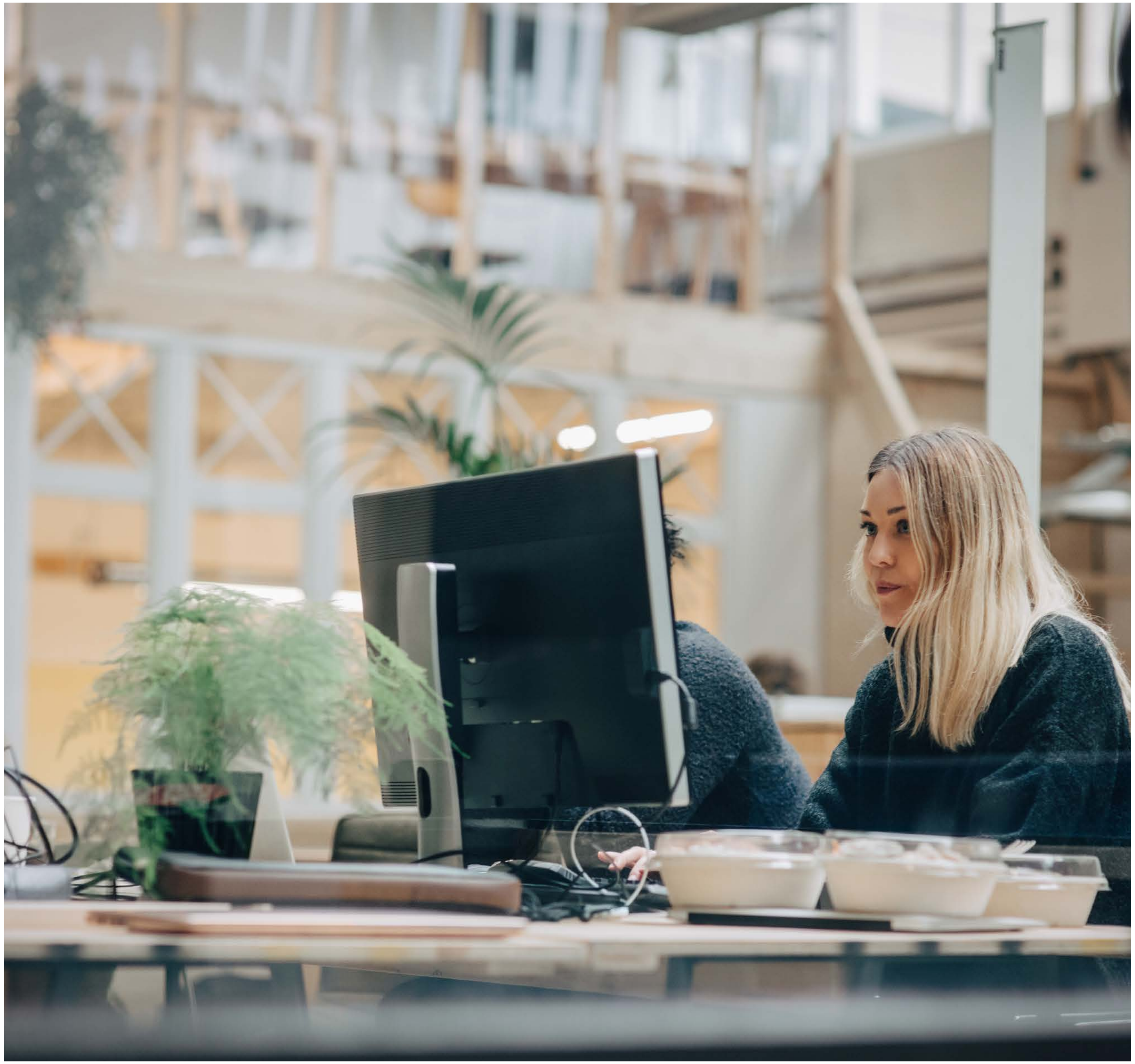
- through TietoEVRY's website at **www.tietoevry.com/agm**
- by e-mail **agm@tietoevry.com**
- by phone +358 20 727 1740 (Mon-Fri 9.00 a.m.-3.00 p.m. EET) or
- by mail to TietoEVRY Corporation, Legal/AGM, P.O. Box 2, FI-02101 Espoo, Finland.

In connection with the registration, a shareholder shall notify his/her name, personal/business identification number, address, telephone number and the name of any assistant or proxy representative as well as the personal identification number of a proxy representative. The personal data given to TietoEVRY Corporation is used only in connection with the Annual General Meeting and processing of related registrations.

The shareholder, his/her authorized representative or proxy representative shall, where necessary, be able to prove his/her identity and possible right of representation.

Possible proxy documents should be delivered in originals to TietoEVRY Corporation, Legal/AGM, P.O.Box 2, FI-02101 Espoo, Finland before 20 March 2020.

Further information on the AGM at **www.tietoevry.com/agm**



Sustainability

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SUSTAINABILITY

Our approach to sustainability

Sustainability at Tieto covers many topics and is regarded both a responsibility and an opportunity for us. We need to be environmentally, socially and financially responsible in our daily business to meet the requirements and expectations set by our stakeholders. But we must also create sustainable value for our customers and society through our innovative solutions.

As a company, we are aligning our sustainability practices with international norms, frameworks and legislation covering anti-corruption, environment, human rights and labour rights. Our sustainability approach is founded in the UN Global Compact's Principles (UNGC), the OECD Guidelines for Multinational Enterprises and aligned with the UN's Global Sustainable Development Goals. But our sustainability efforts are not merely a question of complying with laws and regulations. We are determined to lead the way and be an ethical forerunner, which sometimes means going beyond regulations and applying higher standards.

We also aim at playing an active role in the sustainable development of people, business and society at large.

We affiliate ourselves with a number of voluntary industry organizations and initiatives in order to promote long-term, sustainable industry development and regulation at local, national and international level.

Some of our affiliations are:

- Finnish Business & Society (FiBS) in Finland
- CSR Sweden
- The European AI Alliance
- Climate Partnership network of City of Helsinki, Finland
- Cleantech Finland
- Fossilfritt Sverige
- CDP (the world's largest investor index for carbon disclosures)

> We aim at playing an active role in the sustainable development of businesses and society at large.

As a result of our sustainability performance, we have received several acknowledgments for our efforts during the year.

CDP

In 2019, Tieto achieved level B in CDP Climate Change scoring. This score recognizes our solid environmental management efforts over the years. Our CDP score exceeds the IT sector and CDP programme averages and has done so since 2010. We have reduced our CO_2 emissions every year since 2012.

Ecovadis

In addition, Ecovadis, operating a collaborative platform providing supplier sustainability ratings for global supply chains, published a CSR risk and performance index in autumn 2019 with global results for Environment, Labour practices & Human rights, Fair business ethics and Sustainable procurement areas. While the global scoring average for ICT companies was around 43 according to the index, Tieto received 78 points and thus a gold level recognition.

OMX GES Sustainability Finland Index

Based on our sustainability performance, Tieto Oyj is included in the OMX GES Sustainability Finland Index.

Equileap's 2019 Global Gender Equality Ranking

Equileap, a non-profit organization, published its third cross-sector ranking showing how well the world's top companies, across all sectors and countries, perform on gender equality. Tieto ranked among the top three global tech companies in Equileap's 2019 Global Gender Equality Ranking, which evaluated more than 3 000 companies across 23 countries based on 19 gender equality criteria.

Bloomberg Gender-Equality Index (GEI)

TietoEVRY was also honoured by being included in the 2020 Bloomberg Gender-Equality Index (GEI), which tracks the performance of 6 000 public companies in 84 countries committed to advancing women in the workplace.

Swiss EDGE Certified Foundation

We were the first IT company in the world to receive a gender equality certification from the Swiss EDGE Certified Foundation at the end of 2015 (valid for two years), and again in 2017 and 2019. The certification represents the leading global assessment methodology and business certification standard for gender equality. It assesses policies, practices and numbers across five different areas of analysis: equal pay for equivalent work, recruitment and promotion, leadership development training and mentoring, flexible working and company culture.

The Estonian Diversity Badge

As the first and only IT company in Estonia we received this award from the Estonian Ministry of Social Affairs for our strategic work in the area of non-discrimination and equal opportunities.

The Employee Network Excellence Award in India

In India we received the 'Employee Network Excellence Award' from BD Foundation, a global diversity consultant. The award recognizes an employee network which has been able to demonstrate its impact in shaping and driving the diversity and inclusion agenda; while also demonstrating the sustained value it has added to the business.

The State of Customer Experience Management

The Finnish study, The State of Customer Experience Management, conducted by CXPA Finland and Shirute Ltd, evaluates organizations' customer experience management, taking into consideration organization and leadership, culture, processes, tools and extent of operations. In 2019, we were ranked the fifth best company in Finland out of 55 companies examined.

SUSTAINABILITY

Managing sustainability

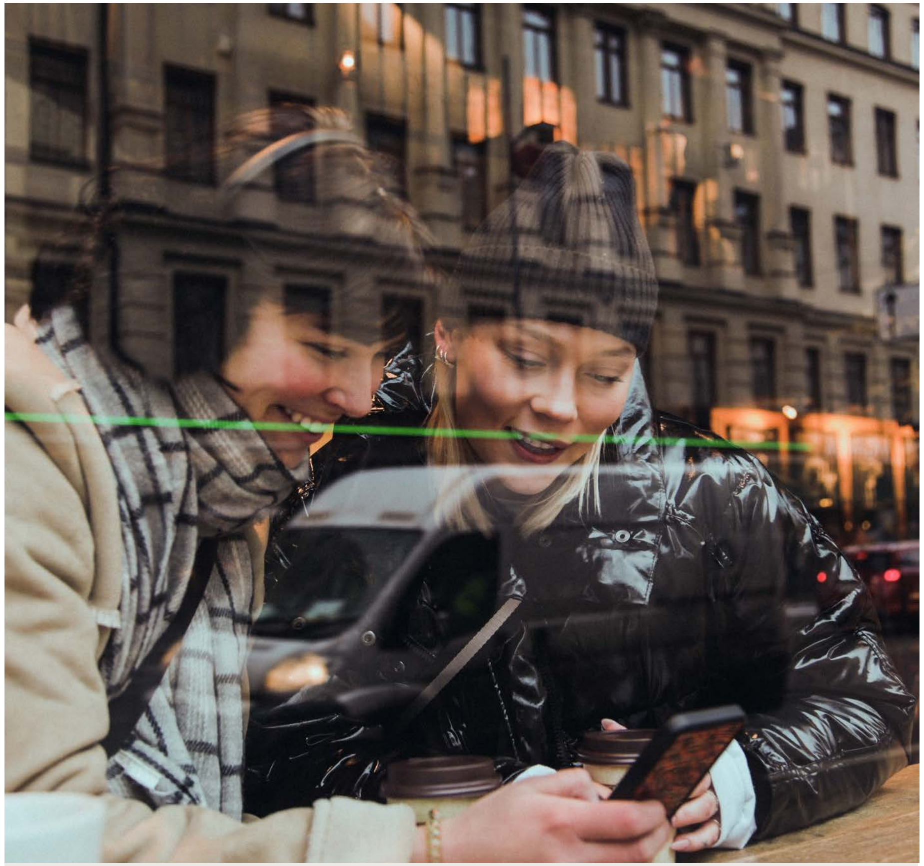
We believe that by integrating sustainable business practices throughout our value chain, we can ensure Tieto's long-term business success. We need to both mitigate the sustainability-related risks and grasp the opportunities to futureproof our business. Through sound governance, compliance, processes, tools and organization, we make this happen.

Sustainability integrated in the organization

Our sustainability work is facilitated by the company's Sustainability team and supported by the Sustainability Steering Group, chaired by the Vice President of Communication and Sustainability. The steering group advises the Leadership Network and Board of Directors and approves the annual integrated report from a sustainability perspective. The Sustainability Steering Group represents different functions and units of Tieto, ensuring that the voices of various internal and external stakeholders are heard. Our aim is to maintain a balanced male and female representation in the steering group, as well as younger and more experienced management.

In 2018, the Sustainability Steering Group approved Tieto's Sustainability operating plan for 2019. The operating plan focuses on implementing activities to reach our long-term objectives: minimizing environmental impact, creating value for stakeholders and being an ethical forerunner in society. During the year, the steering group followed up and discussed the implementation and engagement needed to successfully execute the operating plan and consequently our long-term Sustainability 2020 plan. The steering group also discussed the integrated reporting project and approved the content related to sustainability.

Daily sustainability activities are led and facilitated by the sustainability team, led by the Head of Sustainability, who



> "We encourage employees to discuss and promote the positive sustainability outcomes that digitalization can enable for customers.

is also responsible for the company's sustainability policies and processes. The Head of Sustainability reports directly to the Vice President of Communications and Sustainability, who reports to the Executive Vice President, Identity and Experience. The management of specific sustainability areas is handled by appointed sustainability area owners, responsible for reporting on area specific goal performance. The long-term sustainability goals are presented in the Sustainability 2020 plan, which has been approved by the Sustainability Steering Group and Tieto Leadership Network. The management of specific sustainability areas is presented in more detail in the respective sections of this report.

Policies and rules giving strategic direction and practical guidance

Our ethical principles are summarised in our **Code of Conduct Policy,** which applies to all our employees as well as any third party contributing to our services, products and other business activities. The Code of Conduct is aligned with international frameworks and norms, as well as local legislations.

We have a separate Supplier Code of Conduct Rule clarifying the ethical guidelines applying to Tieto's suppliers. This rule is implemented in all new supplier contracts with regular suppliers.

Our Anti-Corruption Rule provides practical guidelines on how to evaluate and avoid unethical behaviour. Additionally, all employees are expected to adhere to our Competition Law Compliance Rule. We also have an Environmental Rule which outlines our precautionary approach to environmental management within the company and throughout the value chain. This rule is compliant with ISO 14001 requirements. In addition, we also have several other policies and rules supporting the management of specific sustainability areas. All policies and rules as well as processes covering sustainability apply to our entire organization. Policies and rules are reviewed on an annual basis, as part of our compliance program.

Implementing sustainability in daily business operations

To support our organization in further implementing sustainability in daily business operations, we have a Sustainability Management Process, which is included in our business system, Tieto Way. This process utilizes best practices from the United Nations Global Compact Management Model and GRI Standards. The tool demonstrates clear links of process and documents to other business processes. Among other things, the Sustainability Management Process formally presents the role of a Sustainability Area Owner. Our Code of Conduct e-learning further supports the implementation of sustainable and ethical business practices across the entire organization. In addition, we have an environmental e-learning that supports the implementation of our Environmental Management System and related ISO 14001 certifications. Mandatory trainings for all employees also cover e-learnings in GDRP, as well as a general security training.

As sustainability concerns the whole company, we encourage employees to discuss and promote the positive sustainability outcomes that digitalization can enable for customers. Our sustainability approach is regularly included in the company's sales materials. These materials help sales teams learn about sustainability at Tieto and respond to customers' sustainability requests. The sustainability team, together with the sustainability area owners, support internal functions, such as Procurement, HR, and customer teams in sustainability matters.

Tieto's Rule for Escalations defines our common way of managing all escalations made to Internal Audit, Sustainability and Legal. Our Escalation Function is responsible for logging, following up and initiating preventive actions based on the case experience. At Tieto, we are committed to a culture where employees feel safe to speak up and report concerns, and we adhere to the principle of non-retaliation. The handling of escalations is described in more detail **here**.

POLICIES AND PROCESSES COVERING SUSTAINABILITY AREAS

ETHICAL FORERUNNER	CREATE VALUE FOR STAKEHOLDERS	MINIMIZE ENVIRONMENTAL IMPACT
		

Sustainability areas

- **1** Ethical culture
- **2** Sustainable supply chain
- **3** Information security and data privacy
- **4** Greenhouse gas emissions
- **5** Sustainable IT solutions
- **6** Employee experience **7** Equal opportunities
- **8** Financial performance
- **9** Customer experience

Policies

CODE OF CONDUCT POLICY

Code of Conduct (**1**), Internal audit policy (**1**), Anti-corruption rule (**1**), Competition compliance rule (**1**), Procurement policy (**2**), Supplier Code of Conduct Rule (**2**,**4**), Environmental Rule (**2**,**4**,**5**), Information classification rule (**3**), Data transfer rule (**3**), Security Policy (**3**), Privacy Policy (**3**), AI ethics guideline (**5**), Occupational Health and Safety Policy (**6**), HR Policy (6,**7**), Finance Policy and handbook (**8**), Insider rule (**8**), Know your counterparty rule (**8**), Quality Policy (**9**)

Due diligence processes

Internal and external audits (**1**), Governance, risk and compliance management (**1**,**3**), Sourcing to pay (**2**), Supplier self assessment (**2**), Environmental management process (EMS) ISO14001 (**2**,**4**,**5**), ISO27001 (**3**), ISO31000 (**3**), ISAE3402 audits in Data Centers (**3**), Information and cyber security audits and assessments (**3**), CDP Climate Change program (**4**,**5**), HR processes (**6**,**7**), Employee survey Voice (**6**,**7**), EDGE equality certification (**7**), Financial processes (**8**), Financial audits beside staturory audits: compliance scan by Finnish tax authority, IT audit to payroll administration (**8**), ISO9001 (**9**), CXI, rNPS, dNPS and CSAT (**9**)

SUSTAINABILITY MANAGEMENT PROCESS, SUSTAINABILITY MATERIALITY ASSESSMENT FOR 2017–2020 PLAN

WHISTLEBLOWING ON CODE OF CONDUCT ISSUES

SUSTAINABILITY

Sustainability related opportunities and risks

Sustainability related opportunities

Our Sustainability 2020 plan captures and details our strategic efforts to maximise opportunities connected to sustainability. These are defined by three overall sustainability objectives.

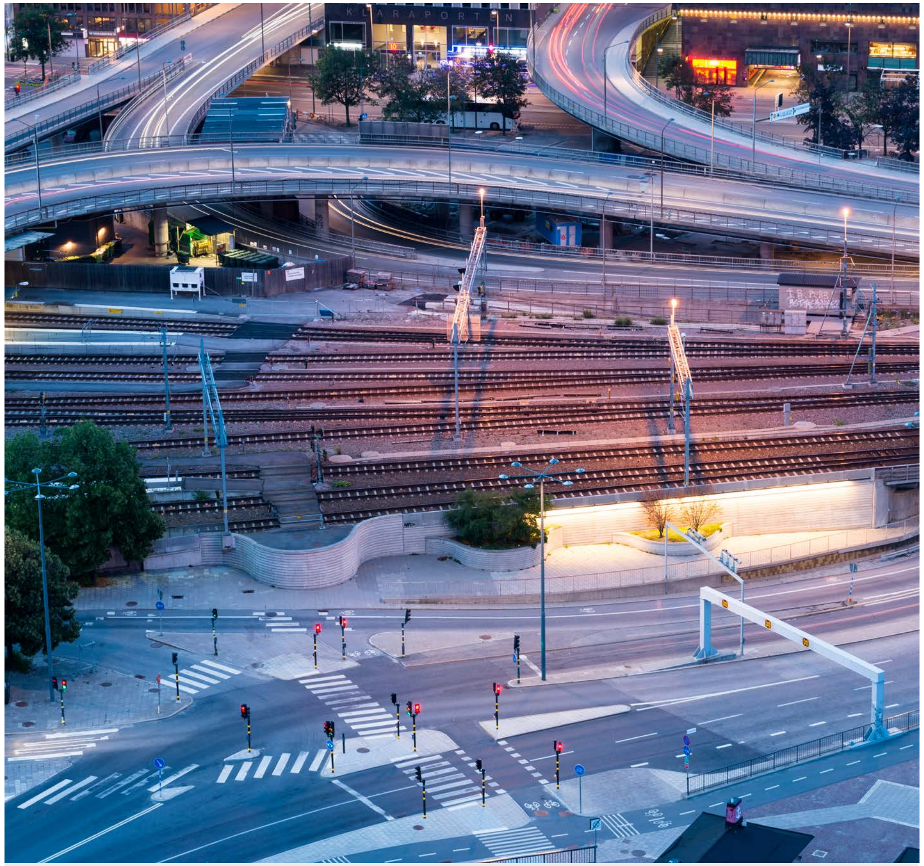
Minimizing environmental impact

Climate change is a global concern and needs to be addressed by all enterprises and organizations. The energy consumption of our business together with business travel form the biggest direct environmental burden at Tieto. By simply increasing efficiencies in our daily operations, we have steadily reduced our CO_2 emissions. At the end of the 1990s, we implemented an ISO 14001 certified environmental management system (EMS) and which currently covers more than 90% of our operations. Our offices are green certified, and we are optimizing the use of each square metre. As the need for data increases, we constantly explore new ways to optimize energy efficiency across our entire data centre network. Our Nordic data centres run with renewable energy and whenever possible, any excess heat is recycled back to benefit nearby neighbourhoods. Virtual meetings have become a natural way of working within Tieto. When travelling is necessary we always try to find the most reliable and sustainable partners.

The bigger opportunity, however, lies in reducing emissions in our customer's industries through innovative IT solutions and services. According to the Global eSustainability Initiative Smarter 2030 report, ICT can enable a 20% reduction of global CO_2e (CO_2 equivalent) emissions by 2030. This would mean emissions kept at 2015 levels. We are committed to implementing solutions that improve customers' sustainability as well as benefit society at large.

Being an ethical forerunner

In a global society, being an ethical forerunner means setting a good example as a corporate citizen in all our operating



"The bigger opportunity lies in reducing emissions in our customers' industries through innovative IT solutions and services.

countries. Diversity and equality are topics which are of high priority within our company and integral parts of our culture. We want to ensure those values are taken seriously and their value to our business as enablers for innovation is understood by everyone.

Corruption continues to be a global challenge and poses a risk to all businesses, so anti-corruption is one key focus area for us. Our approach to business ethics is detailed in our Code of Conduct Policy and in our Anti-Corruption Rule and it is the core of our Open Source Culture. We believe that by having a strong focus on business ethics and being committed to transparency and openness we can be a trustworthy partner for our customers.

All companies need to respect and be aware of the impact of their operations on human rights across their value chain. We respect our employees' workplace rights and aim to ensure our suppliers respect human rights in their operations too. This focus also extends to our customers, both through our business relations and the services and solutions we deliver. Our efforts with information security and data privacy as well as AI ethics represent concrete examples of this.

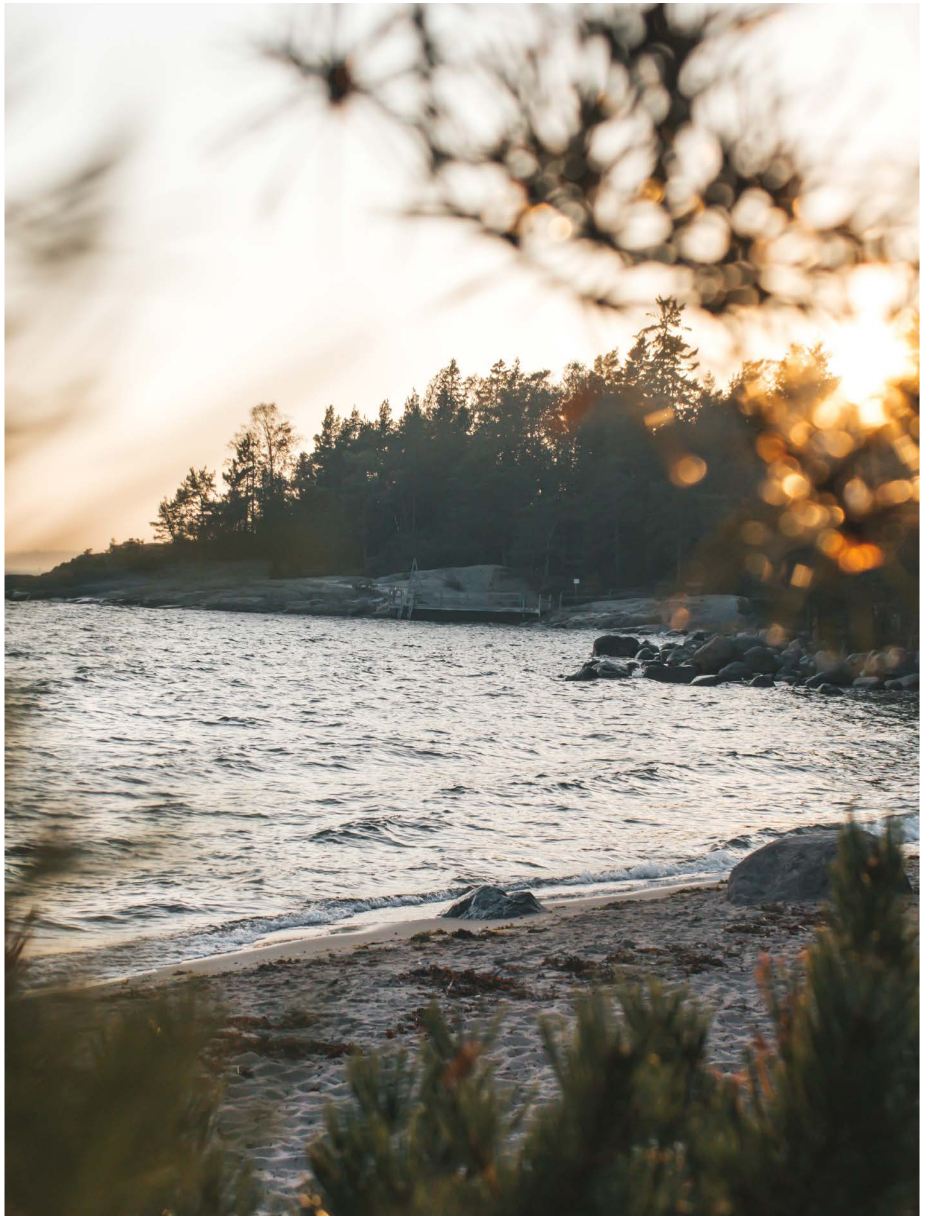
Creating value for stakeholders

We want to create value for all our key stakeholder groups: customers, employees, and investors, but also for society as a whole. Our ambition is to enhance our customers' use of digital services and solutions to support their business renewal. When we deliver sustainable IT services and solutions to enterprises and public sector organizations, we help to improve the economic, social and environmental conditions in the markets where we operate. Simultaneously, our profitability can be strengthened, which is essential for our long-term success as a market innovator, employer and taxpayer.

Sustainability related risks

Integrating sustainability into our core business processes and systems is a key priority. In 2018, our operational risks were re-evaluated and identified mainly as compliance risks. Risks come with a potential reputation impact. Negative publicity and associations among stakeholders may lead to a decline in the sustainability indices or deviations in audits. Severe breaches could even lead to loss of customers. Fraudulent, unethical, or illegal actions by individuals, in areas such as corruption or conflict of interest, can occur if anti-corruption awareness and team culture are not sufficiently embedded. The implications from these situations range from disqualification from public tenders to contractual sanctions. Compliance training, audits and follow-ups are used to mitigate risks.

The identified risks associated with human and labour rights are employee wellbeing,



stress-related health issues, discrimination, and harassment. We need to take measures to mitigate operational risks – for example, the impact long-term employee illness may have on our customer deliveries. Health issues, discrimination and harassment can all create a working environment where employees do not reach their full potential. Discrimination could also hinder our ability to develop innovative solutions to our customers' challenges. We strongly believe that diversity of personnel, whether based on gender, age or cultural background, is needed to stay competitive in the fast-paced IT industry. Diversity and inclusion are at the core of our Open Source Culture. Being able to recharge and maintain wellbeing is equally crucial. Employee health and wellbeing index is measured and followed up across the organization and actions taken where necessary.

Supply chain risks may include compliance risks related to environment, human and labour rights or corruption. Severe breaches against international conventions in the supply chain could lead to customers terminating their contracts. We mitigate these risks through the supplier sustainability programme and on-boarding practices, consisting of both compliance and audit activities. We also continuously develop our partner qualification and third-party risk management processes.

> “Diversity and inclusion are at the core of our Open Source Culture.

SUSTAINABILITY

Stakeholder dialogue

Through continuous collaboration and open dialogue with our key stakeholders, we not only understand what is expected from us now but are also able to innovate and develop sustainable solutions for the future.

We engage with a wide range of stakeholders, including employees, customers, business partners, authorities, governments and wider society. Our aim is to meet our stakeholders' sustainability requirements and needs, both in our daily business and in longer term strategy. We believe that we can raise the sustainability standards both for the industry and wider society.

We continuously engage in a number of stakeholder dialogues including yearly surveys with customers and employees, as well as conversations with suppliers, business partners, customers, investors and authorities. Our stakeholder relations are for Investor Relations, which is centralized within the Group support functions. Similarly, supplier relations are mainly handled by our Procurement team.

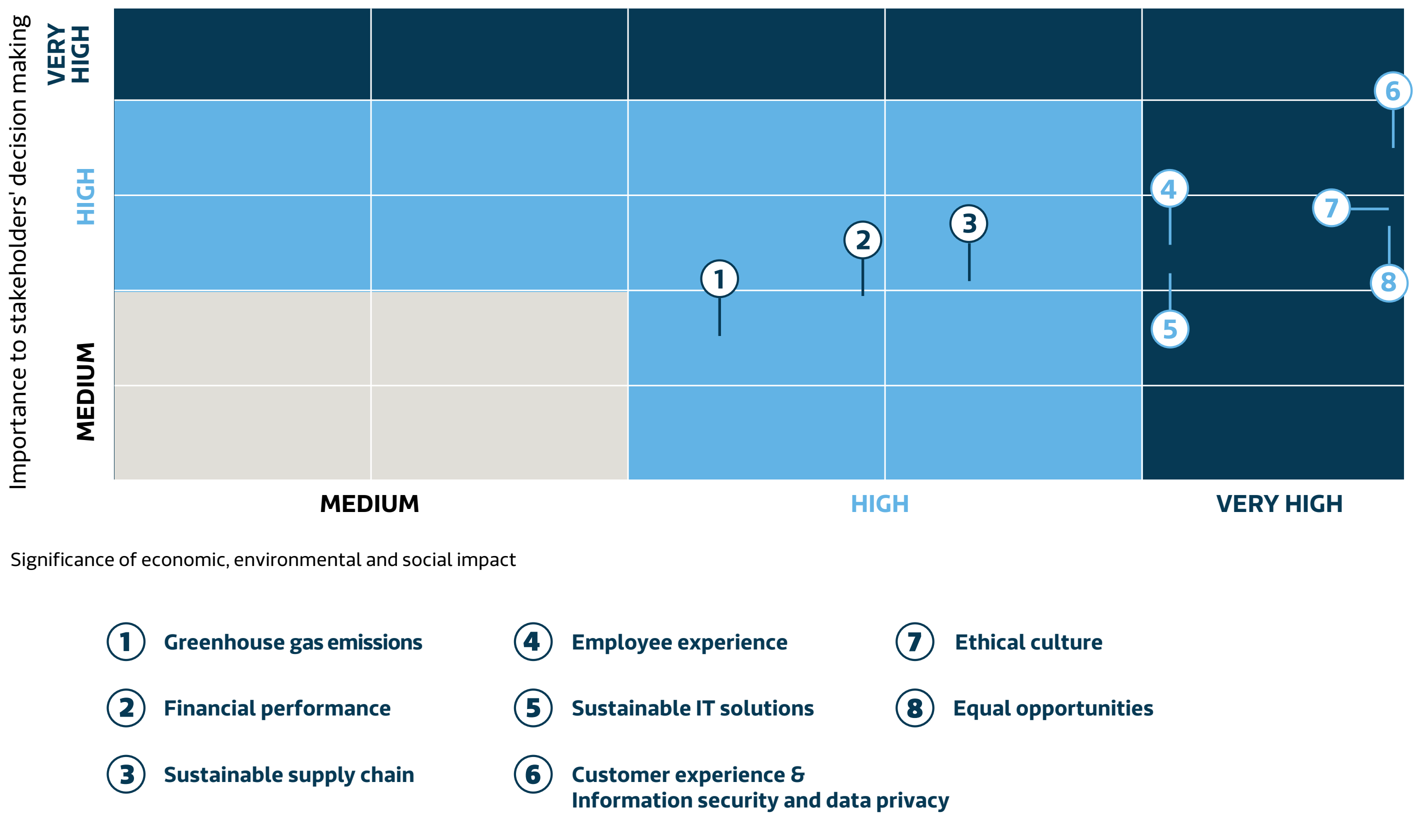
STAKEHOLDERS

SUSTAINABILITY

Materiality analysis

The nine sustainability areas and our Sustainability 2020 plan are the result of the materiality assessment carried out among key stakeholders in 2016. In 2019, we initiated a project to develop a new long-term sustainability plan that will apply from 2020.

MATERIALITY RESULTS 2019



At the end of 2016, we engaged internal and external stakeholders and conducted a materiality assessment in accordance with GRI Standards' requirements. Stakeholder engagement included a sustainability area survey for employees, partners and suppliers. Selected customers were also engaged in a dialogue on sustainability focus areas, and an open survey, together with a Twitter chat, was organized for the general public. As a result, nine sustainability areas were identified and chosen to guide our sustainability approach and form the core of our Sustainability 2020 plan.

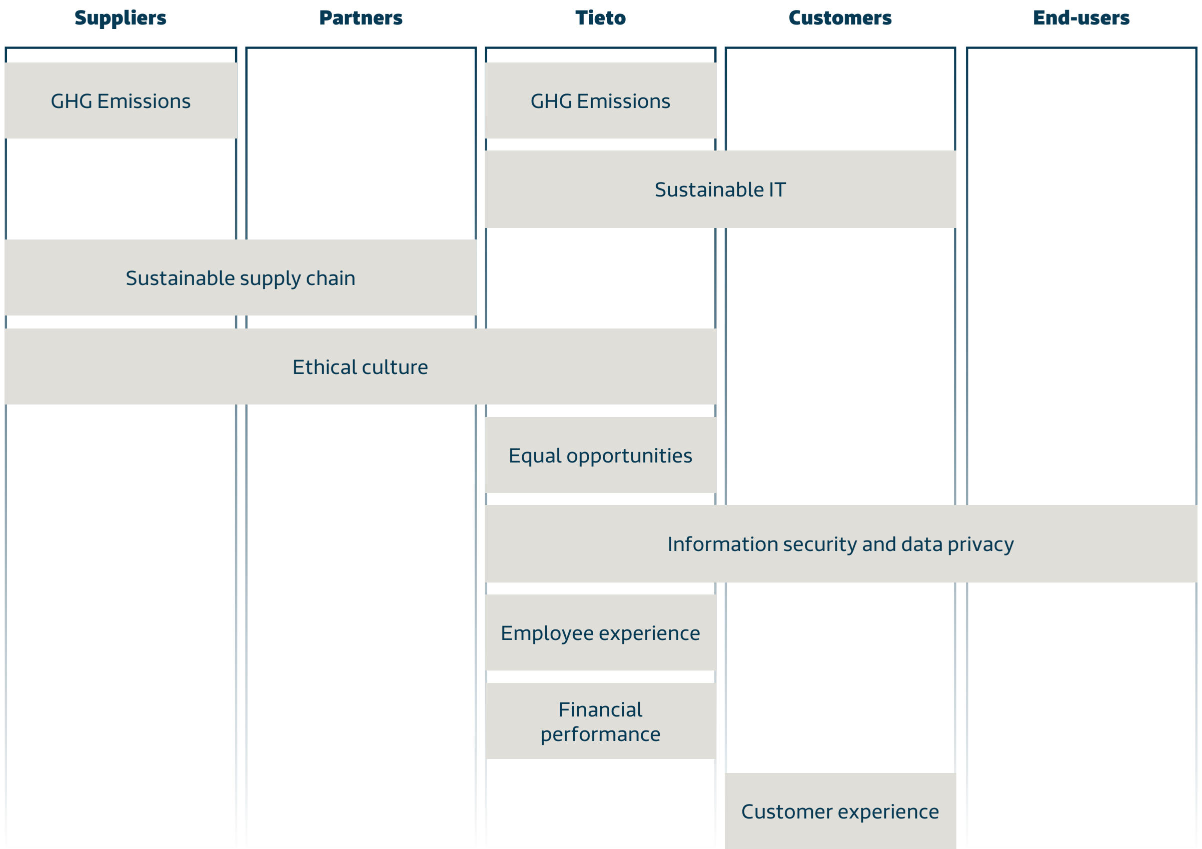
Our materiality analysis is reviewed on an annual basis to make sure that internal and external stakeholders' views are considered and that we have the right focus for our sustainability activities. In 2018, we reviewed the analysis through in-depth stakeholder consultations with a few sustainability experts chosen based on their subject matter expertise in combination with their knowledge about Tieto. The Sustainability 2020 plan was confirmed, and hence our long-term targets remained in place.

However, through our consultations and internal analysis, we revised our contribution to the United Nations Sustainable Development goals. Goal 5 – gender equality, was replaced with goal 10 – reduced inequalities, as our focus on equality spans beyond gender equality into sex, gender identity, nationality, religion, belief system, race, age, disability, sexual orientation, political opinion, union membership or social or ethnic origin. In addition, goal 7 – affordable and clean energy was added given our positive CO_2 impact through Sustainable IT solutions.

At the end of 2019, we initiated a project to develop a new long-term sustainability plan covering the combined company TietoEVRY. Activities include research, analysis, as well as extensive stakeholder engagements. During 2020, implementation will take place throughout the organization.

Our material topics concern the whole Tieto Corporation, unless otherwise stated, and cover all Tieto's operating countries.

SUSTAINABILITY AREA BOUNDARIES ACCORDING TO GRI STANDARDS



SUSTAINABILITY

Sustainability 2020 plan

Sustainability is both a responsibility and an opportunity for Tieto. We consider the social, environmental and economic aspects of sustainability and cover not only our own operations, services and solutions, but also those of our partners and suppliers. To succeed at this, we focus on three main objectives: minimizing environmental impact, being an ethical forerunner and creating value for our stakeholders.

We know that we need to operate in a sustainable manner to futureproof our business and take responsibility of the planet for future generations. Furthermore, we believe that by actively integrating sustainability in all operations we are gaining a competitive advantage, which enhances our business performance. We also recognize that our stakeholders, ranging from employees, investors, customers and suppliers to local societies, citizens and authorities, expect us to conduct our business in a responsible manner and impact positively on the sustainable development of society at large.

The Sustainability 2020 plan is the roadmap guiding our efforts for integrated sustainable practices across our value chain. The plan is based on the materiality analysis we conducted in 2018 and consists of three main objectives with three focus areas under each. Our objectives include reducing the environmental impact of our own operations as well as those of our customers and our suppliers, being an ethical forerunner in the global society, and creating value for our stakeholders. Our sustainability plan is aligned with global frameworks for sustainable business, such as the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises. It also outlines how we contribute to the United Nations Sustainable Development Goals.

At the end of 2019, we started to develop a new long-term sustainability plan, which will be fully formulated in 2020.

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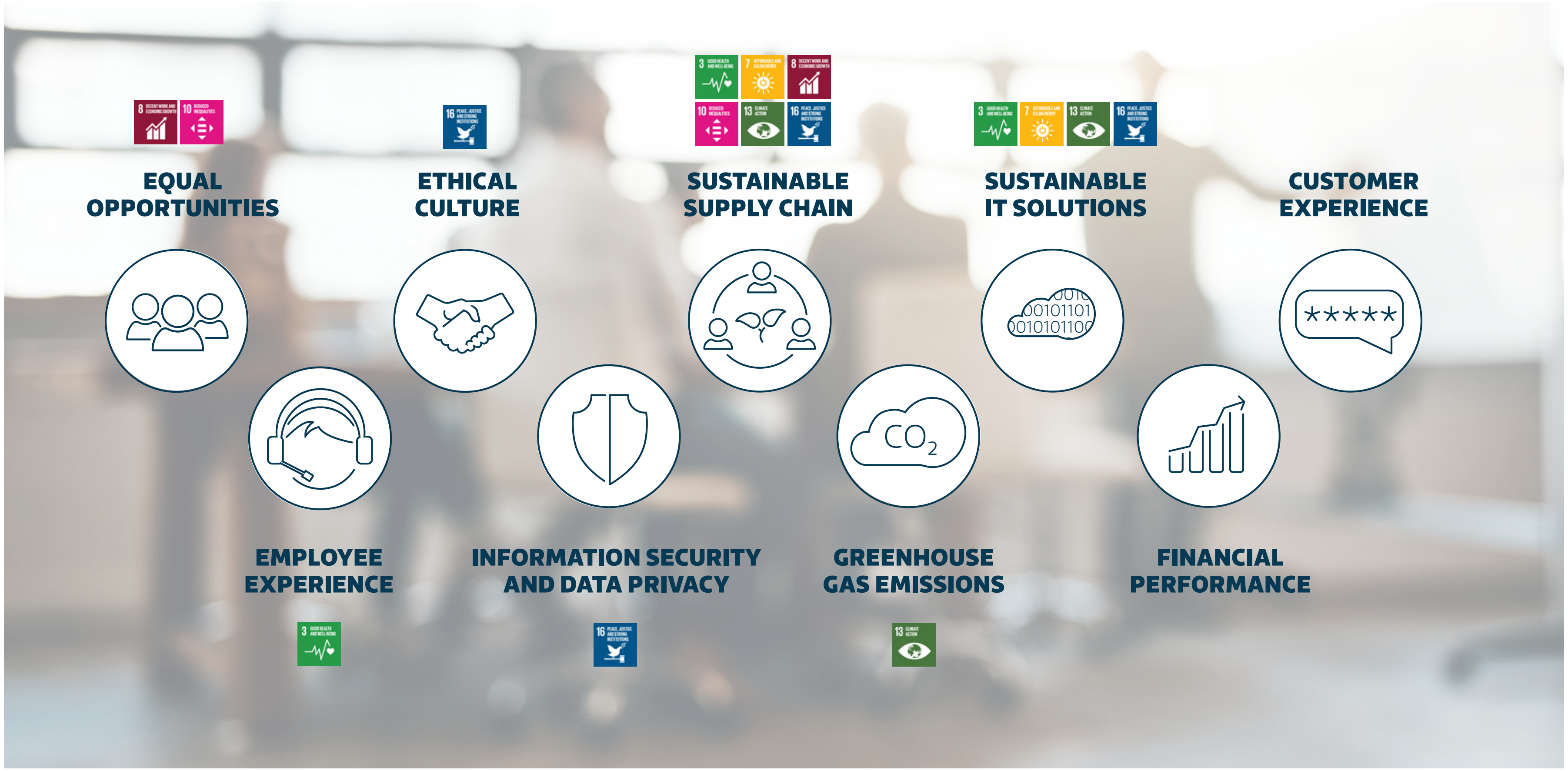
Our sustainability plan is aligned with global frameworks for sustainable business, such as the United Nations Global Compact and the OECD Guidelines for Multinational Enterprises.

SUSTAINABILITY 2020 PLAN



SUSTAINABILITY

About sustainability reporting

The non-financial data and information included in our Annual Report 2019 are prepared in accordance with the core option of the GRI Standards. The disclosures focus on the sustainability topics that are most material regarding our economic, social and environmental performance.

Our material sustainability areas were identified during a materiality analysis in 2016–2017. These areas are the focus of our Sustainability 2020 plan. The materiality analysis was validated in 2018 through an expert panel. In the end of 2019, work commenced to develop a new sustainability long-term plan containing new long-term targets. The new plan will be implemented in 2020.

For the financial year 2019, EVRY's sustainability activities are not consolidated in the sustainability reporting. From the financial year 2020 and onwards, sustainability reporting and non-financial information will cover the combined company TietoEVRY. However financial figures in the sustainability section of this report include full-year revenue of EVRY.

As EVRY consolidated to TietoEVRY as from 5 December 2019, revenue by country in our Financial Statements (based on IFRS) is different from these figures.

The sustainability disclosures in this year's report include the Parent company Tieto Corporation and all subsidiaries over which the Parent company has direct or indirect control. Human resource data, Code of Conduct data as well as Greenhouse gas emission data does not cover Tieto's Swedish subsidaries Avega and Meridium (around 400 employees). The GRI General Disclosures cover the entire Tieto Group. Unless otherwise stated, our workforce related figures in the Sustainability section of the report are based on the GRI Standards. The numbers include joint ventures, hence differing from the headcount in the Financial section. The data sources

are company systems which provide data on full-time, part-time, permanent and temporary employees.

Unless otherwise stated, all information and data pertain to activities from 1 January to 31 December 2019. The regional data is divided between HR and financial data due to system restrictions.

Our energy reporting and corresponding scope 1 and 2 emissions cover all operating sites (offices, laboratories and data centres) except Tieto's Swedish subsidiaries Avega and Meridium. The scope of the energy data collection was aligned with our Environmental Management System; data is collected from data centres, laboratories and offices with 50 employees or more. The energy consumption of offices excluded from data collection scope is based on our global average values with a 10% safety margin. The original data sources are internal IT systems and invoices from utility providers. The scope 3 business travel related CO_2 emissions include flights and the use of own cars. The CO_2 factors used are DEFRA for flights and VTT Lipasto for car use. Data was collected from our own IT system and from our service providers systems. Locations with major operations and a significant amount of travel are within the scope.

Energy and emission calculations follow the Greenhouse Gas Protocol, and emissions are reported as CO_2 emissions. Some calculations are manually conducted. The source of the indirect, location-based energy emission factors is the International Energy Agency (IEA). The 2018 emissions for the scope 2 reporting were updated using three-year average factors for years 2015–2017. The sources for indirect, market-based energy emission factors are energy companies for the actual factors. Residual mix factors are used for the EU and the IEA factors are used for non-EU countries with no actual market-based factors. For direct energy, DEFRA's emission factor is applied.

The base year for the scope 1–2 environmental calculations is 2016. The base year for scope 3 environmental calculations from car usage for business travel is also 2016, while for emissions from flights it is 2018. In the report, the metric ton/UK tonne equivalent to 1 000 kilograms is stated solely as a ton.

An independent third party, PricewaterhouseCoopers Oy, has provided limited assurance on sustainability information disclosed in Tieto's Annual Report 2019. The scope of the assured information is indicated in the independent practitioner's assurance report. In our view, third-party, independent assurance increases transparency and is key to delivering a high-quality report.
This report is also our annual Communication on Progress in accordance with the United Nations Global Compact requirements. It qualifies for the Global Compact Advanced level.

Our integrated report and sustainability management report 2019 were published on 4 March 2020.

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SUSTAINABILITY

Independent Practitioner's Assurance Report

To the Management of TietoEVRY Corporation

We have been engaged by the Management of TietoEVRY Corporation (hereinafter also the Company) to perform a limited assurance engagement on selected sustainability disclosures for the reporting period 1 January to 31 December 2019, disclosed in TietoEVRY Annual Report 2019. The assured information covers the former Tieto Corporation for the reporting period and is indicated in the Company's GRI Content Index 2019 (hereinafter Sustainability Information).

Management's responsibility

The Management of TietoEVRY Corporation is responsible for preparing the Sustainability Information in accordance with the Reporting criteria as set out in the Company's reporting instructions and the GRI Sustainability Reporting Standards of the Global Reporting Initiative. The Management of TietoEVRY Corporation is also responsible for such internal control as the management determines is necessary to enable the preparation of the Sustainability Information that is free from material misstatement, whether due to fraud or error.

Practitioner's independence and quality control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

PricewaterhouseCoopers Oy applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Practitioner's responsibility

Our responsibility is to express a limited assurance conclusion on the Sustainability Information based on the procedures we have performed and the evidence we have obtained. Our assurance report has been prepared in accordance with the terms of our engagement. We do not accept, or assume responsibility to anyone else, except to TietoEVRY Corporation for our work, for this report, or for the conclusions that we have reached.

We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". That standard requires that we plan and perform the engagement to obtain limited assurance about whether the Sustainability Information is free from material misstatement.

In a limited assurance engagement the evidence-gathering procedures are more limited than for a reasonable assurance engagement, and therefore less assurance is obtained than in a reasonable assurance engagement. An assurance engagement involves performing procedures to obtain evidence about the amounts and other disclosures in the Sustainability Information. The procedures selected depend on the practitioner's judgement, including an assessment of the risks of material misstatement of the Sustainability Information .

Our work consisted of, amongst others, the following procedures:

- Interviewing senior management of the Company;
- Visiting the Company's Head Office in Finland as well as one site in Sweden;
- Conducting one video interview with a site in Norway;
- Interviewing employees responsible for collecting and reporting the Sustainability Information at the Group level and at the site level where our site visits took place;
- Assessing how Group employees apply the Company's reporting instructions and procedures;
- Testing the accuracy and completeness of the information from original documents and systems on a sample basis;
- Testing the consolidation of information and performing recalculations on a sample basis.

Limited assurance conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that TietoEVRY Corporation's Sustainability Information for the reporting period ended 31 December 2019 is not properly prepared, in all material respects, in accordance with the Reporting criteria.

When reading our assurance report, the inherent limitations to the accuracy and completeness of corporate responsibility information should be taken into consideration.

Helsinki, 25 February 2020
PricewaterhouseCoopers Oy

SIRPA JUUTINEN
Partner
Sustainability & Climate Change

JUSSI NOKKALA
Director
Sustainability & Climate Change

GRI content index table

Disclosure	Disclosure title	Link and reference	Tieto area and number	UNGC	Externally assured
GRI 102: GENERAL DISCLOSURES 2016					
Organizational profile					
102-1	Name of the organization	**Fact & figures**		COP report profile	
102-2	Activities, brands, products and services	**Operating model**		COP report profile	
102-3	Location of headquarters	**Fact & figures**		COP report profile	
102-4	Location of operations	**Market opportunity and our strategy**		COP report profile	
102-5	Ownership and legal form	**Fact & figures**		COP report profile	
102-6	Markets served	**Market opportunity and our strategy**		COP report profile	
102-7	Scale of the organization	**Fact & figures, Market opportunity and our strategy**		COP report profile	
102-8	Information on employees and other workers	**Culture - collaborate, include and grow**		Principle 6, COP report profile	x
102-9	Supply chain	**Sustainable supply chain**		Criteria 2, COP report profile	
102-10	Significant changes of the organization	**Highlights 2019, Merger, Share and shareholders**		Criteria 2, COP report profile	
102-11	Precautionary principle	**Greenhouse gas emission**			
102-12	External initiatives	**Our approach to sustainabilty**			
102-13	Memberships of associations	**Our approach to sustainabilty**			
Strategy					
102-14	Statement from senior decision-maker	**CEO statement**		Criteria 19	
102-15	Key impacts, risks and opportunities	**NFI, Sustainability opportunities and risks, Sustainability 2020 plan**			
Ethics and integrity					
102-16	Values, principles, standards and norms of behaviour	**Ethical culture, Managing sustainability**		Criteria 12-14, Principle 10	

Disclosure	Disclosure title	Link and reference	Tieto area and number	UNGC	Externally assured
Governance					
102-18	Governance structure	**Corporate governance statement**		Criteria 20	
102-20	Executive-level responsible for economic, environmental and social topics	**Managing sustainability**		Criteria 1, 20	
102-21	Consulting stakeholders on economic, environmental and social topics	**Corporate governance statement, Stakeholder dialogue, Managing sustainability, Materiality analysis**		Criteria 1, 20	
102-23	Chair of the highest governance body	**Corporate governance statement**		Criteria 1, 20	
102-32	Highest governance body's role in sustainability	**Managing sustainability, Independent assurance report**		Criteria 1, 20	
Stakeholder engagement					
102-40	List of stakeholder groups	**Stakeholder relations and materiality mapping**		Criteria 21	
102-41	Collective bargaining agreements	**Creating value for employees**		COP report profile	X
102-42	Identifying and selecting stakeholders	**Stakeholder relations**		Criteria 21	
102-43	Approach to stakeholder engagement	**Stakeholder relations**		Criteria 21	
102-44	Key topics and concerns raised	**Stakeholder relations and materiality mapping**		Criteria 21	
Reporting practice					
102-45	Entities included in the consolidated financial statements	**About sustainability reporting**			
102-46	Defining report content and topic boundaries	**Materiality analysis, About sustainability reporting**			
102-47	List of material topics	**Materiality analysis**			
102-48	Restatement of information	**About sustainability reporting**			
102-49	Changes in the report	**About sustainability reporting**			
102-50	Reporting period	**About sustainability reporting**		COP reporting profile	
102-51	Date of most recent previous report	**About sustainability reporting**		COP reporting profile	
102-52	Reporting cycle	**About sustainability reporting**		COP reporting profile	
102-53	Contact point for the report	**About sustainability reporting**		COP reporting profile	
102-54	Claims for reporting in accordance with the GRI standards	**About sustainability reporting**		COP reporting profile	
102-55	GRI content index	**GRI content index**			
102-56	External assurance	**Independent assurance report**		COP assurance	

Disclosure	Disclosure title	Link and reference	Tieto area and number	UNGC	Externally assured
MATERIAL TOPICS, MANAGEMENT APPROACH AND DISCLOSURES					
GRI 200: Economic standard series					
GRI 201: Economic performance 2016					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Economic impact**	8: Financial performance	Criteria 15-18, Principle 1-9	
103-2	The management approach and its components	**Sustainability 2020 plan, Economic impact**	8: Financial performance	Criteria 15-18, Principle 1-10	
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Economic impact**	8: Financial performance	Criteria 15-18, Principle 1-11	
201-1	Direct economic value generated and distributed	**Economic impact**	8: Financial performance	Criteria 9-11	
201-4	Financial assistance received from government	**Economic impact**	8: Financial performance	Criteria 9-11	
GRI 205: Anti-corruption 2016					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Ethical culture**	1: Ethical culture	Criteria 15-18, Principle 1-9	
103-2	The management approach and its components	**Sustainability 2020 plan, Ethical culture**	1: Ethical culture	Criteria 15-18, Principle 1-10	
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Ethical culture**	1: Ethical culture	Criteria 15-18, Principle 1-11	
205-1	Operations assessed for risks related to corruption	**Ethical culture**	1: Ethical culture	Criteria12-14, Principle 10	X
205-3	Confirmed incidents of corruption and actions taken	**Ethical culture**	1: Ethical culture	Criteria12-14, Principle 10	X
GRI 300: Environmental standard series					
GRI 302: Energy 2016					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 15-18, Principle 1-9	
103-2	The management approach and its components	**Sustainability 2020 plan, Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 15-18, Principle 1-10	
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 15-18, Principle 1-11	
302-1	Energy consumption within the organization	**Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 9-11, Principle 7	X

Disclosure	Disclosure title	Link and reference	Tieto area and number	UNGC	Externally assured
GRI 305: Emissions 2016					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 15-18, Principle 1-7	
103-2	The management approach and its components	**Sustainability 2020 plan, Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 15-18, Principle 1-8	
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 15-18, Principle 1-9	
305-1	Direct (Scope 1) GHG emissions	**Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 9-11, Principle 7	X
305-2	Energy indirect (Scope 2) GHG emissions	**Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 9-11, Principle 7	X
305-3	Other indirect (Scope 3) GHG emissions	**Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 9-11, Principle 7	X
GRI 400: Social standard series					
GRI 401: Employment 2016					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Culture – collaborate, include and grow**	7: Equal opportunities		
103-2	The management approach and its components	**Sustainability 2020 plan, Culture – collaborate, include and grow**	7: Equal opportunities		
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Culture – collaborate, include and grow**	7: Equal opportunities	Criteria 15-18, Principle 1-9	
401-1	Total number and rates of new employee hires and employee turnover	**Culture – collaborate, include and grow**	7: Equal opportunities	Principle 6	X
GRI 405: Diversity and equal opportunities 2016					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Culture – collaborate, include and grow, Equal opportunities**	7: Equal opportunities	Criteria 15-18, Principle 1-7	
103-2	The management approach and its components	**Sustainability 2020 plan, Culture – collaborate, include and grow, Equal opportunities**	7: Equal opportunities	Criteria 15-18, Principle 1-8	
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Culture – collaborate, include and grow, Equal opportunities**	7: Equal opportunities	Criteria 15-18, Principle 1-9	
405-1	Diversity of governance bodies and employees	**Equal opportunities**	7: Equal opportunities	Principle 6	X

Disclosure	Disclosure title	Link and reference	Tieto area and number	UNGC	Externally assured
GRI 406: Non-discrimination 2016					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Equal opportunities**	7: Equal opportunities	Criteria 15-18, Principle 1-7	
103-2	The management approach and its components	**Sustainability 2020 plan, Equal opportunities**	7: Equal opportunities	Criteria 15-18, Principle 1-8	
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Equal opportunities**	7: Equal opportunities	Criteria 15-18, Principle 1-9	
406-1	Incidents of discrimination and corrective actions taken	**Equal opportunities**	7: Equal opportunities	Criteria 3-5, Principle 6	X
GRI 418: Customer privacy 2016					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Information security and data privacy**	3: Information security and data privacy		
103-2	The management approach and its components	**Sustainability 2020 plan, Information security and data privacy**	3: Information security and data privacy		
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Information security and data privacy**	3: Information security and data privacy		
418-1	Substantiated complaints regarding breaches of customer privacy and losses of customer data	**Information security and data privacy**	3: Information security and data privacy		X
TIETO SPECIFIC DISCLOSURES					
Ethical culture					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Ethical culture**	1. Ethical culture	Criteria 15-18, Principle 1-7	
103-2	The management approach and its components	**Sustainability 2020 plan, Ethical culture**	1. Ethical culture	Criteria 15-18, Principle 1-8	
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Ethical culture**	1. Ethical culture	Criteria 15-18, Principle 1-9	
Tieto 1.1	Code of Conduct training coverage	**Ethical culture**	1. Ethical culture	Criteria 12-14, Principle 10	X
Tieto 1.2	Breaches of Code of Conduct	**Ethical culture**	1: Ethical culture	Criteria 12-14, Principle 10	X

Disclosure	Disclosure title	Link and reference	Tieto area and number	UNGC	Externally assured
Greenhouse gas emissions					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 15-18, Principle 1-7	
103-2	The management approach and its components	**Sustainability 2020 plan, Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 15-18, Principle 1-8	
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Greenhouse gas emissions**	4: Greenhouse gas emissions	Criteria 15-18, Principle 1-9	
Tieto 4.1	Reduction of CO_2 emissions from indirect energy consumption	**Greenhouse gas emissions**	4: Greenhouse gas emissions		X
Sustainable IT solutions					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Sustainable IT solutions**	5: Sustainable IT solutions	Criteria 15-18, Principle 1-7	
103-2	The management approach and its components	**Sustainability 2020 plan, Sustainable IT solutions**	5: Sustainable IT solutions	Criteria 15-18, Principle 1-8	
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Sustainable IT solutions**	5: Sustainable IT solutions	Criteria 15-18, Principle 1-9	
Tieto 5.1	Estimated avoided emissions from the use of IT services	**Sustainable IT solutions**	5: Sustainable IT solutions	Criteria 15-18, Principle 9	X
Sustainable supply chain					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Sustainable supply chain**	2: Sustainable supply chain		
103-2	The management approach and its components	**Sustainability 2020 plan, Sustainable supply chain**	2: Sustainable supply chain		
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Sustainable supply chain**	2: Sustainable supply chain		
Tieto 2.1	New or renewed suppliers agreeing to Tieto's Supplier Code of Conduct	**Sustainable supply chain**	2: Sustainable supply chain		X

Disclosure	Disclosure title	Link and reference	Tieto area and number	UNGC	Externally assured
Employee experience					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Employee experience**	6: Employee experience		
103-2	The management approach and its components	**Sustainability 2020 plan, Employee experience**	6: Employee experience		
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Employee experience**	6: Employee experience		
Tieto 6.1	% of employees always or often stressed and not able to recover	**Employee experience**	6: Employee experience		X
Tieto 6.2	Employee engagement index	**Employee experience**	6: Employee experience		X
Customer experience					
103-1	Explanation of the material topic and its Boundary	**Sustainability 2020 plan, Materiality analysis, Customer experience**	9: Customer experience		
103-2	The management approach and its components	**Sustainability 2020 plan, Customer experience**	9: Customer experience		
103-3	Evaluation of the management approach	**Sustainability 2020 plan, Customer experience**	9: Customer experience		
Tieto 9.1	Relationship Net Promoter Score (rNPS)	**rNPS was measured in a different way than previous years. Data is therefore not disclosed as it is not comparable over time. New KPI's for Customer Experience will be measured and disclosed from 2020 and onwards.**	9: Customer experience		X
Tieto 9.2	Customer eXperience Index (CXI)	**CXI was removed from the measurement process during the year and hence data is not available to report for 2019. New KPI's for Customer Experience will be measured and disclosed from 2020 and onwards.**	9: Customer experience		X

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