digia

Annual Report 2021

DIGITALISATION THAT MAKES A DIFFERENCE

Digia’s direction

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We help people and organisations renew

Digia is a software and service provider with more than 1,300 employees. We are seeking sustainable growth from digitalisation that reshapes everyday life and promotes our customers' business.

The utilisation of technology is a key tool in business renewal and the development of competitiveness in both companies and the public sector. Our customers' needs are connected to three main areas, which are digital business, knowledge-based management, and the continuity and efficiency of operations.

Digia's offering is well suited to these customer needs. Our main strength is our broad-ranging expertise, which extends from consulting to digital services, core business systems, and data utilisation solutions. We manage all of these layers of digitalisation and ensure that services function around the clock.

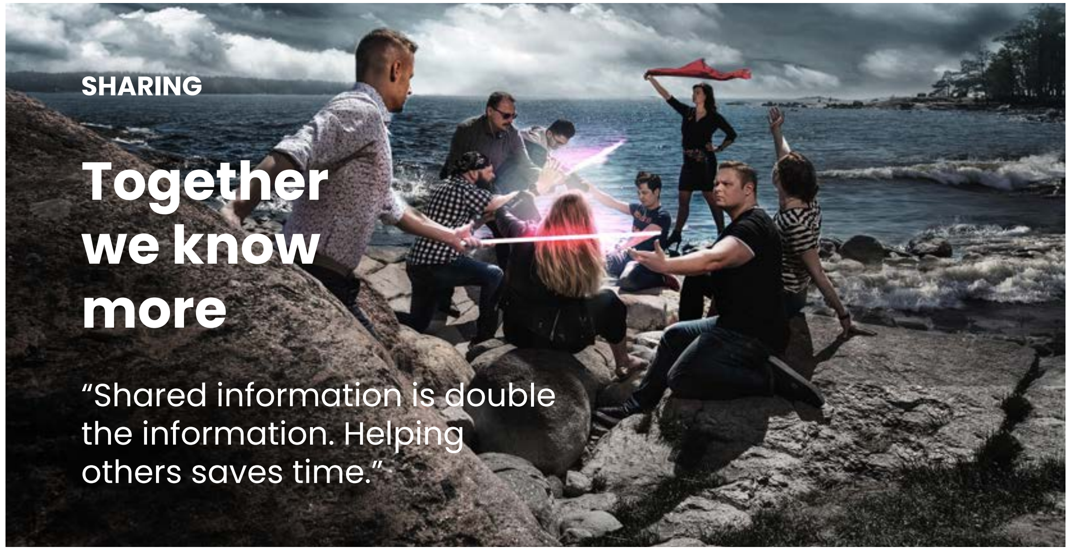
There are more than 1,300 of us working at Digia. Our roots are in Finland, and we operate in eight Finnish locations and we also have an office in Stockholm, Sweden. Our subsidiary Climber operates in Sweden, Finland, Denmark, and the Netherlands. Our headquarters is located in Helsinki. Digia's net sales totalled EUR 156 million in 2021. The company is listed on the Nasdaq Helsinki (DIGIA).

Our daily lives are guided by four cultural principles that are based on our strengths and help us to renew ourselves: learning, sharing, courage, and professional pride. Our Senior Trainee philosophy means that we believe that projects can end but no one is ever done with learning.

These principles are also evident in our customer work: we help our customers to modernise their operations, find new digital solutions, and boldly learn new things, so that digital daily life would mean a better life for everyone.

	CUSTOMER NEEDS		
	Digital Business	Leading with Data	Continuity and Efficiency of Operations
OUR SERVICES			
Consulting and Design	Business design | Architecture and technology planning | Service design		
Digital Services	Online services | Mobile services | E-commerce		
Business Systems	CRM | ERP | Solutions for the financial sector		
Data Utilisation	Analytics | Data platforms | Integrations		
Security and Operational Reliability	Operational overview and monitoring | Cyber security | Service management 24/7 | Cloud platforms		

Digia's cultural principles



Renewal is taking our business to the next level

In line with our strategy, 2021 was a year of business renewal and building growth. We continued to develop our operations in order to better serve our customers. Our own business platform – an enabler of future growth – was our single most significant modernisation project. We also completed two strategic acquisitions. Our net sales grew by 12.1 percent.

2021 was another year marked by the coronavirus pandemic. During the year, the opportunities afforded by technology received increasing attention among our customers who also regained the confidence to make investments. A clear need for business renewal was seen in our customer base: demand was particularly high for cloud-based ERPs, data utilisation, and customer relationship management solutions. In late 2021, a new stage of the pandemic once again brought uncertainty to our operating environment.

As the need for digitalisation grows, broad-ranging and scalable expertise is required from industry leaders. In addition to recruitment and providing continuous learning for our own personnel, we strengthened our capabilities through two acquisitions and by making greater use of external networks.

In January, we strengthened our data expertise and offering by acquiring the entire share capital of the Swedish analytics company Climber International AB. Climber implements and consults on data-driven business solutions. In September, we acquired the entire share capital of Solasys Oy. Solasys has long been our subcontractor in the delivery and development of the Digia Enterprise ERP system. The company also has robust expertise in reporting and analytics.

During the year, we expanded the Digia Hub freelancer network in Finland. Towards the end of the year, we signed a cooperation agreement with an international expert supplier.

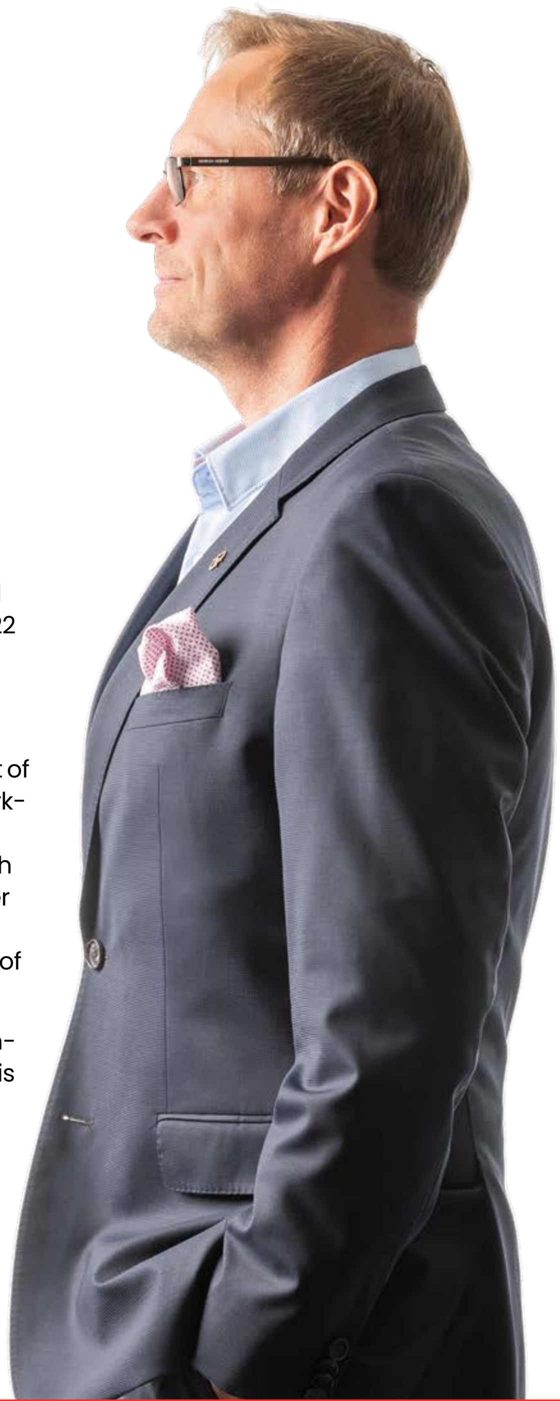
We paid particular attention to enhancing the working conditions of our experts during the year. For example, we have modified office premises, made working hours even more flexible, and invested in equipment for our experts' home offices to ensure a good standard of workplace ergonomics. This is all part of building the workplace community of the future in which work and development will increasingly occur in a physically decentralised community.

The continual development of our operating models is part of our strategy. In 2021, we forged ahead with our project to modernise our own business platform (Digia Business Engine). In this project, we are creating a smart technology growth platform and overhauling our management system to support future growth and enhanced productivity. The Digia Business Engine will be introduced in phases from the year 2022 onwards.

Responsible business and sustainable growth are the basic ideas behind Digia's operations. 2021 marked the halfway point of our strategy period. Although we were working in an exceptional operating environment, we continued along our chosen path of renewal. We want to renew Digia in order to continue helping our customers also in the future to successfully take advantage of the opportunities afforded by technology.

I would like to thank our customers, personnel, partners and other stakeholders for this past year of renewal!

Timo Levoranta
President & CEO
Digia Plc



Markets and Digia's market position

Despite the uncertainty caused by the coronavirus pandemic, we expect continued growth in the Finnish IT service market over the long term. Digia's extensive service offering enables us to serve a broad range of customers regardless of their stage of development and field of business. The digitalisation trend remains strong.

Digia operates in Finland and Sweden, and our subsidiary Climber operates in Sweden, Finland, Denmark and the Netherlands. We expect the Finnish IT service market to continue to grow in the long term. Although the coronavirus pandemic still poses uncertainty in our operating environment, we believe that demand will develop favourably in 2022.

The pandemic has helped to accelerate digital advancements: it has woken up many organisations to review their operating methods and assess opportunities for harnessing digital solutions. Clear examples of this include remote work practices, the development of e-services, and supply chain management.

Market trends

We see the following strengthening trends in the market both in the business and public sector:

- Digitalisation is an increasingly important part of the core operations of organisations and business processes
- The world is becoming networked, and digital platforms enable new business models
- Smart and responsible data utilisation in business processes creates a competitive advantage
- A good user experience is a critical success factor for services
- The role of cloud technologies as a platform for developing and operating services is becoming the norm
- Data utilisation leads to further increases in data security and protection requirements.

Developing digital business and data utilisation continue as strong trends that are picking up momentum. Data-based business management increases a company's competitiveness as data utilisation helps boost the efficiency of your operations, identify customer needs, and build better customer encounters.

In order to reap business benefits, the system as a whole must run effectively. This means that there is also a growing need to modernise back-end systems, and their integrations and interface solutions as well as core business systems. Digia is strong in this area.

Digia's market position

Digia operates extensively in a broad range of very different markets. We have systematically built up our customer and industry independent offering so as to be an end-to-end digitalisation partner to organisations. During the pandemic, our special strengths have been various operational system solutions, data-driven business and the service and maintenance business.

Our comprehensive service offering enables us to serve customers regardless of their stage of development and field of business. Our extensive customer base balances out risks involving demand in individual sectors.

As part of our strategy, we have also strengthened our data and analytics capabilities by acquiring the Swedish business analytics specialist Climber International AB. Read more about our strategy on page 7.

In addition to our project business, Digia provides comprehensive services for maintenance, monitoring, and continuous development. Service and maintenance agreements bring stability to Digia's business and serve as a foundation for building long-term and evolving customer relationships. In 2021, service and maintenance accounted for 67.1 percent of our net sales.

Strategy 2020–2022

One of the key themes of this strategy period is to renew our operations and strengthen our chosen priorities. In the strategy, we have placed particular emphasis on data utilisation in our customers' services and business processes.

For its customers, Digia is a turnkey provider of smart solutions and a service company that manages the service lifecycle from implementation to maintenance and development. We provide our customers with a service package covering mobile and online services, data platforms and knowledge-based management, integrations and APIs, as well as business core systems including high-security solutions.

For all of these, we provide various levels of maintenance services to help our customers operate their business-critical systems and services around the clock.

During the 2020–2022 strategy period, we will be further strengthening data utilisation in particular and helping our customers to achieve business benefits through the smart utilisation of data.

Read more about strategic implementation during 2021 on page 45 of the Report by the Board of Directors.

Financial objectives

Digia is seeking annual net sales growth of more than 10 percent including organic growth and acquisitions. The target level of profitability improvement is an EBITA margin of 10 percent by the end of the strategy period.

Strategy is a growth journey for both customers and personnel

Digia generates value for its customers both as a visionary and a reliable partner. Solid customer relations, professionalism, corporate culture, and a strong product and service package form the basis for our operations.

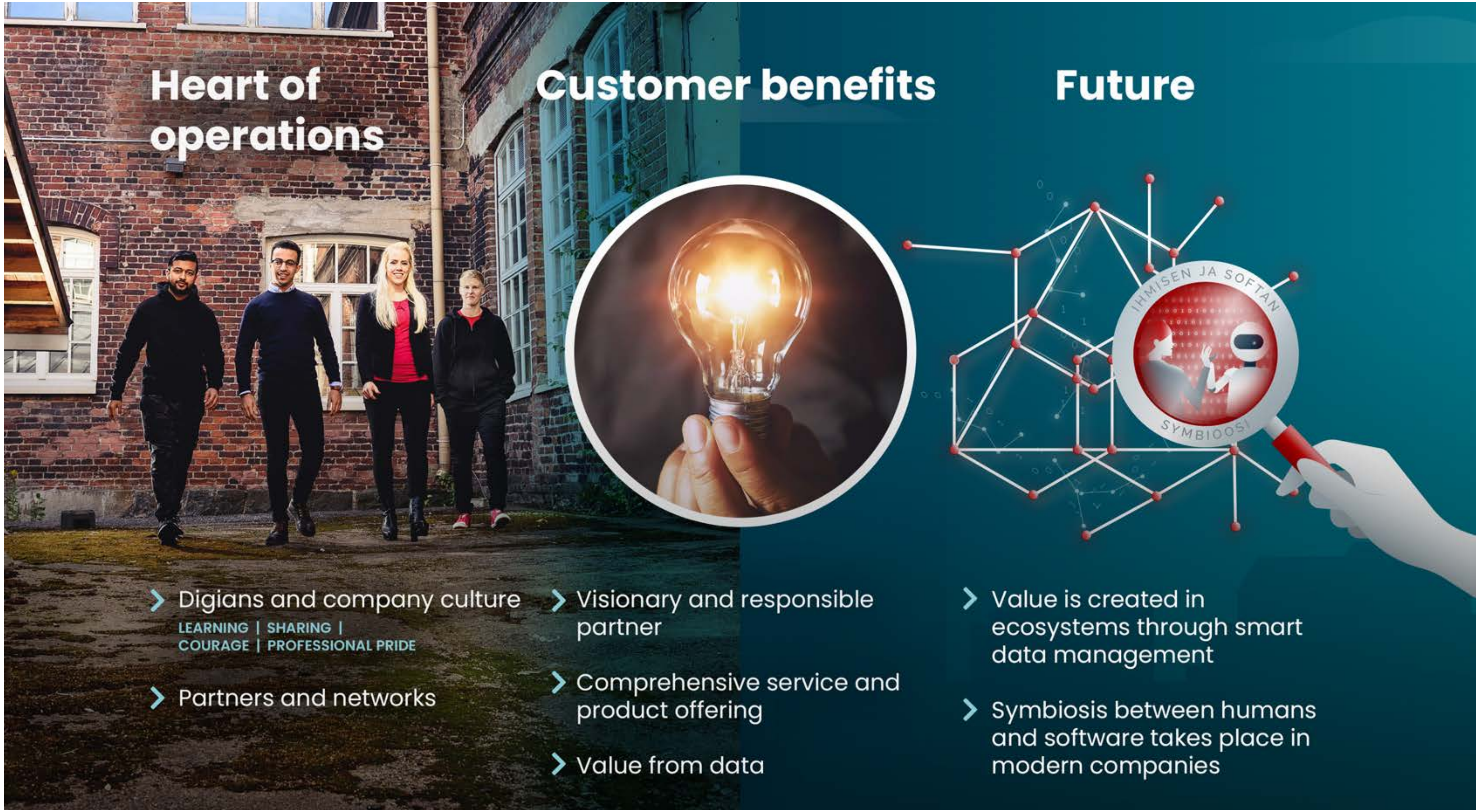
We are steered with the aid of Digia's cultural principles: courage, sharing, learning and professional pride. These cultural principles are everyday rules that help us renew our culture in a jointly defined direction that supports learning and renewal. Responsibility is also central to our operations. Read more about our corporate responsibility on page 19.

As our operating environment becomes increasingly networked, Digia is also expanding its expertise and service capabilities with the aid of partner networks. We work with leading technology partners in the best interests of our customers. We are able to guarantee technological continuity and enable the provision of a first-class digital customer experience.

Strategic focal points

- **Smart and responsible data utilisation.** We will bring data utilisation as a cross-cutting theme for all Digia's service areas from business systems to integrations and digital services. We believe that data is a key element in all of our customers' operations.
- **Valued employer.** Skilled employees are the most important success factor for Digia. We are constantly developing Digia into a more desirable workplace by reinforcing our culture, at the heart of which is the continuous learning by every employee.
- **Service business.** We will deepen our customer relationships and further strengthen the share accounted for by the service business.
- **Productivity and scalability.** We will develop our operational models and solutions to improve our cost-competitiveness. An essential development project in the strategy period will be the reform of our own business platform.
- **Cloud technologies.** Cloud technologies are the development and operating platform for future services. We will continue to strengthen our expertise in cloud services, taking into account both data security and key public cloud platforms.

Cornerstones of Digia's strategy




RAKENNAMME
MAAILMAA,
JOSSA
Digian vastuullisuuden painopisteet
Kestävää digitaalisuutta, joka toimii ja tuntuu
Kestävää
digi-
osaamista
Kestävää
digiarkea
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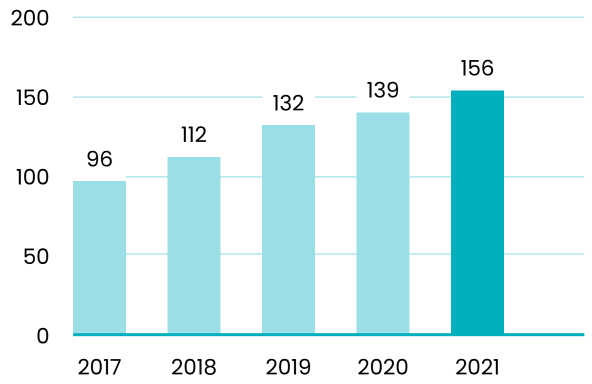
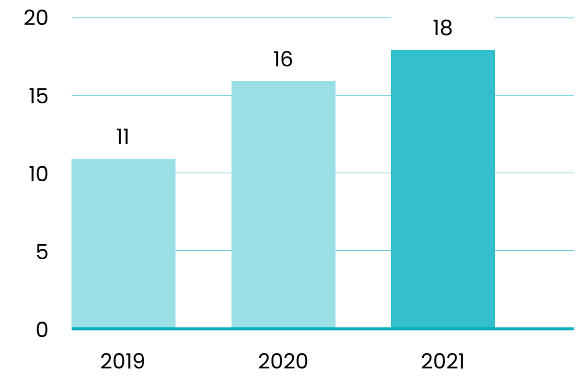
Digia 2021

Digia in figures

Net sales
EUR million



Operating result
EUR million



Digia proceeded to EBITA guidance in the beginning of 2020.

EBITA operating profit
+ 10.9%

Cash flow from operations
16,676,000€

Earnings per share
0.44€

Number of employees
1,339

Key figures

EUR 1,000	2021	2020	Change, %
Net sales	155,939	139,049	12.10%
EBITA operating profit	17,739	16,000	10.90%
- as a % of net sales	11.40%	11.50%	
Operating profit (EBIT)	14,680	14,102	4.1%
- as a % of net sales	9.40%	10.10%	
Result for the period	11,772	10,627	10.60%
- as a % of net sales	7.50%	7.60%	
Return on equity, %	18.30%	18.70%	
Return on investment, %	16.30%	16.50%	
Cash-flow	16,676	23,589	-29.40%
Interest-bearing net liabilities	10,663	10,531	1.20%
Gearing, %	15.70%	17.30%	
Equity ratio, %	48.00%	50.70%	
Number of personnel by the end of the period	1,339	1,258	5.10%
Average personnel	1,334	1,261	5.10%
Shareholder's equity	68,072	60,737	13.00%
Balance sheet total	143,040	121,078	13.70%
Earnings per share	0.44	0.40	10.30%

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Selected milestones of 2021

Climber joins Digia: extra resources for the provision of data-driven services

The Swedish company Climber joined Digia on 7 January 2021. Climber's strengths include business analytics solutions and Qlik-based solutions. As a result of the acquisition, Digia now employs more than 300 professionals in the fields of data integration and business analytics.

Read more →

A leader in Microsoft solutions

In recognition of Digia's strong expertise, Microsoft chose the company as its Partner of the Year in smart business solutions in Finland. In addition, Microsoft invited Digia to join the Microsoft Business Applications 2021/2022 Inner Circle partner network as the only Finnish company. We were recognised for our achievements in 2021, including dedication to customers and innovations around Microsoft's cloud services.

Read more →

Responsible use of data, carbon neutrality and digital expertise

We published our revised corporate responsibility priorities, objectives, and indicators in early 2021. Although the greatest impact will be generated through our customers, we are also investing in diversity, personnel competence, and climate action.

Read more about our corporate responsibility on page 19.

Towards a symbiosis of humans and software: Digia Business Engine

Our key individual development project during the strategy period is the development of Digia's own business platform, Digia Business Engine. This project is an investment in Digia's future competitiveness: we are building a smart growth platform to support future growth and productivity. Digia Business Engine will be deployed in phases from 2022 onwards.

More power through networks home and abroad

Our Digia Hub freelancer network grew over the course of the year, and now consists of more than 10,000 experts in Finland and Europe. In December, we also signed a partnership agreement with Fulcrum Digital that will make more international experts available for use in Digia's customer projects. Both of these networks will play a role in achieving Digia's strategic growth and scalability objectives.

Read more →

Digia community present at home and in the office

Although the majority of Digia personnel worked at home due to the pandemic, we also started to develop new working practices for the future. At Digia, this means things such as hybrid work and greater flexibility in working hours.

Digia's service areas

Digia reports on one business segment that comprises of four service areas. In 2021, Digia's service areas were Intelligent Solutions, Business Platforms, Financial Platforms, and Managed Digital Core.

Digia's direction

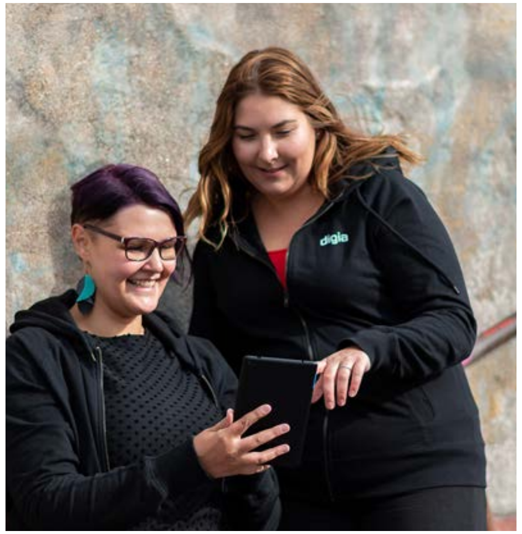
Digia 2021

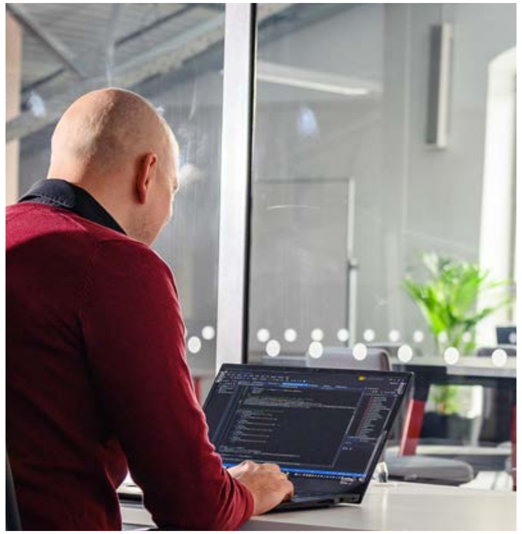
Responsible Digia

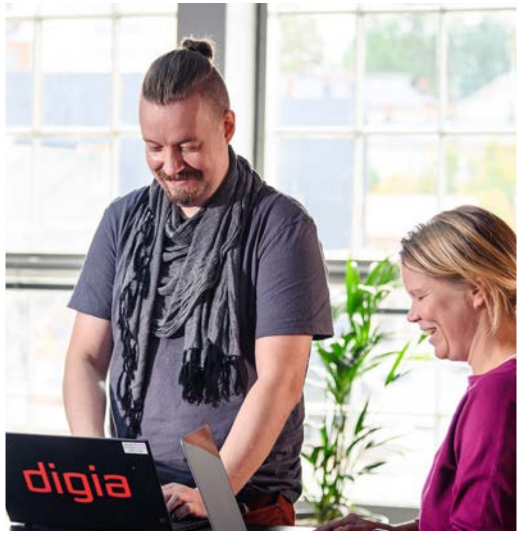
Corporate Governance

Report by the Board of Directors

Financial statements







Intelligent Solutions

Intelligent Solutions provides the comprehensive digital services that are required for a successful digital business. Sub-areas include data utilisation solutions, e-commerce, online and mobile services, and business and service design. Our subsidiary Climber also offers data-based business intelligence services. The Digia Hub is an extensive and growing IT subcontracting network.

Business Platforms

Business Platforms provides ERPs and extended CRM solutions to companies in both the public and private sectors. Our offering comprises Microsoft Dynamics 365 solutions, Oracle NetSuite solutions, and our own Digia Enterprise ERP product, which has been awarded the Key Flag symbol.

Financial Platforms

Financial Platforms revolves around the Digia Financial Systems product family, which is one of the most extensive financial systems for fund management companies, asset managers, and brokers in the Nordic countries. We can also provide the back-office functions and processes required by our customers as a flexible end-to-end service.

Managed Digital Core

The Managed Digital Core business area brings together all Digia services that form the foundations of our customers' digital business: a package that consists of cloud operations, integration and APIs, data security and high-security software development, and 24/7 managed services.

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Customer stories

Finnish Tax Administration

The Tax Administration's Incomes Register – which is used to collect data on the wages and benefits of all citizens on a centralised basis for the authorities – is an important system for the whole of Finland. More than 100 Digia employees worked to implement the Incomes Register as a classified government project.

The final part of this giant project was completed in early 2021, and the benefits for digitalisation and Finnish society as a whole are considerable.

Read more →

Nordkalk

The long-established mining company Nordkalk Oy was seeking a better solution for collecting production data and reporting on its mines and production facilities.

Digia developed an IoT-based reporting solution that provides a real-time view of production at Nordkalk's facilities and individual production lines all across Europe. The solution includes role-specific views that highlight those key figures that are most important for each person's work.

Read more →

Voimatel

Energy systems will be undergoing enormous changes over the coming years, and the Finnish company Voimatel is operating right at the centre of this transition. Digia created a modern cloud-based data platform that improves management efficiency and functions as a basis for new kinds of solutions. The introduction of the data platform enabled all business units to better develop their knowledge-based management.

The development of smart forecasting models and new business activities was also launched using Digia's Fast Track operational model.

Read more →

Customer stories

SOL

When SOL began to outgrow its old CRM system, it was time to update the company's invoicing and CRM with a modern platform. SOL updated its invoicing and CRM system using a solution tailored to the company's needs.

Digia worked with SOL to create a solution that has enabled more efficient invoicing. The Microsoft Dynamics 365 platform proved surprisingly versatile, and allows for further development of the company's processes in the future.

Read more →

Unisport

Unisport is the leading producer of sports facility concepts in the Nordic countries and has been active for over a hundred years. To achieve sustainable growth, the company needed a unified and scalable business platform that would import all of the required information into the data warehouse in a transparent way, so as to support business decision-making and enable centralised data management.

With the help of Digia, Unisport achieved this by adopting a Microsoft Dynamics 365 Business Central solution tailored to its needs.

Read more →

Robit

Robit manufactures drilling equipment. A few years ago the company noticed that its business expansion was being hindered by an outdated ERP system. The company decided to replace it and worked with Digia to introduce a new Oracle NetSuite system that would support growth and internationalisation.

For example, Digia has helped the company to develop procedures that automatically update tens of thousands of product-related data items per day. Digia has also developed solutions for real-time reporting.

Read more →

Personnel

2021 was another year marked by the pandemic, and Digia personnel continued to work mainly from home. As we did in 2020, we continued to invest in strengthening our culture and team spirit in remote working conditions and continuously developing our competence capital, while also preparing for the post-pandemic era and new working models.

Digia's key strength lies in its broad-ranging, profound and continually evolving technological expertise combined with an encouraging and evolving workplace culture. This is why we are able to provide our customers with an extensive range of solutions and value, while also giving our employees varied and motivating tasks.

We are making continual investments in the creation of a good employee experience, so as to develop a motivating workplace culture and a culture of lifelong learning. We believe that in an esteemed and productive workplace community, it is possible to create a good balance of meaningful work, continuous learning, wellbeing, goal-orientedness and a sense of community.

Culture, community, and the employee experience

Digia wants to be a pioneer in good leadership and workplace culture. We strive to provide Digia employees with a professional, diverse, flexible, equal, and evolving workplace community. Meaningful tasks and having the required skills for success at work provide the best support for wellbeing and a good employee experience.

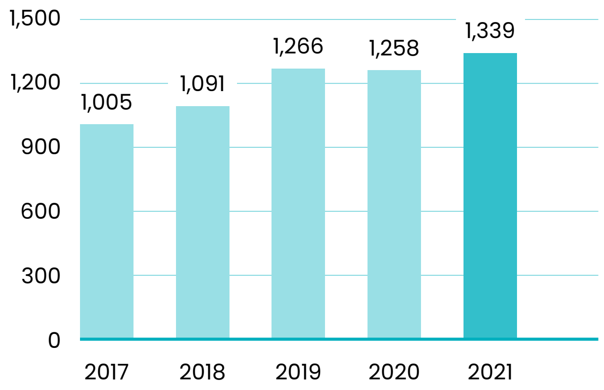
Digia uses an early intervention model that supports success at work. Wellbeing is also supported with extensive benefits and flexible working arrangements. We have introduced even greater flexibility in working hours, so that employees have more freedom to decide when they work, although naturally taking customers and teamwork into consideration. The idea is to ensure that there are no unnecessary cultural or other obstacles to balancing work with other aspects of life.

Digia measures its employee experience and the prerequisites for cooperation at regular intervals. In our 2021 survey, meaningful work, professional colleagues, and work-life balance were some of the themes that people both valued and thought had been successfully realised. Praise was also given for the freedom and flexibility of remote and hybrid working in terms of both working hours and location. As part of our corporate responsibility reporting, we monitor certain things in more detail, such as personnel's satisfaction with team spirit and their work-life balance. Read more in our report on page 50.

As remote working continued throughout 2021, we continued to invest in supporting our sense of community through a variety of internal content and virtual events.

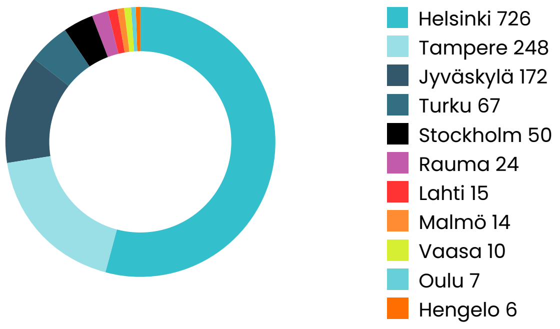
Employees 31 December

Number of employees

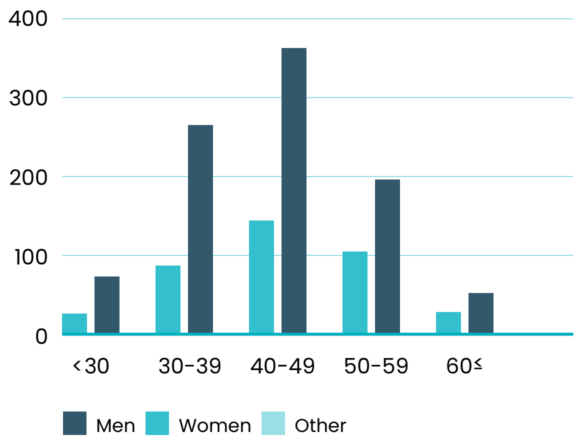


Personnel by location 31 December

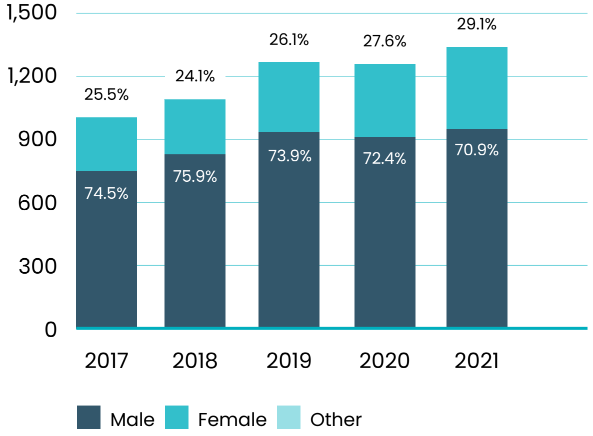
Number of personnel



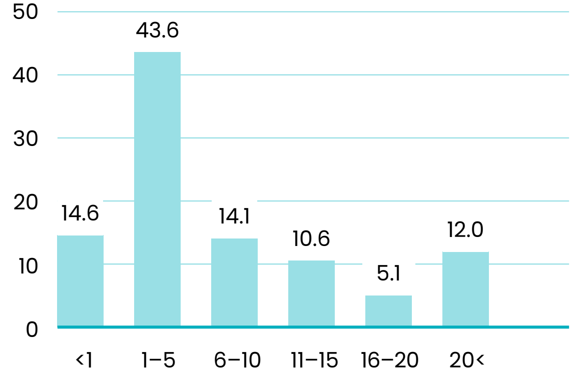
Personnel distribution by age 31 December
Number of persons



Employees by gender 31 December
Number of employees



Personnel by years of service 31 December
Percent



In addition to regular personnel briefings, we organised a virtual summer party and a Christmassy morning assembly for all Digia personnel. We continued to experiment with and deploy virtual collaboration tools and further developed our feedback culture with the aid of an internal virtual channel called Spread the success. Digia personnel can use this channel to thank their colleagues for help received in their daily work, or to highlight examples that embody our culture of sharing, learning, courage, and professional pride. Some of Digia's Tribes and leisure-time activities (OpenClubs) have also been able to continue remotely.

During the year, we presented two rounds of Digia Next Level Awards to teams and individuals that had been nominated by their Digia colleagues. These awards were based on Digia's cultural principles. The winners were chosen by a jury of Digia employees.

We also began to prepare for a return to post-pandemic daily life, in which an increasing amount of work will be done in different environments. We surveyed our personnel's willingness to continue remote work after the pandemic, and have used this as a basis for developing a hybrid work model. Based on our personnel's wishes and everyday insights, Digia's offices will be remodelled to better meet future needs. Employees who primarily chose remote work also received support in the form of a home office package, which was delivered to their door and contained equipment, an electric table and a work chair.

Diversity at Digia

Diversity is part of Digia's corporate responsibility: our continuous development efforts seek to make Digia an even more inclusive workplace – a place where everyone can be themselves. Psychological safety is one key aspect of inclusivity, and studies have shown it to be a common factor among successful workplace communities. Continuous learning is also one of our key cultural principles. In the spirit of Senior Trainee attitude, we believe that we can continuously develop as a workplace community with respect to how we take people's diversity into account.

In 2021, we commissioned an equality and non-discrimination survey to gain a more data-based understanding of the extent to which Digia employees feel they can be themselves at work and whether Digia has groups whose voice should be better heard. We used the results to create a summary of Digia's main priorities in the form of an action plan, and then systematically began putting selected measures into practice.

Digia's direction
Digia 2021
Responsible Digia
Corporate Governance
Report by the Board of Directors
Financial statements

With our partner Inklusiiv, we continued to provide our personnel and supervisors with training in unconscious prejudices and inclusive leadership. This year, we once again received insights and new perspectives from blog posts written by Digia employees which shed light on things such as family leave experiences, tips for achieving a good work-life balance, and the importance of Pride Week.

Learning

We operate in an environment where everything is in constant motion. To keep up with the pace, we need to learn continuously and help others learn, too. We seek to provide our employees with a range of opportunities for personal development, thereby ensuring that both the company and its employees maintain their competitiveness. This radiates out as an ability to deliver even better value to our customers in digital networks. We want to be a team of top professionals who are always learning. To ensure this, we develop our employees' competence in technology and other specialist areas through training, e-learning, and learning on the job.

An average of 57.7 hours of training per person were spent on competence development in 2021. The Digia Academy organised about 380 different training events during the year. This training primarily focused on organising coaching to support the technical and professional skills of experts.

Tribal activities focus on sharing information between personnel, and these continued remotely. In addition to technical topics, tribes also organised lectures on subjects such as preparing for retirement and impostor syndrome.

As it is one of our priority areas, we created the Digia Master of Cloud program, with the aim of gradually strengthening every Digia employee's cloud-related skills, whilst also taking their starting level and tasks into account. We will also continue to invest in developing leadership with the aid of our two customised coaching programmes for supervisors (DiVe) and experts (DiVa). This valued training seeks to enhance Digia experts' trust-building skills and their ability to lead and orchestrate cooperation.

In addition to competence development for Digia personnel, Digia also wants to train more experts to meet both its own and the sector's needs. For the second year in a row, we collaborated with Vaasa Entrepreneurship Society (VES) to organise an e-commerce programming course that was attended by students from the Vaasa University of Applied Sciences and the University of Vaasa. We also organised recruitment training programmes with our partners through which dozens of new experts have joined Digia.

Recruitment and networks

Successful recruitment that supports Digia's workplace culture is essential for competence development and business success. Induction for new employees is part of a successful recruiting process, and we therefore invest in this in multiple ways. In addition to online induction courses, we also organise "Get to know Digia" briefings in which new employees have been able to meet each other (remotely during the pandemic). Each business area has induction templates to suit the role in question.

In 2021, Digia continued to recruit new employees in spite of the coronavirus pandemic. Virtual interviews became an everyday occurrence in recruitment, which also increased flexibility. In addition to recruiting seasoned IT professionals, we offered students and career changers not only permanent positions, but also trainee placements and thesis-writing opportunities. In early 2021, we organised the first virtual version of our popular Career Compass recruitment breakfasts. The popularity of this programme has grown steadily, and it once again attracted a commendable number of applications.

We continued our active cooperation with educational establishments in 2021. We also continued to develop our employer image on the basis of preparations made in 2020, and our new strategy was completed in spring 2021. We participated in the virtual Mimmit koodaa (Women Code) event, and organised several expert lectures and a coding club in cooperation with student organisations and educational establishments.

During the autumn, we also held four interactive remote excursions in which students were able to explore career opportunities in the IT sector and ask experienced Digia professionals anonymous questions. The aim of these remote excursions was to provide students with information about daily life in the IT sector, support them in their studies, and make them aware of Digia and what we do. We also strengthened our partnership network by launching a key partnership with Laurea University of Applied Sciences. This cooperation will also strengthen both parties' understanding of working life and the competences required to prepare for it.

Towards the end of the year, Digia took part in the #Koeaika (#TrialPeriod) project organised by Duunitori and organisational psychologist Jaakko Sahimaa. He worked at Digia for a month, familiarising himself with the company's businesses and activities. Not only did Sahimaa share his thoughts and experiences of Digia in various channels such as social media, he also provided us with his expert findings on Digia's work culture for our own internal use.

Small entrepreneurship is also gaining in popularity in the IT sector alongside traditional employment. The Digia Hub network offers freelancers access to a broad variety of Digia projects. It currently consists of more than 2,000 freelance professionals in Finland and more than 10,000 within the EU.

At the end of the year, we also established the Digia alumni group in LinkedIn, so that former employees can keep up with what's going on in the Digia community after they have moved on to tackle new challenges.

Responsible Digia

Digia – sustainable digitalisation that makes a difference

Our responsibility is based on our own Code of Conduct and the UN's Sustainable Development Goals. We are committed to respecting human rights in accordance with the UN's Universal Declaration of Human Rights and the International Labour Organisation's (ILO) fundamental principles and rights at work. However, in our changing business environment, responsibility is based above all else on the continual monitoring and improvement of our operations.

Sustainable digital value for our customers while building a functional society

Through digital solutions, Digia can influence the direction in which our society is developing. By ensuring that our solutions are functional, secure and easy to use, we also promote the responsible digitalisation of society.

Digia aims to act as a technological pioneer whose products and services promote the development and wellbeing of society and the environment. We seek to implement our solutions so that they promote our customers' responsibility. We help our customers to utilise data in a responsible manner, and to improve the availability and usability of their services. We also seek to promote the ethical use of data.

As a Finnish IT provider, we are firmly rooted in Finnish society and use our expertise to develop society in different ways. In addition to customer work, we seek to contribute to building solutions that enhance environmental and social responsibility for society and our customers.

Our aim is to build sustainable digitalisation that makes a difference. In 2020, we specified the most material themes of our corporate responsibility and defined priorities for them, complete with objectives and indicators. The selected objectives and indicators will remain in effect until the end of 2022.

Read more about our objectives and indicators in the Report by the Board of Directors on page 50.

Sustainable digital expertise for both our personnel and Finland as a whole

Skilled personnel who are committed to the objectives of our customers are the cornerstone of all our operations. Digia aims to be a desired employer in the technology sector – an employer that supports personnel wellbeing and competence development. Our goal is to increase the value of our personnel's expertise during their term of employment.

Digia recognises its role as a significant employer and operator in the IT sector. That's why we also have a responsibility to strengthen technological expertise in Finland. We aim to train new digital experts every year, to meet both our own needs and those of the sector as a whole.

Sustainable digital life in our own work with respect for the environment

Digia wants to provide a safe and healthy working environment in which everyone is valued as themselves. Continually monitoring and supporting personnel wellbeing plays a key role at Digia. When it comes to wellbeing, we want Digia to be among the best in the sector. We also aim to ensure diversity and inclusivity at all levels of our organisation. Digia is a member of the Inklusiiv community, whose mission is to promote increased diversity and inclusivity in the workplace.

Digia shoulders its responsibility for the environment in all its choices. We strive to take the environmental impacts of our business into account, in both our own operations and procurement processes. The largest environmental impacts of Digia's operations are related to energy consumption and devices. We aim to be a carbon-neutral company.

Compliance with Digia's Code of Conduct is an essential factor in the success of our business. All of the company's employees, including management and the Board of Directors, are responsible for adhering to these principles in their work. This Code of Conduct also applies to Digia's subcontractors. Our goal is for our entire organisation to internalise and comply with these ethical practices.

Corporate Governance

Digia Plc's Corporate Governance Statement 2021

General

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

Digia Plc's (hereinafter "Digia") corporate governance system is based on the Companies Act, the Securities Markets Act, general corporate governance recommendations, the company's Articles of Association and its in-house rules and regulations on corporate governance. The company (and this Statement) adheres to the Governance Code for Listed Finnish Companies issued by the Finnish Securities Market Association, which entered into force on 1 January 2020. The Corporate Governance Code can be read on the Finnish Securities Market Association's website www.cgfinland.fi.

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

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

Shareholders' Meeting

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

An Extraordinary General Meeting must be held if the Board of Directors deems it necessary or if requested in writing by a company auditor or shareholders holding a minimum of 10 percent of the company's shares, for the purpose of discussing a specific issue.

The Finnish Companies Act and Digia's Articles of Association define the responsibilities and duties of the Shareholders' Meeting. Extraordinary General Meetings decide on the matters for which they have been specifically convened. In order to participate in a Shareholders' Meeting, a shareholder must be entered in the Digia shareholder register maintained by Euroclear Finland Oy on the record date for the Shareholders' Meeting, and must also have registered for the meeting at the latest by the date given in the invitation.

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

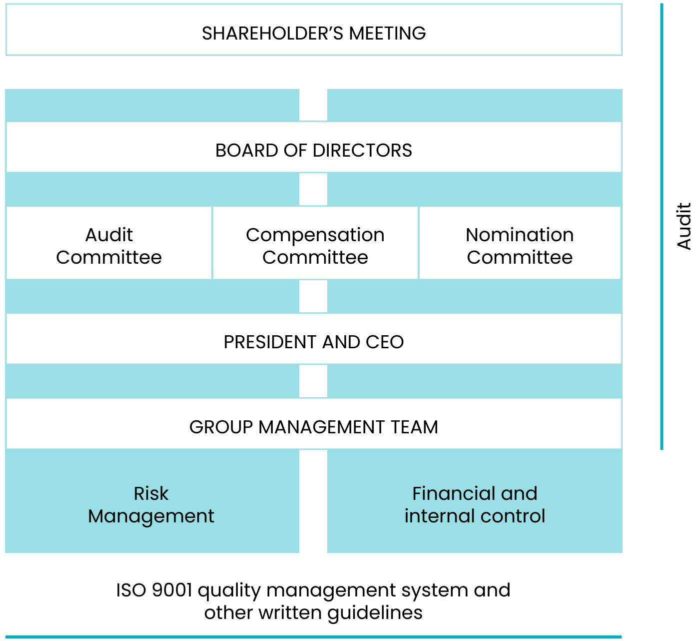
The minutes of Shareholders' Meetings will be available for shareholders to read on the company's Internet site at digia.com/en/investors/governance/annual-general-meeting/ within two weeks of the meeting. The decisions made at Shareholders' Meetings will be published in a stock exchange release immediately after the meeting.

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

The 2021 Annual General Meeting was held on 17 March 2021. More information about the decisions made at this meeting are available at digia.com/en/investors/governance/annual-general-meeting/agm-2021/. No Extraordinary General Meetings were held in 2021.

General overview of governance

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



Board of Directors

Activities and tasks

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

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

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

Board Diversity Policy

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

- the company's field of business;
- managing a company of similar size;
- the nature of a listed company's business operations;
- management accounting;
- risk management;
- mergers and acquisitions; and
- board work.

The composition of the 2021 Board of Directors was successfully in line with Digia's diversity policy.

The Board of Directors' rules of procedure

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

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

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

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

The Board evaluates its activities and working methods each year, employing an external consultant to assist when necessary.

The Board convened a total of 10 times during the 2021 fiscal year, with full attendance.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Independence of the members of the Board of Directors

The Board of Directors assesses the independence of its members on an annual basis. Of the current members of the Board, Martti Ala-Härkönen, Santtu Elsinen, Päivi Hokkanen, Seppo Ruotsalainen and Outi Taivainen are independent of the company and its major shareholders. Robert Ingman is independent of the company. Robert Ingman is not independent of the company's major shareholders due to his holdings in related parties.

Committees of the Board of Directors

During the 2021 fiscal year, Digia's Board of Directors had three (3) committees: the Audit Committee, the Compensation Committee, and the Nomination Committee.

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

Audit Committee

The purpose of the Audit Committee is to assist the Board of Directors in ensuring that the company's financial reporting, accounting methods, financial statements and any other information provided by the company comply with legislation and are balanced, transparent and clear. The Audit Committee also supervises and assesses internal control and auditing, the effectiveness of risk management systems, and how well agreements and other legal actions between the company and its related parties meet market conditions and the requirements for ordinary operations. The Audit Committee supervises and assesses the independence of the company's auditor and, in particular, the auditor's provision of non-audit services. The Audit Committee also supervises the company's audit and prepares a proposal for the choice of auditor. During the 2021 fiscal year, the Audit Committee consisted of Seppo Ruotsalainen (Chair), Santtu Elsinen and Martti Ala-Härkönen. The committee convened four times during the fiscal year, with full attendance.

Compensation Committee

Digia's Compensation Committee is tasked with preparing and monitoring remuneration policies for the company's governing bodies and management remuneration schemes in order to ensure that the company's targets are met, that decision-making concerning remuneration is objective, and that remuneration schemes are transparent and systematic. In 2021, the Compensation Committee consisted of Päivi Hokkanen (Chair), Robert Ingman and Outi Taivainen. The committee convened seven times during the fiscal year, with full attendance.

Nomination Committee

The Nomination Committee prepares proposals for the Annual General Meeting on the number of members of the Board of Directors, the members of the Board of Directors, the remuneration for the Chair, Vice Chair and members of the Board of Directors, and the remuneration for the Chair and members of the committees of the Board of Directors. During the 2021 fiscal year, the Nomination Committee consisted of Seppo Ruotsalainen (Chair), Martti Ala-Härkönen, and Robert Ingman. The Nomination Committee convened seven times during the fiscal year, with full attendance.

CEO

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

The Board of Directors approves the CEO's service contract, which contains a written definition of the key terms and conditions of the CEO's employment. Timo Levoranta has been President & CEO of Digia Plc since 1 May 2016.

Group Management Team

The Group Management Team supports the President & CEO in the routine management of the company. Under the authorisation of the Board of Directors, the Compensation Committee approves the appointments of the members of the Group Management Team and decides on the terms and conditions of their service contracts on the basis of the CEO's proposal. Digia follows the one-over-one principle in Group Management Team and other appointments.

The CEO chairs meetings of Digia's Management Team. The Management Team consisted of nine members on 31 December 2021. The Team meets once every two weeks to assist the CEO in the preparation and implementation of strategy, operative management, and preparing items for consideration by the Board of Directors. The Team draws up annual action and financial plans, sets their associated targets, and monitors their progress. It also prepares significant investments, mergers and acquisitions. The CEO is responsible for the Management Team's decisions. Members of the Management Team are tasked with implementing these decisions within their own areas of responsibility.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Members of Digia Plc's Board of Directors in 2021

Member of the Board	Born	Education	Main occupation	Holdings on 31 Dec 2021*	Member since
Martti Ala-Härkönen	1965	DSc (Econ.), Lic.Sc. (Tech.)	CFO, Caverion	20,000	2016
Santtu Elsinen	1972	BSc.-level studies in economics	Senior Vice President & Chief Digital Officer, Alma Media Plc	0	2018
Päivi Hokkanen	1959	DSc (Econ.)	CEO, ITprofs	10,833	2012
Robert Ingman, Chair	1961	MSc. (Tech.), MSc. (Econ.)	Chair of the Board, Ingman Group	7,930,000	2010
Seppo Ruotsalainen, Vice Chair	1954	Lic.Sc. (Tech.)	Board professional	6,000	2012
Outi Taivainen	1968	MSc. (Econ.)	HR Director, Aava Terveyspalvelut	872	2018

*Includes related parties and related party holdings

The attendance of Board and Committee members at meetings in 2021

	Board Meetings	Audit Committee	Compensation Committee	Nomination Committee
Martti Ala-Härkönen	10/10	4/4		7/7
Santtu Elsinen	10/10	4/4		
Päivi Hokkanen	10/10		7/7	
Robert Ingman	10/10		7/7	7/7
Seppo Ruotsalainen	10/10	4/4		7/7
Outi Taivainen	10/10		7/7	

Management Team members on 31 Dec 2021

Name	Born	Education	Area of responsibility	Holdings on 31 Dec 2020*	Member since
Timo Levoranta	1965	MSc. (Tech.), MSc. (Econ.)	Chief Executive Officer (CEO)	106,179	2016
Pia Huhdanmäki	1969	LLM	Senior Vice President, HR, Culture & Sustainability	6,277	2018
Juhana Juppo	1971	MSc. (Computer Science)	Chief Technology Officer (CTO) and Senior Vice President, Business Services	7,676	2016
Mika Kervinen	1968	LLM, with court training	General Counsel	9,931	2016
Jukka Kotro	1961	Vocational Qualification in Business Information Technology	Senior Vice President, Business Platforms	5,614	2017
Tuomo Niemi	1962	MSc. (Econ.), MSc. (Tech.)	Senior Vice President, Financial Platforms	12,665	2017
Sami Paihonen	1974	MSc. (Tech.)	Senior Vice President, Intelligent Solutions	197	2021
Kristiina Simola	1965	MSc. (Econ.)	Chief Financial Officer (CFO)	14,315	2017
Janne Tuominen	1978	MSc. (Tech.)	Senior Vice President, Managed Digital Core	6,683	2021

*Includes related parties and related party holdings

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Internal control and risk management related to financial reporting

Control functions and control environment

The company has a controller function that reports to the CFO and is tasked with ensuring the accuracy of monthly financial reporting. The CFO reports on the financial performance of the company and its divisions to Management, the Board of Directors, and the Board's Audit Committee.

The company uses a reporting system that compiles subsidiaries' reports into consolidated financial statements. There are also written directives for completing the financial reports of subsidiaries. The company's CFO monitors compliance with these instructions. The company also has the separate reporting facilities required for monitoring business operations and asset management.

The Group's financial administration unit prepares the consolidated interim reports and consolidated Financial Statements. This financial administration unit has centralised control over the Group's funding and asset management and is in charge of managing financial risks.

Internal control

Internal control helps to ensure the reliability of the Digia Group's financial reporting. Digia's financial administration unit provides guidance on financial reporting matters. The Group's business is divided into areas of responsibility led by Senior Vice Presidents (SVPs) reporting to the CEO. Reporting and supervision are based on annual budgets that are reviewed monthly, on monthly income reporting, and on updates of the latest forecasts. In addition, the company regularly monitors the profitability of projects.

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

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

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

Risk management and major risks

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

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

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

Personnel risks are evaluated and managed using a quarterly performance review and development discussion process in which key personnel participate. To enhance personnel commitment, the company strives to systematically improve the efficiency of internal communications via regular personnel events and by increasing the management's visibility. Two major personnel-related risks are competence development and finding the correct expertise. These risks are managed by systematically developing our personnel's competence and recruitment processes as well as through subcontractor management.

Internal – and as required also external – audits of major projects and continuous services are conducted with a view to enhancing project and service risk management and securing the success of customer deliveries. Digia uses a regularly audited ISO 9001-certified quality management system (Core Process Model), and the processes described in this system are utilised in all operations with a view to providing an optimal customer experience.

Audits are carried out to manage data security and protection risks, and the company also continually develops working models, practices, and processes that promote data security and protection. Security training is organised for all personnel. In 2020, we renewed our internal data security and data protection training package. This training must be retaken every year, not only by Digia personnel but also any subcontractors working on Digia's premises.

The Management Team is tasked with systematically managing risks associated with business integration, shared operating models and best practices, as well as their integrated development. Typical risks in the software business include the appropriate protection of the company's own immaterial property rights (IPRs) and violation of third parties' IPRs. These are managed through extensive internal policies, standard contracts, and appropriate supervision and analysis.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

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

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

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

Insider issues

Digia complies with the current Guidelines for Insiders issued by Nasdaq Helsinki. Digia also adheres to its own insider guidelines, which supplement Nasdaq Helsinki's guidelines. Digia's General Counsel is responsible for insider issues.

Insiders

Digia's insiders are divided into:

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

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

Management's business transactions

Members of Digia's Management and those in their close circle must report all business transactions that involve Digia's financial instruments and are worth more than EUR 5,000 to both Digia and the Financial Supervisory Authority. The managerial positions covered by this obligation are: the CEO, members of the Management Team, and members of Digia's Board of Directors.

Digia will issue a stock exchange release on all personal business transactions made by members of Digia's Management and those in their close circle. These releases will be issued within three (3) days of the transaction. Digia also keeps a record of this information on the company's website.

Closed window

Anyone working in a managerial position at Digia, or who otherwise receives financial information, may not trade in the company's securities during a period of 30 days before the publication of one of the company's business reviews, half-year reports or financial statement bulletins. Project-specific insiders may not trade in the company's securities whilst the project is ongoing.

Reporting misconduct

Digia Plc has a whistle-blowing channel for reporting suspected cases of bribery and corruption, market abuse, and violation of Digia's insider guidelines. This channel seeks to promote compliance with good governance in the company's routine activities, and to prevent and detect misconduct. It can be used to report market abuse and the violation of operating principles, regulations and instructions, either confirmed or suspected.

Anyone can make an anonymous report using the form on either Digia's intranet or its public website. All reports are directed to Digia's legal unit and the chair of the Audit Committee of the Board of Directors. All reports will be processed confidentially and professionally in accordance with the Personal Data Act, with regard to both the informant and suspect.

Related-party transactions

According to the Corporate Governance Code, a company must evaluate and monitor business transactions with related parties and ensure that any potential conflicts of interest are duly taken into consideration in the company's decision-making. Here, "the company's related parties" refer to the related parties of listed companies as defined in the Companies Act (IAS24). Digia has issued Board members, the CEO, and Management Team members with instructions concerning related parties. In order to enable the monitoring of related-party transactions, the company maintains an up-to-date register of companies and persons who are classified as related parties, including their grounds for being so classified.

It is executive management's task to identify related parties and related-party transactions before engaging in any business. The business function and the legal counsel should together determine whether related-party transactions form part of the company's ordinary business and whether they are subject to standard commercial terms and conditions. The Audit Committee of the Board of Directors monitors and supervises the assessment of related-party transactions.

If an intended related-party transaction would be significant for Digia and would either deviate from the company's ordinary business or not be subject to normal

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the
Board of Directors

Financial statements

market conditions, then this business transaction must be decided upon by the company's Board of Directors.

Digia's related-party transactions are explained in more detail in the consolidated Financial Statements. The company has no significant related-party transactions. Its related-party transactions are carried out under normal market conditions and do not deviate from the company's ordinary business.

Auditor and auditor's fees

Digia has one official auditor, who must be a KHT auditor or KHT audit firm approved by the Auditing Board of the Central Chamber of Commerce. The auditor is elected until further notice. The Annual General Meeting elects the auditor and decides on their fees. KPMG Oy Ab, a firm of Authorised Public Accountants, is the Group's auditor. Virpi Halonen, Authorised Public Accountant, has been chief auditor since 2015.

Auditor's fees in 2021

EUR 1,000	2021
Audit, KPMG Oy AB	96
Audit, other	39
Other statutory duties	2
Tax counselling	2
Other services	17
Total	157

Digia's Board of Directors

Robert Ingman

Chair of the Board of Directors
b. 1961, MSc. (Tech.), MSc. (Econ.)

Digia Board Member since 2010, Vice Chair of the Board 2012–2018, Chair of the Board since 2018. Member of the Board's Nomination Committee and Compensation Committee.

A Member of the Directors' Institute of Finland.

Key work experience
CEO, Ingman Group, 2000–
CEO, SVP, Arla Ingman Ltd, 2007–2011
CEO, Ingman Foods Ltd, 1997–2000
CFO, Ingman Foods Ltd, 1988–1997

Chair of the Board of Directors
Ingman Group Ltd, 2009–
Etteplan Plc, (2009) 2013–
Qt Group Plc, 2016–
Ingman Development Ltd, 2013–
Ingman Finance Ltd, 2009–
Halti Ltd, 2012–
CRI Invest & Consulting Ltd, 2014–
M-Brain Ltd, 2018–2019, (Member of the Board 2011–2018)

Member of the Board
Evli Bank Plc, 2010–
Massby Facility & Services Ltd, 2012–
Ingman Baltic Sea Finance Ltd, 2015–
PK Oliver Ltd, 2013–

Independent of the company.

Seppo Ruotsalainen

Vice Chair of the Board
b. 1954, Lic.Sc. (Tech.), MSc. (Tech.)

Digia Board member since 2012. Vice Chair of the Board, and Chair of the Board's Audit Committee and Nomination Committee.

A member of the Directors' Institute of Finland and the Finnish Business Angels Network, and a founder member of the Startup Foundation.

Key work experience
Executive Director, Vigo Startup Accelerator Program, 2010–2016
President & CEO, Tekla Plc, 1998–2003
Deputy CEO, F-Secure Plc, 2008–2009
Deputy CEO, LM Ericsson Ltd, 1994–1998
Several management positions, Hewlett Packard (Finland and USA), 1982–1993

Chair of the Board of Directors
Softera Ltd, 2015–2020
MPY Osuuskunta, 2013–2020
Viabile Ltd, 2003–
Fountain Park Ltd, 2003–2013
Commit Ltd, 2003–2008
AniLinker Ltd, 2003–2007

Member of the Board
Profict Partners Ltd, 2004–2020
Biisafe Ltd, 2014–2016
Napakka Ltd, 1999–2013
Forte Netservices Ltd, 2007–2008
AtBusiness Communications, 2003–2006
3StepIT Group, 2003–2006

Independent of the company and its major shareholders.

Päivi Hokkanen

Member of the Board
b. 1959, DSc (Econ.)

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

A Member of the Directors' Institute of Finland.

Key work experience
CEO, ITprofs Ltd, 2017–
Development Director, SoteDigi Ltd, 2018–2020
CIO, A-Katsastus Group, 2012–2017
CIO, Sanoma Plc, 2009–2012
CIO, Stockmann Plc, 2002–2009
Director, SysOpen Plc, 1998–2002
Several positions, Cap Gemini Ltd, 1995–1998
Several positions, Kansallisrahoitus Ltd, 1984–1995

Chair of the Board of Directors
Wointi Ltd, 2021
MPY Yrityspalvelut Ltd, 2019–2021

Member of the Board
Wointi Ltd, 2021–
MPY Yrityspalvelut Ltd, 2021–
ICT Leaders Finland, 2016–
MPY Palvelut Ltd, 2017–2019

Independent of the company and its major shareholders.

Martti Ala-Härkönen

Member of the Board
b. 1965, DSc (Econ.), Lic.Sc. (Tech.)

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

A Member of the Directors' Institute of Finland.

Key work experience
CFO (Finance, Strategy & IT), Caverion Corporation, 2016–
CFO, Cramo Plc, 2006–2016
CFO, WM-data Ltd, 2004–2006
CFO & Senior Vice President, Business Development, Novo Group Plc, 1998–2004
Manager, Corporate Finance & Finance Manager, Postipankki Plc, 1995–1998

Member of the Board
Purmo Group, 2018–2021
Pihlajalinna Ltd, 2015–2016

Member of the Supervisory Board
Elo Mutual Pension Insurance Company, 2020–2021

Independent of the company and its major shareholders.

Santtu Elsinen

Member of the Board
b. 1972, B.Sc.-level studies in economics

Digia Board member since 2018. Member of the Board's Audit Committee.

A Member of the Directors' Institute of Finland.

Key work experience
Senior Vice President, Chief Digital Officer, Alma Media Plc, 2016–
CEO, Winterfell Capital Ltd, 2014–
CEO, Quartal Ltd, 2011–
Director, Business Development, Talentum Plc, 2012–2015
Director, Business Development, Trainers' House/Satama Interactive Plc, 2005–2012
Creative Director & Business Development Director, Quartal Ltd, 1997–2005

Chair of the Board of Directors
Finnish Authentication Cooperative, 2021–
Quartal Ltd, 1997–

Member of the Board
Etua Ltd, 2018–
Alma Mediapartners Ltd, 2017–
Arena Interactive Ltd, 2017–2020
Media Industry Research Foundation of Finland, 2016–
Fondia Tools Ltd, 2011–2012

Other positions of trust
Finnish Media Federation, Chair of the technology working group, 2019–

Independent of the company and its major shareholders.

Outi Taivainen

Member of the Board
b. 1968, MSc. (Econ.)

Digia Board member since 2018. Member of the Board's Compensation Committee.

Key work experience
HR Director, Aava Terveyspalvelut Ltd, 2019–
Partner, Rethink Leadership Ltd, 2019–
Executive Vice President, HR, OP Group, 2015–2018
Area HR Director, Central and North Europe, KONE Plc, 2011–2015
CEO, HR House, 2008–2011
Vice President, Human Resources, Nokia Plc, 2001–2008
Managerial positions, Nokia Plc, 1998–2001

Chair of the Board of Directors
OP Pension Fund, 2015–2018

Member of the Board
Helsinki Chamber of Commerce, 2009–2011
Henry ry, 2006–2008
Finnish Enterprise Agencies, 2006–2008

Other positions of trust
Helsinki Chamber of Commerce, HR Committee member, 2012–

Independent of the company and its major shareholders.

Digia's Management Team 31.12.2021

Timo Levoranta

President & CEO
b. 1965, MSc. (Tech.), MSc. (Econ.)
President & CEO, and Group Management Team Member since 1 May 2016.

Key work experience
Senior Vice President, Digia Plc, 2016
CEO, TDC Ltd Finland, 2011–2015
SVP, Sales & Marketing, Outokumpu Plc, 2008–2011
Managerial positions, TeliaSonera Plc, 2002–2008
Managerial positions, Sonera Plc, 1995–2002
Various positions, Consumer Mobile Communication Division, Telecom Finland Ltd, 1991–1995

Member of the Board
The Finnish Olympic Committee Marketing Ltd, 2021–
Technology Industries of Finland, Deputy Member, 2020–

Kristiina Simola

CFO
b. 1965, MSc. (Econ.)
Digia Management Team member since 14 August 2017.

Key work experience
CFO, Digitalist Group Plc, 2015–2017
Deputy Managing Director & CFO, Mirasys Ltd, 2012–2015
Senior Manager, Finance Transformation, Deloitte Finland, 2010–2012
CFO, Profit Software Ltd, 2007–2010
CFO, Foster Wheeler Energia Plc, 2005–2007
CFO, SysOpen Plc, 2001–2005

Mika Kervinen

General Counsel
b. 1968, LLM with court training
Digia Management Team member since 1 May 2016.

Key work experience
Senior Legal Counsel, Fondia Ltd, 2015–2016
Director, Business Support, TDC Finland Ltd, 2012–2014
Senior Legal Counsel & Management and expert positions, Nokia Networks Ltd, 2004–2012
Senior Legal Counsel & Management and expert positions, TeliaSonera Plc, 1998–2004
Legal Counsel & expert positions, Kesko Plc, 1996–1998

Pia Huhdanmäki

Senior Vice President, HR, Culture & Sustainability
b. 1969, LLM
Digia Management Team member since 1 February 2018.

Key work experience
Leading specialist (industrial policy & lobbying), RadioMedia and Finnish Media Federation, 2017–2018
HR Director/CHRO, Sanoma Media Finland Ltd, 2012–2016
Director – HR, legal and communications, Sanoma News and Sanoma Entertainment Ltd, 2010–2011
Director – HR, legal and communications, Sanoma Entertainment Ltd, 2007–2010
Legal Counsel & Management positions, Sanoma Group Plc, 1996–2006

Juhana Juppo

CTO and Senior Vice President, Business Services
b. 1971, MSc. (Computer Science)
Digia Management Team member since 19 September 2016.

Key work experience
Director, Business Development, Finanssi-Kontio Ltd, 2013–2016
Service Director, CGI Suomi Ltd, 2011–2013
CTO, Capgemini Finland Ltd, 2005–2011
Systems Architect, IT Optimo/Itella Plc, 2003–2005
Vice President, Development, Eigenvalue Ltd, 2000–2003
Project Manager, Capgemini Finland Ltd, 1999–2000
Project Manager, Nokia Networks Ltd, 1995–1999

Jukka Kotro

Senior Vice President, Business Platforms
b. 1961, Vocational Qualification in Business Information Technology
Digia Management Team member since 9 August 2018.

Key work experience
Senior Vice President, various responsibilities, Digia Plc, 2018–
Management Team member, various responsibilities, CGI Suomi Ltd, 2010–2018
Sales Director, Central Government, Logica Suomi Ltd, 2006–2010
Sales Director, Healthcare, WM-Data Ltd, 2004–2006
Account Manager, Public Sector, Novo Group Plc, 1999–2004

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the
Board of Directors

Financial statements

Tuomo Niemi

Senior Vice President, Financial Platforms
b. 1962, MSc. (Tech.), MSc. (Econ.)
Digia Management Team member since 1 June 2017.

Key work experience
Managing Director, Accenture Ltd, 2003–2017
Leading Consultant, Accenture Ltd, 1996–2003
Managerial positions in IT management, ICL Personal Systems, 1992–1996
Consultant, Andersen Consulting Ltd, 1989–1991
Product Manager, Nokia Data Ltd, 1988–1989

Janne Tuominen

Senior Vice President, Managed Digital Core
b. 1978, MSc. (Tech.)
Digia Management Team member since 29 March 2021.

Key work experience
Business Unit Leader, CGI Suomi Ltd, 2018–2021
Managing Director, Finanssi-Kontio Ltd, 2014–2018
Director, Application Management, Finanssi-Kontio Ltd, 2013–2014
Client Director, Logica Suomi Ltd, 2010–2013
Business Manager, Logica Suomi Ltd, 2008–2010

Member of the Board
Helsingfors Simsällskap, 2022–

Sami Paihonen

Senior Vice President, Intelligent Solutions
b. 1974, MSc. (Tech.)
Digia Management Team member since 18 October 2021.

Key work experience
Chief Technology Officer, Savox Communications, 2018–2021
Senior Advisor, Savox Ventures, 2018–2019
Management positions, Digitalist Group, 2010–2018, CEO 2015–2017
Director, Design Strategy, Samsung, 2008–2010
Management positions in Design, Nokia, 1998–2008

Digia Plc Remuneration Report 2021

Letter to shareholders from the chair of the compensation committee

Dear Digia Plc shareholders,

The purpose of remunerations paid by the company is to support its business strategy and promote long-term financial success, competitiveness and the favourable development of shareholder value. I am pleased to present Digia Plc's Remuneration Report for 2021 on behalf of the company's Compensation Committee and the Board of Directors. The Remuneration Report describes how remuneration at Digia Plc has developed in relation to the company's performance as well as the remuneration paid to the Board of Directors and the CEO in 2021.

General observations about Digia's performance in 2021 through the eyes of the Chair of the Compensation Committee

Due to the prolonged coronavirus pandemic, 2021 was another year of exceptional circumstances. In spite of that, we forged ahead with implementing our strategy and overhauling our selected priorities for 2020–2022. Digia places particular emphasis on the potential of data utilisation in its customers' services and business processes. We believe that value is created in digital ecosystems, making intelligent and responsible use of data. As digitalisation progresses, the technology sector faces now, and also in the future, challenges caused by strong demand and competition for talent, which are evident in both the availability of experts and turnover in

the industry. However, I am pleased with the company's overall performance during the review year. In addition to its primary task, the Compensation Committee monitors the development of matters related to the company's working culture and employees in particular.

Our full-year net sales grew by 12.1 per cent to EUR 155.9 million. The EBITA margin remained almost unchanged at 11.4 per cent. It has been especially positive and encouraging that both customer satisfaction (NPS) and employee experience (eNPS as well as index that measures the meaningfulness of work) have remained at quite a good level. All four of these elements – net sales, profitability, customer satisfaction and employee experience – were indicators that influenced management remuneration in 2021.

From a personnel perspective, Digia aims to be a responsible, knowledge-driven learning community of top professionals that combines solid professionalism, a modern work culture, flexible operations and efficiency. Strengthening our sense of community and work culture as well as the continuous development of competence capital were also major HR priorities in 2021. During the review period, the company has developed its everyday working practices to suit the current circumstances, listening to the wishes of experts. The aim is to create a whole in which hybrid everyday working practices, adaptable premises, tools and efficient data utilisation support flexible and efficient work. One of the elements of building the work of the future during the period now ended was our investment in our smart technological growth platform, Digia Business Engine. We have invested in competence development in many different ways. These are all outlays on the company's profitable growth.

It should be noted that in early 2021, Digia also published its updated corporate responsibility priorities and objectives. Our corporate responsibility reflects how Digia seeks to create a more sustainable society, everyday life and well-being through its operations. I firmly believe that responsibility is at the heart of successful business – and in the future it will also be more tightly linked to remuneration as well.

On the remuneration of Digia's management and Board of Directors in the 2021 fiscal year

The remuneration of Digia's Board of Directors and senior management is guided by the Remuneration Policy for Governing Bodies, which has been published on the company's website. Together with the Remuneration Report, this policy aims to provide investors with a clear picture of the overall remuneration of Digia's governing bodies. The main idea behind the remuneration policy is that overall remuneration is based on the company's performance, as evident in the weighting and indicators of the short- and long-term incentives for senior management.

Digia's previous Remuneration Report – for 2020 – was presented at the spring 2021 Annual General Meeting. The advisory vote on the Remuneration Report at the meeting was 12,874,575 votes in favour of approving the report and 640,411 votes against. On the basis of the votes, the Annual General Meeting decided to adopt the presented 2020 Remuneration Report for Governing Bodies. In response to feedback from shareholders, we have sought to take this feedback into consideration in revising the 2021 Remuneration Report.

No major changes occurred in the remuneration of the company's Board of Directors and senior management in 2021. Salary and incentive structures remained unchanged. Some annual-level adjustments were made to the remuneration of senior management. A clear difference compared with the previous year is that no long-term incentives fell due for payment in 2021. Incentives were paid from the short-term target bonus scheme in 2021 as well.

I am proud of how Digia has grown and developed as a company. This is also reflected in the positive longer-term development of the share price and shareholder value. We are well poised to keep building the company and remuneration that incentivises and elicits commitment – and continue our journey towards the next level in accordance with our strategy.

Päivi Hokkanen
Chair of the Compensation Committee

Introduction

Summary: Digia's remuneration in the 2021 fiscal year in relation to performance

This Remuneration Report has been drafted in compliance with the requirements of directive EU 2017/828 amending the Shareholder Rights Directive. The requirements of directive EU 2017/828 have been implemented in Finland mainly in the Limited Liability Companies Act (624/2006, as amended), Securities Markets Act (746/2012, as amended), Decree of the Ministry of Finance 608/2019 and the Corporate Governance Code 2020. Digia's Board of Directors has approved the Remuneration Report on the proposal of the Compensation Committee and the report will be presented to the Annual General Meeting in spring 2022.

The remuneration of Digia's governing bodies is based on Digia Plc's Remuneration Policy for Governing Bodies, on which shareholders made an advisory decision at the Annual General Meeting on 16 March 2020. The Remuneration Policy will be in effect until the 2024 Annual General Meeting unless the Board of Directors decides to present amendments to the Remuneration Policy to a General Meeting before that date for an advisory decision. The Remuneration Policy is available on our site: digia.com/en/investors/governance/statement-on-digia-management-emoluments/.

In general, the purpose of remunerations paid by the company is to support its business strategy and promote long-term financial success, competitiveness and the favourable development of shareholder value. Another aim is to support the recruitment and commitment of the best possible people to the company's governing bodies. The structure of the remuneration of the company's Board of Directors and CEO and the decision-making order in the 2021 fiscal year complied with Digia's Remuneration Policy for Governing Bodies. There was no need for deviations from the policy or the clawback of remuneration.

In 2021, Board members were paid a fixed monthly fee and meeting fees. The amounts of the fees paid depended on the role in question – Chair, Vice Chair and member of the Board and Chair and member of a committee. The fees paid are disclosed below in the section "Board remunerations 2021".

The total remuneration paid to the CEO in 2021 consisted of a fixed salary including customary fringe benefits and bonuses paid on the basis of the short-term target bonus scheme. The main emphasis of the short-term incentive scheme is on the company's performance on the annual level. Despite this, the goal is to set the indicators to also support the company's long-term success. The target bonus scheme for 2021 had the following indicators: net sales and operating profit (EBIT) and both personnel and customer satisfaction. No long-term incentives were paid in 2021. Digia's current three-year 2020–2022 share-based incentive scheme expires at the end of 2022, and any subsequent share rewards will be paid in spring 2023. The incentive schemes and the total remuneration paid to the CEO are described in detail below in the sections "CEO's remuneration 2021" and "Share-based incentive scheme 2020–2022".

I Financial performance of the company	2017	2018	2019	2020	2021
Net sales (EUR million) and year-on-year change (%)	94.5	112.1 8 (+18.6%)	131.8 (+17.6%)	139.0 (+5.5%)	155.9 (+12.1%)
Operating profit (EUR million) (EBIT) and year-on-year change (%)	1.8	6.5 (+252%)	9.6 (+48.6%)	14.1 (+46.2%)	14.7 (+4.1%)
Official closing price of the share in the fiscal year (EUR) and year-on-year change (%)	2.35	2.85 (+21.3%)	3.99 (+40%)	7.52 (+88.5%)	7.04 (-6.4%)
Dividends paid per share (according to the year in which the dividend was set)	0.08	0.04	0.07	0.10	0.15
Market capitalisation	63,035,749	76,447,611	107,026,655	201,714,397	188,839,010

II Personnel salaries and remunerations (excluding the salary and remunerations of the CEO)	2017	2018	2019	2020	2021
Salaries and remunerations (EUR million)	55.5	62.8	72.7	76.9	81.3
Development of the above total salary costs (%)		+13%	+16%	+6%	+6%
Average personnel during report year (FTE)	954	1,069	1,186	1,261	1,334
Average salary costs (total salary costs divided by personnel average)	57,887	58,479	60,918	61,000	60,978
Development of average salary costs (%) (personnel average)		+1%	+4%	-	-

III. Remuneration of the Board of Directors*	2017	2018	2019	2020	2021
Annual remuneration of the Chair of the Board (fixed monthly fee + meeting fees) (EUR)	80,000	92,500	80,500	77,000	88,500*
Development of the remuneration of the Chair of the Board of Directors (%)		+16%	-13%	-4%	+15%
Annual remuneration of the other members of the Board of Directors (fixed monthly fee + meeting fees), total (EUR)	165,500	220,600	232,500	226,500*	263,000*
Development of the remuneration of the other members of the Board of Directors (%)		+33%	+5%	-3%	+16%
Number of members of the Board of Directors in the calendar year (including Chair and Vice Chair)	5	6	6	6	6

IV Salary and remuneration of the President and CEO	2017	2018	2019	2020	2021
Total fixed salary per calendar year (including fringe benefits) (EUR)	249,840	252,200	271,704	295,702	301,278
Development of fixed salary (%)		+1%	+8%	+8.8%	+1.9%
Short-term incentives paid (EUR) (based partly on performance in year of payment and partly on previous year)	22,905	44,300	159,478	120,616	126,212
Long-term incentives paid (LTI) (EUR)	92,768	0	0	409,930	0
Development of variable salary components paid, total (%)		-62%	+260%	+233%	-76%
CEO's salary and variable salary components, total (EUR)	365,513	296,500	431,182	826,248	427,760

* The table shows the remuneration paid to the Board of Directors in each fiscal year from 2017–2021. In 2021, the members of the Board of Directors, excluding the Chair, were also paid meeting fees totalling EUR 55,000 as a retrospective adjustment of meeting fees for 2019–2020 (EUR 11,000 per Board member). The Annual General Meeting had changed the meeting fee, but the fees paid to the Board for 2019–2020 were too low due to human error. These meeting fees for 2019–2020 have been adjusted for comparability in the table and are not included in the figures for 2021, when these delayed fees were paid.

Development of Digia's financial performance and remuneration 2017–2021

The following section describes the development of the remuneration paid to members of the Board of Directors and the CEO as from 2017, compared to the development of the average remuneration of employees and the financial development of the company during the same period.

- Regarding the trend in the average salary costs of all personnel, it must be kept in mind that new recruitments, acquired businesses and turnover affect the development of the average salary. The trend in average personnel salaries at the company outperforms salary increases set in accordance with collective agreements. Part of Digia's employees are also covered by a short-term target bonus scheme or other variable salary component. The figure for personnel salaries includes fixed salaries and variable salary components.
- Salary costs do not include long-term incentive scheme expenses. The participants of the long-term incentive scheme are primarily the company's senior management. Long-term incentives were paid in spring 2017 and spring 2020. The shares paid to the CEO are shown under "Salary and remuneration of the President and CEO" in the table.

Board remunerations 2021

Remuneration of Digia's Board of Directors 1 Jan–31 Dec 2021

The 2021 Annual General Meeting decided on the payment of monthly fees of EUR 3,000 to Board members, EUR 4,000 to the Vice Chair and EUR 5,500 to the Chair for their work on the Board for the duration of the term expiring at the end of the 2022 Annual General Meeting. In addition, fees of EUR 1,000 to the Chair and EUR 500 to other members are paid per each Board and Board Committee meeting. The amounts of Board fees did not change from the amounts decided at the 2020 Annual General Meeting. In addition, Board members will be reimbursed for ordinary and reasonable expenses resulting from Board work against an invoice. In 2021, a total of EUR 1,346.80 in expenses were reimbursed.

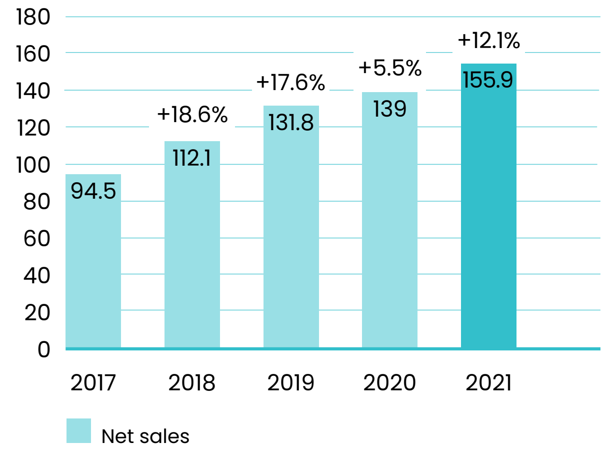
The following emoluments were paid to members of Digia's Board of Directors for Board and Committee work during the 2021 financial year:

*	Role and committees	Annual fee	Meeting fees for Board and Committee meetings	Total
Martti Ala-Härkönen	Member of the Board Member of the Nomination Committee Member of the Audit Committee	36,000	14,000	50,000
Santtu Elsinen	Member of the Board Member of the Audit Committee	36,000	9,500	45,500
Päivi Hokkanen	Member of the Board Chair of the Compensation Committee	36,000	15,500	51,500
Robert Ingman	Chair of the Board of Directors Member of the Nomination Committee Member of the Compensation Committee	66,000	22,500	88,500
Seppo Ruotsalainen	Vice Chair of the Board Chair of the Nomination Committee Chair of the Audit Committee	48,000	21,000	69,000
Outi Taivainen	Member of the Board Member of the Compensation Committee	36,000	11,000	47,000
Total		**258,000**	**93,500**	**351,500**

* The table shows the fees paid for board work in 2021. In 2021, the members of the Board of Directors, excluding the Chair, were also paid meeting fees totalling EUR 55,000 as a retrospective adjustment of meeting fees for 2019–2020 (EUR 11,000 per Board member). The Annual General Meeting had changed the meeting fee, but the fees paid to the Board for 2019–2020 were too low due to human error. This adjustment is not shown in the figures for 2021 in the table.

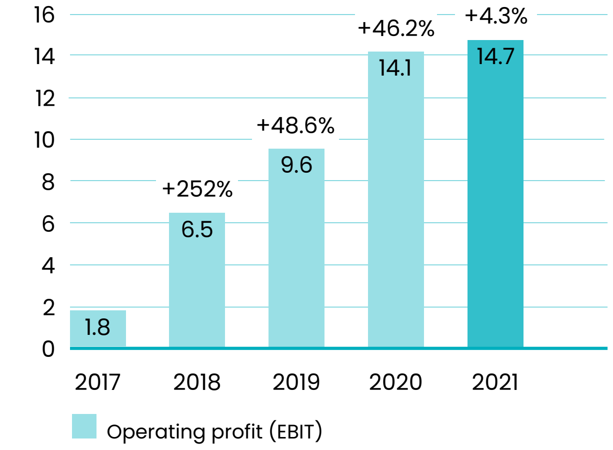
Trend in net sales

EUR million



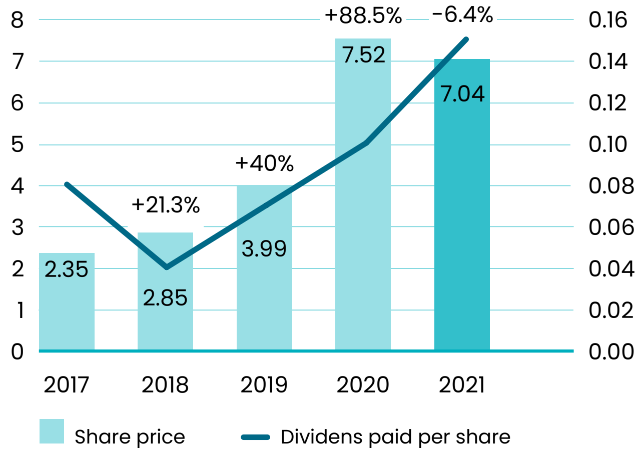
Trend in operating profit (EBIT)

EUR million



Trend in share price and dividends

EUR



CEO's remuneration 2021

Application of performance criteria and remuneration payable for the 2021 fiscal year

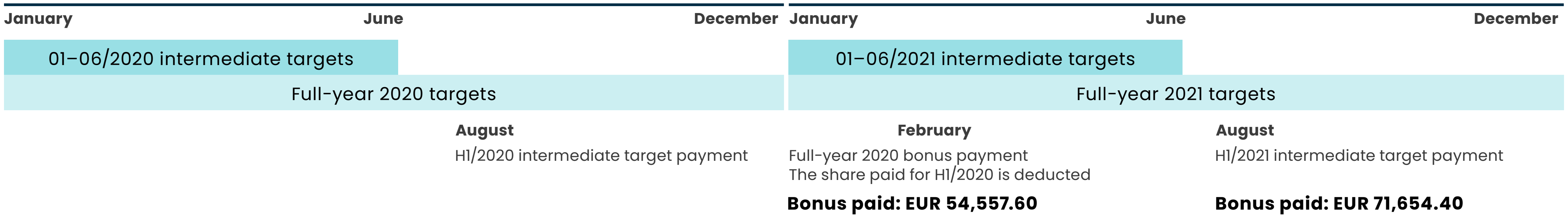
The company's incentive schemes are performance-based. Thus, in the total remuneration of the CEO, the reward level of incentive schemes also reflects the company's business success and creation of profitable growth.

The total remuneration paid to the CEO in 2021 consisted of a fixed salary and short-term incentives, of which the second instalment of the 2020 target bonuses was paid in 2021 (payment in February of the following year, that is, 2021) as well as the target bonus for January–June 2021 (payment in August of the year in question, that is, 2021). The bonus component of the short-term target bonus scheme, which is assessed on the basis of successful performance in the full year 2021, is paid in February 2022. The bonus component paid for January–June 2021 is deducted from the realised bonus for the full year.

No changes were made to the CEO's total fixed salary and opportunity to earn short-term incentives compared to 2020. The CEO's short-term incentive for the 2021 fiscal year corresponded to 75% of the CEO's twelve-month fixed salary, that is, nine months' salary. However, the total compensation of the CEO was adjusted in 2021, such that the Board of Directors decided to allocate 10,000 additional shares to the CEO. During the reward period, the CEO can, after the allocation of additional shares, earn a maximum bonus amounting to the value of 180,000 Digia Plc shares. The bonus will be paid as a combination of shares and cash in spring 2023. No share rewards were payable in 2021.

The earnings criteria of the 2021 short-term incentive scheme of the CEO were based on the company's net sales and operating profit (EBIT) and both customer and personnel satisfaction targets. The same indicators are used for Digia's other management and the employees covered by Digia's short-term incentive scheme. With respect to net sales and operating profit, the targets have been set for the full year 2021, but in such a way that the interim estimate and payment took place after the first half-year period (January–June) in line with the objectives set for January–June 2021. The bonus paid for January–June was an advance; that sum will be deducted from the bonus assessed for the full calendar year 2021 that will be paid in February 2022. The targets for customer and personnel satisfaction are annual level targets; the realisation of the customer satisfaction target was assessed at the end of the first half-year period (January–June) and the realisation of the personnel satisfaction target at the end of the second half-year period (July–December). All bonus indicators are assessed independently of each other, but if the full-year operating profit had fallen short of the set EBIT threshold value, the bonus assessed at the end of the year would not have been paid. The model aims to support Digia's profitable growth and ensure that, for example, growth through acquisitions is appropriately taken into consideration regardless of the implementation date of any acquisition. At the same time, the model accounts for a functional half-yearly bonus payment cycle.

In 2021, the CEO was paid a total salary (including fringe benefits) amounting to EUR 301,548.00 and target bonuses of EUR 126,212.00. The target bonus consisted of the following realised targets shown below. In addition, the CEO had the company's ordinary personnel and fringe benefits.



Salaries and remunerations paid to the CEO in the 2021 fiscal year

The CEO was paid the following as salary and other benefits during the 2021 fiscal year:

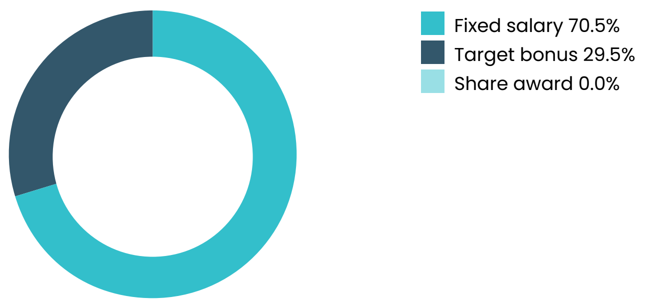
Remuneration component	Paid in 2021
Fixed total salary (incl. fringe benefits)	EUR 301,548.00
Short-term incentive (STI)	EUR 126,212.00
Bonus from the long-term incentive scheme (2020–2022 incentive scheme)	No payment in 2021 (payable in spring 2023)
Total	**EUR 427,760**

Share-based incentive scheme 2020–2022

On 6 February 2020, Digia Plc's Board of Directors decided on a new three-year, long-term share-based incentive scheme. The scheme is designed to align the goals of the company's shareholders and management in order to increase the company's value, and to commit executive management to the company and its long-term objectives. This scheme covers the calendar years 2020–2022 and offers participants the chance to earn company shares if the targets set by the Board of Directors for the three-year bonus period are met. In principle, the target group of the scheme consists of the CEO and the company's senior executives. The new scheme was introduced after the earlier share-based incentive scheme that extended until 2019 ended. The targets are based on the company's net sales and total shareholder return (TSR). The earnings period for the net sales and TSR indicators is three years (2020–2022), and the targets for both indicators have been set for the final date of the earnings period. If the terms are met, the bonuses for both indicators based on the new scheme will be paid at the end of the reward period in spring 2023.

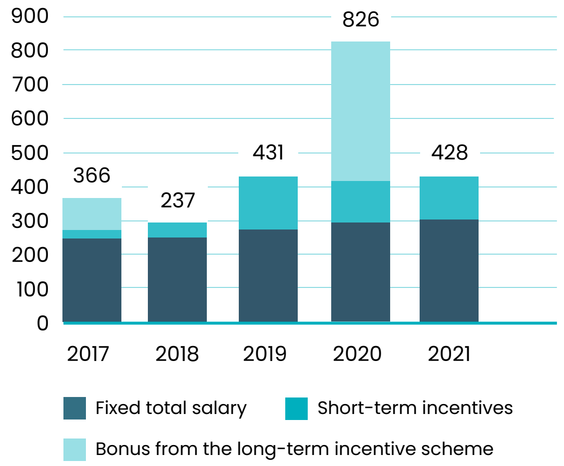
CEO's remuneration structure

Paid 2021



CEO's salaries and remunerations 2017-2021

EUR 1,000



Report by the Board of Directors

Company, markets and business environment

Company

Digia is a growing software and service company that helps its customers to renew and develop data-driven business operations in our increasingly networked world. Digia is your partner for comprehensive digitalisation: we provide all the layers of digitalisation from business systems to integrations, digital services and 24/7 monitoring and service management.

2021 was a year of business renewal for Digia. Our major development projects were our own business platform (Digia Business Engine), in which we are building a smart growth platform to support future growth and productivity, and our future way of working (Digia Future of Work). The next phases of these projects will continue in 2022. Both of these projects build a modern organisation and way of working, a symbiosis of humans and software – a community where people do meaningful work, while AI and automation handle routine tasks.

During the review year, we continued implementing our "Next Level" strategy. During strategy period 2020-2022 our goals are to pursue strong growth and profitability improvement while bolstering Digia's future competitiveness by renewing our operations. In the strategy period, we emphasise the potential of data utilisation in services and business processes. As a company, we will advance to the next capability level to be an even stronger partner for our customers in the development of their business.

Digia seeks growth both organically and through acquisitions. Particularly strong growth during the fiscal year was seen in the business systems and customised solutions service areas. In uncertain environment, the large share of the company's net sales accounted for by continuous services was a strength, bringing stability to our business.

We announced two acquisitions during the fiscal year. The company acquired the entire share capital of the Swedish company Climber International AB on 7 January 2021. The acquisition included Climber's operations in Sweden, Finland, Denmark and the Netherlands. Climber's business is largely based on the use of advanced Qlik technologies and an operating model that strongly focuses on consulting. After the acquisition, Digia now employs more than 300 professionals in the fields of data integration and business analytics.

In addition, we acquired the entire share capital of Solasys Oy on 1 September 2021. Nine experts joined Digia as a result of the acquisition. Previously, Digia had a 10 per cent holding in Solasys Oy. Solasys has long served as a partner in the delivery and development of the Digia Enterprise ERP system. The company also has robust expertise in reporting and analytics. The acquisition supports our strategy of combining analytics solutions with profound expertise in core business systems.

Our net sales and profitability was at the target level during the fiscal year in spite of our investments in the development of our new business platform, cloud business and the working environment of the future.

Key figures

EUR 1,000	2021	2020	2019
Extent of business			
Net sales	155,939	139,049	131,824
- net sales growth, %	12.1%	5.5%	17.6%
Gross capital expenditure[1]	1,768	1,268	213
- % of net sales	1.1%	0.9%	0.2%
Number of personnel, 31 Dec	1,339	1,258	1,266
Average number of personnel	1,334	1,261	1,186
Profitability			
Operating profit plus purchase price allocation amortisation (EBITA)	17,739	16,000	11,003
- % of net sales[2]	11.4%	11.5%	8.3%
Operating profit (EBIT)	14,680	14,102	9,648
- % of net sales	9.4%	10.1%	7.3%
Net profit	11,772	10,627	7,090
- % of net sales	7.5%	7.6%	5.4%
Return on equity, %	18.3%	18.7%	14.0%
Return on investment, %	16.3%	16.5%	13.5%

EUR 1,000	2021	2020	2019
Financing and financial standing			
Interest-bearing net debt	10,663	10,531	22,616
Net gearing, %	15.7%	17.3%	42.5%
Equity ratio, %	48.0%	50.7%	47.2%
Cash flow from operations	16,648	23,589	12,294
Dividends (paid)	4,002	2,672	1,864
Earnings per share (EPS), EUR, undiluted[3]	0.44	0.40	0.27
Earnings per share (EPS), EUR, diluted[3]	0.44	0.39	0.26
Equity/share, EUR[4]	2.54	2.26	1.98
Equity/share, EUR	2.54	2.26	1.98
Dividend per share (2021 proposal), EUR	0.17	0.15	0.10
Dividend payout ratio	38.5%	37.5%	37.0%
Effective dividend yield	-	2.0%	2.5%
Price/earnings ratio (P/E)[3]	16.00	18.80	14.78
Lowest share price	6.30	3.30	2.53
Highest share price	9.46	7.80	4.08
Average share price	7.51	5.47	3.21
Market capitalisation	188,839	201,714	107,027
Trading volume, shares	5,558,726	5,546,624	6,330,262
Trading volume,%	20.8%	20.7%	23.6%

The weighted average number of shares during the fiscal year, adjusted for share issues, was 26,687,854. The diluted weighted average number of shares during the period was 26,926,305. The number of outstanding shares at the end of the review period was 26,678,129. At the year-end, the company held 97,369 of its own shares.

As alternative performance measures, the Group reports operating profit before purchase price allocation amortisation (EBITA), operating profit (EBIT), return on equity, return on investment, net gearing and equity ratio, which are not defined in IFRS. The company presents the alternative performance measures to describe the financial situation and development of business operations, as it considers this information necessary for investors. Formulas for the key figures are presented in Note 8.1 and reconciliations in Note 8.2.

[1] Gross capital expenditure includes gross investments in tangible and intangible assets.

[2] Foreign exchange gains and losses from operations are included in the corresponding items above EBIT. Purchase price allocation amortisation includes the amortisation on the transaction prices allocated to customer contracts and other intangible assets in business combinations.

[3] The dilution-adjusted key figures account for the effect of the share-based incentive scheme for management.

[4] Shareholders' equity divided by the undiluted number of shares on the closing date.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Net sales

Digia's consolidated net sales for the fiscal year were EUR 155.9 (139.0) million, up 12.1 per cent on the previous year. Net sales growth was seen in Microsoft ERPs, data-driven solutions and customised solutions in particular. Growth was accelerated by acquisitions. Demand for Digia's own key products, Digia Enterprise and Digia Financial Systems, remained steady throughout the fiscal year.

The service and maintenance business accounted for 67.1 (64.8) per cent and the project business for 32.9 (35.2) per cent of net sales. The product business accounted for 13.4 (12.9) per cent of the company's net sales.

Profit and profitability

Digia's operating profit for the fiscal year was EUR 14.7 (14.1) million with an operating margin (EBIT %) of 9.4 (10.1) per cent.

Profitability (in euro terms) in 2021 has been improved through the development of operating methods and cost-conscious operations. However, profitability this year has been weakened by strategic development projects lasting the entire year. Other operating expenses have returned to the pre-pandemic level this year and we have invested heavily in our smart technological business platform (Digia Business Engine). The Digia Business Engine project had an earnings impact of EUR -1.2 million during the review period. Our recruitment drive and efforts to build up the capabilities of cloud platform solutions have remained strong.

Earnings before taxes were EUR 14.6 (13.5) million, with earnings after taxes totalling EUR 11.8 (10.6) million.

Earnings per share were EUR 0.44 (0.40). Net financial expenses amounted to EUR -0.1 (-0.6) million.

Financing, cash flow and expenditure

On the balance sheet date at the end of 2021, Digia's balance sheet total stood at EUR 143.0 (121.1) million and its equity ratio at 48.0 (50.7) per cent. The increase in the balance sheet is primarily due to the acquisition of the Climber Group. Net gearing was 15.7 (17.3) per cent.

On the balance sheet date, Digia had EUR 28.8 (26.9) million in interest-bearing liabilities. Interest-bearing liabilities consisted of EUR 16.0 million in long-term and EUR 5.0 million in short-term loans from financial institutions, and EUR 7.8 million in lease liabilities.

In the 2021 fiscal year, cash flow from operating activities totalled EUR 16.6 (23.6) million. Cash flow from operations in 2020 included a large receivable paid from an individual project. Cash flow from investments came to EUR -10.1 (-4.8) million. Acquisitions of subsidiaries are included in cash flow from investments. Cash flow from financing was EUR -4.8 (-8.3) million.

Total investments in tangible assets amounted to EUR 1.3 (1.3) million during the 2021 fiscal year. The return on investment (ROI) was 16.3 (16.5) per cent, and return on equity (ROE) was 18.3 (18.7) per cent.

Report on the extent of research and development

Digia constantly invests in enhancing its long-term competitiveness. Research and development expenses totalled EUR 6.1 million in the 2021 fiscal year (2020: 6.0; 2019: 6.3), representing 3.9 per cent of net sales (2020: 4.3%; 2019: 4.8%). All research and development expenses have been recognised in the result. The main focus of R&D remained on our own ERP systems (Digia Enterprise and ERPs for the financial and logistics sectors). In addition, the Digia Iiris monitoring solution for the continuous service needs of customers was developed.

More information about Digia's services and solutions can be found on the company's website: digia.com/en/services.

Personnel, management and administration

At the end of the fiscal year, the total comparable number of Group personnel was 1,339 (1,258), representing an increase of 81 employees or 6.4 per cent since the end of the 2020 fiscal period. The average number of employees was 1,334 (1,261), an increase of 72 employees, or 5.7 per cent, on the 2020 average. Digia's Management Team was renewed when Sami Paihonen, SVP, Intelligent Solutions, and Janne Tuominen, SVP, Managed Digital Core, started their duties.

Skilled personnel who are committed to the objectives of our customers are the cornerstone of all our operations. We seek to be a responsible, knowledge-driven learning community of top professionals that combines strong expertise, a modern work culture and flexible operations. We believe that the seamless interplay between people and smart software will deepen in the future. Remote and multi-location work are the ways of working of the future. These trends are also evident in the development of Digia's work culture.

We prepared ourselves for day-to-day life after the pandemic with the Future of Work project – one of its guiding principles is to ensure flexibility for employees to account for different life situations and roles. Overhauled flexibility in working hours gave Digia employees greater freedom in scheduling their working hours, taking their work and life situation into consideration. We also assessed our employees' wishes about the post-pandemic workplace. As remote and multi-location work become increasingly important, we provided our employees with a home office package that included an electric table, and also refurbished our premises to better suit future needs.

We continued to make extensive outlays on competence development. We offered a wide range of training to bolster expertise and continued with leadership training tailored for Digia. Cloud competence development remained a key focus area with the provision of training and certifications via the Digia Cloud Master programme. We implemented training programmes to prepare students to work in the sector, such as in association with Academic Work, and stepped up our cooperation with educational institutions by signing a partnership agreement with Laurea University of Applied Sciences, for instance. Digia's prestigious Career Compass programme, which is aimed at students, recent graduates and career changers, started up again at the end of the year. The goal is to recruit over 40 junior experts in a broad range of roles and fields.

In late 2021, we once again conducted a Siqni survey to measure our employee experience. It was particularly gratifying to discover that two indexes which had already been at a good level had both risen in spite of the protracted coronavirus pandemic, that is, our eNPS and the index that measures things that are meaningful to Digia employees.

We continued to develop our corporate responsibility in cooperation with our personnel. As part of this effort, Digia employees came up with actions to further reduce our carbon footprint in the future, for instance. We used Digia employees' ideas in our climate roadmap work, that is, our action plan to minimise climate impacts. Carbon neutrality is part of Digia's broader corporate responsibility. With respect to social responsibility, we continued to organise diversity training. In cooperation with Digia employees, we revised our equality and non-discrimination plan and its actions. Diversity and getting everyone involved are key aspects of Digia's corporate responsibility: our development efforts seek to make Digia an even more inclusive workplace – a place where everyone can be themselves. For more information on Digia's corporate responsibility priorities, objectives and actions, see the "Non-financial reporting" section.

Digia Plc's Annual General Meeting (AGM) of 17 March 2021 re-elected Martti Ala-Härkönen, Santtu Elsinen, Päivi Hokkanen, Robert Ingman, Seppo Ruotsalainen and Outi Taivainen as members of the Board. At its organisational meeting after the AGM, the Board of Directors elected Robert Ingman as Chair and Seppo Ruotsalainen as Vice Chair of the Board.

On 31 December 2021, Digia's Management Team consisted of:

- Timo Levoranta, President and CEO
- Pia Huhdanmäki, Senior Vice President, HR, Culture & Sustainability
- Juhana Juppo, CTO and Senior Vice President, Business Services
- Mika Kervinen, General Counsel
- Jukka Kotro, Senior Vice President, Business Platforms and acting SVP, Sales and Marketing
- Tuomo Niemi, Senior Vice President, Financial Platforms and M&As
- Sami Paihonen, Senior Vice President, Intelligent Solutions
- Kristiina Simola, Chief Financial Officer (CFO)
- Janne Tuominen, Senior Vice President, Managed Digital Core

You can read more about Digia's Management Team on the company's website: digia.com/en/investors/governance/ceo-and-management.

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

Digia employees by location:

	31 Dec 2021	31 Dec 2020	Change, no. of employees
Helsinki	726	722	4
Tampere	248	256	-8
Jyväskylä	172	170	2
Turku	67	51	16
Rauma	24	24	0
Lahti	15	14	1
Vaasa	10	10	0
Oulu	7	6	1
Stockholm	50	5	45
Malmö	14	0	14
Hengelo	6	0	6
Total	**1,339**	**1,258**	**81**

Strategy implementation and business development

Digia's "Next Level" strategy revolves around smart digitalisation and continuous change in digital business. Digia enables its customers to take their digital business to the next level as a controlled whole. Smart and responsible data utilisation in both services and business processes comprises an important cornerstone of strategy implementation. Refined information will become increasingly important. The core of Digia's service offering is a smart and functional package of digital services, business systems, integrations and analytics. Digia handles the lifecycle of solutions from development to maintenance – and also invests in harnessing the opportunities of data and analytics in its own operations.

In the strategy period 2020–2022, Digia seeks annual net sales growth exceeding 10 percent including organic growth and acquisitions. The target level of profitability improvement is an EBITA margin of 10 per cent by the end of the strategy period.

The focus areas of Digia's strategy to increase customer benefits are:

1) **Smart data utilisation**
We will bring data utilisation as a cross-cutting theme for all Digia's service areas from business systems to integrations and digital services. We believe that data is a key element in all of our customers' operations.

2) **Service business**
We will deepen our customer relationships and further strengthen the share accounted for by the service business.

3) **Productivity and scalability**
We will develop our operational models and solutions to improve our cost-competitiveness. An essential modernisation project in the strategy period will be the renewal of our own business platform and management system.

4) **Cloud technologies**
Cloud is the development and operating platform for future services. We will continue to strengthen our expertise in cloud services, taking into account both data security and key public cloud platforms.

5) **Valued employer**
Skilled employees are the most important success factor for Digia. We are constantly developing Digia into a more desirable workplace by reinforcing our culture, at the heart of which is the continuous learning of every employee.

Strategy implementation in 2021

Our single most significant development project and outlay in 2021 was the renewal of our own business platform and management system, the Digia Business Engine. The project will continue in 2022, the last year of the strategy period. The aim is to build a constantly evolving smart technology platform and management system that supports Digia's long-term competitiveness. Smart technology combined with modern ways of working and culture enhances efficiency in business processes and day-to-day operations. On average, 16 people worked on the project during the fiscal year, and external experts were also used.

Our Future of Work project focused on the development of new working and operating methods that combine remote and office work. In this project, we support Digia employees with their work and management in a hybrid environment. Among other things, this includes the development of management, tools and work ergonomics at home. In addition, we enhanced aspects such as the use of office space.

We bolstered the availability and scalability of competence through recruitment and by expanding our freelancer network and signing partnership agreements with international expert suppliers. The number of freelancers grew to 212 persons in 2021.

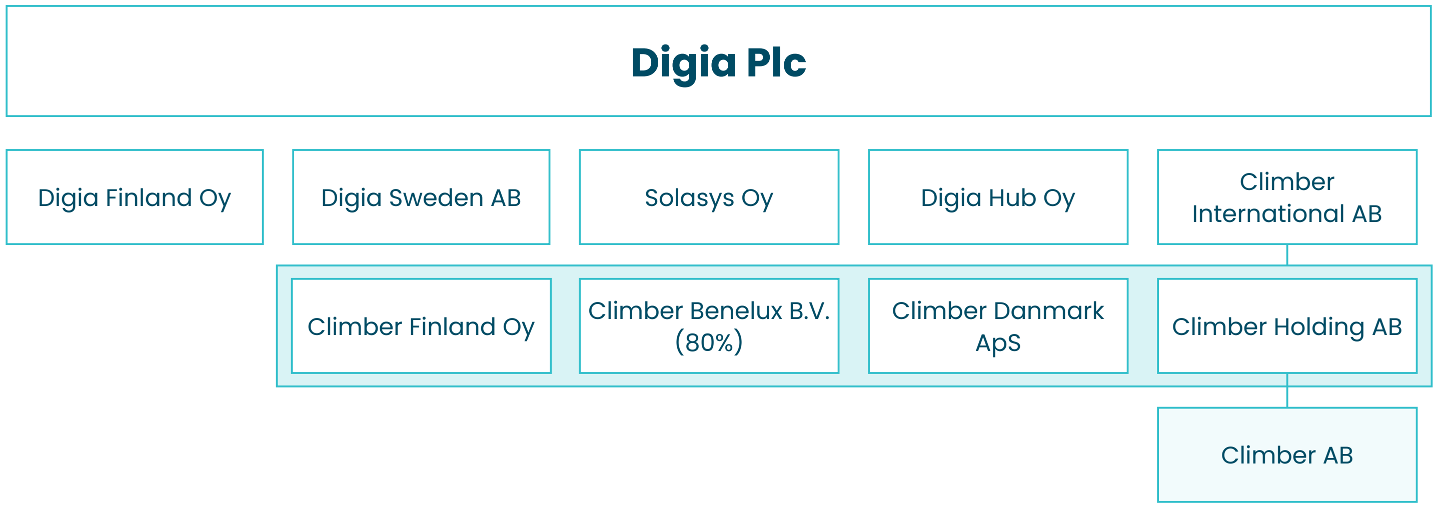
At the beginning of 2021, we strengthened our data utilisation capabilities by acquiring the entire share capital of Climber International AB. After the acquisition, Digia now employs more than 300 professionals in the fields of data integration and business analytics. Our strategy prioritises advanced data analytics and knowledge-based management. The acquisition of Solasys Oy in autumn 2021 also supported this aim.

Group structure

Digia operates in eight locations in Finland – Helsinki, Lahti, Jyväskylä, Oulu, Rauma, Tampere, Turku and Vaasa – as well as in Stockholm and Malmö in Sweden, and Hengelo in the Netherlands. Our headquarters are located in Helsinki. At the end of the 2021 fiscal year, the Digia Group included the parent company Digia Plc and its subsidiaries Digia Finland Oy, Digia Hub Oy, Solasys Oy, Digia Sweden AB and Climber International AB, with its subsidiaries Climber Finland Oy, Climber Benelux B.V. (80%), Climber Denmark ApS, Climber Holding AB and its subsidiary Climber AB.

Digia owns all of these subsidiaries in full with the exception of Climber Benelux B.V., in which it has an 80 per cent holding.

Group structure



Share capital and shares

On 31 December 2021, the number of Digia Plc shares totalled 26,823,723. The company had a total of 8,639 shareholders. Foreign shareholders accounted for 0.4 per cent of all Digia Plc shareholders and they held 1.1 per cent of all shares and votes. Nominee-registered shareholders accounted for 0.1 per cent of all Digia Plc shareholders and they held 3.3 per cent of all shares and votes.

Ten largest shareholders on 31 December 2021

Shareholder	Percentage of shares and votes
Ingman Development Oy Ab	29.5%
Ilmarinen Mutual Pension Insurance Company	11.2%
Etola Oy	6.0%
Etola Group Oy	4.9%
Varma Mutual Pension Insurance Company	4.6%
Matti Savolainen	3.3%
Rausanne Oy	1.0%
Varelius Juha Pekka	0.8%
Kohonen Jorma	0.8%
OP-Suomi Pienyhtiöt investment fund	0.6%

Shareholding by number of shares held on 31 December 2021

Number of shares	Percentage of shareholders	Percentage of shares and votes
1–100	32.8%	0.5%
101–500	37.7%	3.2%
501–1,000	13.9%	3.4%
1,001–5,000	12.8%	8.5%
5,001–10,000	1.4%	3.1%
10,001–50,000	1.1%	7.1%
50,001–100,000	0.2%	4.9%
100,001–500,000	0.2%	7.7%
500,001–	0.1%	61.7%
	100%	100%

Shareholding by sector on 31 December 2021

	Percentage of holdings	Percentage of shares and votes
Companies	3.3%	45.4%
Households	95.7%	31.4%
Public-sector organisations	0.0%	15.9%
Financial and insurance institutions	0.3%	5.9%
Non-profit associations	0.2%	0.4%
Foreign holding	0.4%	1.1%
	100%	100%

Digia Plc held a total of 97,369 treasury shares at the end of 31 December 2021. The company held about 0.4 per cent of its capital stock.

At the end of the period, a total of 138,222 company shares, previously funded by Digia for use in the incentive system for key personnel and owned by EAM Digia Holding Oy, remained undistributed.

Up-to-date information about the company's major shareholders and the distribution of their shareholdings can be found on Digia's website: digia.com/en/investors/shareholders.

Share-based payments

Share-based bonuses

On 6 February 2020, Digia Plc's Board of Directors decided to establish a long-term share-based incentive scheme. The Board will confirm the target group of the long-term incentive scheme separately. In principle, the target group consists of the CEO and the company's senior executives. The scheme is designed to align the goals of the company's shareholders and management in order to increase the company's value, and to commit executive management to the company and its long-term objectives.

This long-term incentive scheme covers the calendar years 2020–2022. It offers its participants the chance to earn company shares if the targets set by the Board of Directors for the three-year bonus period are met.

The targets are based on the company's net sales and total shareholder return (TSR). The earnings period for the net sales and TSR indicators is three years (2020–2022), and the targets for both indicators have been set for the final date of the earnings period. During the bonus period, the company's CEO and other scheme participants are entitled to a bonus equivalent to a maximum of 525,000 new Digia Plc shares. If the terms are met, the bonuses for both indicators based on the new scheme will be paid at the end of the reward period in spring 2023. Rewards under the scheme will be paid as a 50/50 combination of shares and cash. The cash component of the bonus will primarily be used to cover taxes and other comparable costs arising from the scheme.

As a rule, the bonus will not be paid if a member resigns or if a member's employment or post is terminated prior to the bonus payment date specified in the incentive scheme. Under certain conditions, the Board has the option to decide on possible bonuses in accordance with the pro-rata principle.

EUR 0.39 million in expenses were incurred by the scheme during the 2021 fiscal year, and EUR 0.35 million in 2020.

Digia has an agreement with Evli Awards Management Ltd for the coordination of the company's share-based incentive schemes, their associated share management, and the payment of incentives to individuals in accordance with the terms and conditions of the schemes.

Management ownership

According to the list of shareholders on 31 December 2021, Digia's Board of Directors and CEO owned shares in the company as follows (includes the holdings of related-parties and related-party organisations):

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Board of Directors	No. of shares
Robert Ingman, Chair of the Board	7,930,000
Martti Ala-Härkönen	20,000
Santtu Elsinen	0
Päivi Hokkanen	10,833
Seppo Ruotsalainen, Vice Chair	6,000
Outi Taivainen	872
Timo Levoranta, President and CEO	106,179

At year-end, the CEO and members of the Board of Directors held a total of 8,073,884 of the company's shares, representing 30.10 per cent of all shares and votes.

Trading in shares during the fiscal year

Digia Plc's shares are listed on Nasdaq Helsinki under Technology. The company's short name is DIGIA. The lowest reported share quotation in 2021 was EUR 6.30 and the highest EUR 9.46. The share officially closed at EUR 7.04 on the last trading day of the year. The share's trade weighted average price was EUR 7.51. The company's market capitalisation totalled EUR 188,839,010 on 31 December 2021.

Flagging notifications

There were no flagging notifications during the fiscal year.

Other major events during the 2021 fiscal year

Digia Plc's Annual General Meeting (AGM) was held on 17 March 2021. The AGM adopted the financial statements for 2020, released the Board members and the CEO from liability, determined Board emoluments and auditor fees, set the number of Board members at six, and elected the company's Board of Directors for a new term.

With regard to profit distribution for 2020, the AGM approved the Board's proposal to pay a dividend of EUR 0.15 per share to all shareholders listed in the shareholder register maintained by Euroclear Finland Ltd on the reconciliation date of 19 March 2021. The dividend payment date was 26 March 2021.

The AGM granted the following authorisations to the Board

Authorising the Board of Directors to decide on buying back own shares and/or accepting them as collateral

The Annual General Meeting authorised the Board to decide on the acquisition and/or pledging of treasury shares with the following terms and conditions: A maximum total of 2,000,000 shares may be bought back and/or pledged in one or more instalments. The proposed number is under 10 per cent of the company's total number of shares. Only unrestricted equity may be used to buy back treasury shares. The Board will decide on how these shares are to be acquired. Treasury shares may be bought back in disproportion to shareholders' holdings (directed acquisition). This authorisation also includes the acquisition of shares through public trading on Nasdaq Helsinki in accordance with the rules and instructions of Nasdaq Helsinki and Euroclear Finland Ltd, or through offers made to shareholders. Shares may be acquired in order to improve the company's capital structure, to fund or complete acquisitions or other business transactions, to offer share-based incentive schemes, to sell on, or to be annulled. The shares must be acquired at the market price in public trading. The minimum price of the shares to be acquired shall be the lowest quotation in public trading while the authorisation is in force and, correspondingly, the maximum price shall be the highest quotation in public trading while the authorisation is in force. The Board of Directors is otherwise authorised to decide on all terms relating to share buyback. This authorisation will supersede the authorisation granted by the AGM of 16 March 2020 and is valid for 18 months, that is, until 17 September 2022.

Authorising the Board of Directors to decide on a share issue and granting of special rights

The AGM authorised the Board to decide on an ordinary or bonus issue of shares and the granting of special rights (as defined in Section 1, Chapter 10 of the Limited Liability Companies Act) in one or more instalments, as follows: The issue may total, at a maximum, 2,500,000 shares. The authorisation applies both to new shares and to treasury shares held by the company. The authorisation may be used to fund or complete acquisitions or other business transactions, for offering share-based incentive schemes, or for other purposes decided by the Board. It is proposed that this authorisation should include the right for the Board to decide on all terms related to the share issue or special rights, including the subscription price and its payment in cash or (partly or wholly) in capital contributed in kind or its being written off against the subscriber's receivables, and its recognition in the company's balance sheet. This authorisation will supersede the authorisation granted by the AGM of 16 March 2020 and is valid for 18 months, that is, until 17 September 2022.

More information about the AGM's decisions is available at digia.com/en/investors/governance/annual-general-meeting/agm-2021.

Business combinations

On 15 December 2020, Digia Plc announced that it had signed an agreement to acquire the entire share capital of Climber International AB. The terms and conditions for the completion of the transaction were met on 7 January 2021, and Climber International AB was transferred to Digia's ownership. Climber International AB is a Swedish company that provides its customers with consulting and solutions for data-driven business development.

The acquisition included Climber's operations in Sweden, Finland, Denmark and the Netherlands. Climber continued as a subsidiary with its own brand. After the acquisition, Digia now employs a total of more than 300 professionals in the fields of data integration and business analytics. Smart and responsible data utilisation is one of the main focal points of Digia's strategy. The acquisition of Climber has accelerated growth in Digia's data and analytics business, primarily by providing access to markets outside Finland.

Digia acquired the entire share capital of Solasys Oy on 1 September 2021. Previously, Digia had a 10 per cent holding in Solasys Oy. Solasys has long served as a partner in the delivery and development of the Digia Enterprise ERP system. The company also has robust expertise in reporting and analytics. The acquisition supports the company's strategy of combining analytics solutions with profound expertise in core business systems.

Events after the balance sheet date

There have been no significant events after the end of the financial year.

Risks and uncertainties

According to the company's estimate, there have been no great changes in Digia's major risks in 2021. The company's risks and uncertainty factors relate to increasing competition and potential significant changes in the company's operating environment and service areas. General economic trends and changes in customers' operating environment and financial position may have an unfavourable impact on the company's business, financial position and result through slower decision-making and the postponement or cancellation of IT investments. There are still some risks relating to short-term demand in Digia's business environment as a result of the coronavirus epidemic.

If demand sees a sharp fall, price levels might also decline. Although the pricing models used in the service business balance out cyclical business, products provided via SaaS (Software as a Service) involve longer-term revenue streams compared to the one-off payment of product licenses.

Implementing the growth strategy will place demands on both the organisation and its management. The company's ability to recruit, maintain and develop the correct competence – and also to adapt the offering to meet demand at the right time – will play a vital role.

In line with its strategy, Digia is also seeking growth through acquisitions. However, Digia cannot be certain of locating suitable companies for acquisition or of successfully integrating them. Human rights and environmental risks are described in the "Non-financial reporting" section.

Major customer projects – and fixed-price projects in particular – involve both business opportunities and risks. As customer projects increase in size, the risks associated with profitability management also grow, and there is a greater need to manage extensive contract and delivery packages. Large customer projects typically involve delivery-related sanctions whose materialisation always poses a risk. Risks related to customer receivables are also growing. In addition, data security and protection risks comprise a significant risk area in the company's business operations.

Outlook for 2022

Markets and business environment

Digia expects to see further growth in the Finnish IT service market over the long term. We expect to see favourable development in demand during 2022, even though the coronavirus pandemic will continue to generate uncertainty in our operating environment in the short term. Digitalisation will accelerate after the crisis.

Ever-smarter software and the increasing use of data are changing the world permanently – and competition is tightening in every industry. Renewal is continuous. Organisations' value creation models and people's working methods are evolving.

Harnessing technology is a key tool in renewing our customers' business and enhancing competitiveness in both the public and private sectors. This is a strong trend. Our customers' needs dovetail into three main areas: digital business, leading with data, and operational continuity and efficiency. Processes are being digitised, knowledge-based management is gaining ground and continuity and cost-effectiveness are fundamental aspects of business.

Digia believes that modern business digitalisation is built on four robust cornerstones – and data utilisation is strongly linked to all of them:

- Functionality of operational systems;
- Information management and integrations;
- Digital service packages for end customers;
- Seamless interplay between people and smart software.

The development of modern digital business is supported by Digia's extensive product and service offering, which is customer- and industry-independent. Our offering has successfully met market demand and has also demonstrated its strength during exceptional circumstances. During the pandemic in particular, our strength has lain in having a broad variety of solutions for operative systems (including ERPs) and a data-driven business. As a result of the pandemic, many organisations have woken up to assessing their own operations and renewal, especially with respect to how data utilisation and digital solutions in general could yield greater customer benefits and efficiency as well as open up new business opportunities.

In the future digital world, Digia believes that corporate business value will be generated through the smart utilisation of data in networks and ecosystems. Data utilisation is becoming an increasing part of daily business life. At the level of companies' internal operations and individuals, we are moving towards a symbiosis between humans and software, where people focus on meaningful tasks while automation and smart software handle part of the work.

Digia sees the following strengthening trends in the market both in the business and public sector:

- Digitalisation is an increasingly important part of the core operations of organisations and business processes;
- The world is becoming networked, and digital platforms enable new business models;
- Smart and responsible data utilisation in business processes creates a competitive advantage;
- A good user experience is a critical success factor for digital services;
- The role of cloud technologies as a platform for developing and operating services is becoming the norm;
- Data utilisation leads to further increases in data security and protection requirements.

Profit guidance for 2022

Profit guidance for 2022: Digia's net sales will grow year-on-year and its EBITA margin will be over 10 per cent of net sales.

Board's dividend proposal

According to the balance sheet dated 31 December 2021, Digia Plc's distributable shareholders' equity was EUR 61,823,547, of which EUR 9,533,182 was profit for the fiscal year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.17 per share be paid according to the confirmed balance sheet for the fiscal year ending 31 December 2021. Shareholders listed in the shareholders' register maintained by Euroclear Finland Oy on the dividend reconciliation date, 23 March 2022, will be eligible for the payment of dividend. Dividends will be paid on 30 March 2022.

Non-financial reporting 2021

Digia reports on responsibility to external stakeholders in connection with its annual reporting. The report complies with the requirements set for disclosure of non-financial information in accounting legislation.

In this report, the following topics are dealt with in compliance with the requirements of the Accounting Act:

Accounting Act requirement	Location in this report
Description of business model	Business model
Environmental issues	Sustainable digital life
HR matters and social responsibility	Sustainable digital value, Sustainable digital expertise, Sustainable digital life
Human rights	Sustainable digital value, Sustainable digital life
Anti-corruption measures	Sustainable digital life

Business model

Digia is a software and service company whose service offering covers all layers of digitalisation: digital services, business systems, integration and API solutions, data utilisation and analytics solutions, and cloud environments. We ensure the business and customer orientation of our implementations through consulting and service design. We also ensure that business-critical solutions function 24/7 and are continuously developed.

In 2021, Digia comprised four service areas: Intelligent Solutions, Managed Digital Core, Business Platforms and Financial Platforms. Service areas are described on page 12.

Digia primarily operates in Finland, and also has business in Sweden, Denmark and the Netherlands. Digia has a broad customer base that includes organisations of various sizes in different sectors. In 2021, we employed 1,339 people. In addition, we use the Digia Hub expert network, which consists of more than 2,000 freelance professionals in Finland and more than 10,000 within the EU.

Principles and management of responsibility at Digia

Digia's operations are governed by the Finnish Limited Liability Companies Act, regulations concerning publicly listed companies, the rules and regulations of Nasdaq Helsinki Oy, and Digia's Articles of Association. Operations are also guided by the policies and operating principles approved by the Board of Directors or Management Team.

Our responsibility is based on our Code of Conduct, which is approved by the Board of Directors, and the UN Sustainable Development Goals. We are committed to respecting human rights in accordance with the UN's Universal Declaration of Human Rights and the International Labour Organisation's (ILO) fundamental principles and rights at work. However, in our changing business environment, responsibility is based above all else on the continual monitoring and improvement of our operations. In addition, we closely monitor Finnish and international corporate responsibility regulation and develop our corporate responsibility proactively.

Respect for human rights is also part of Digia's ethical operating culture. In 2021, we initiated systematic work on human rights, which will continue in 2022. This effort aims to identify and assess Digia's major human rights risks and ensure that its commitments and practices support the realisation of human rights responsibility.

Digia's corporate responsibility efforts are guided by the following key policies and principles:

- Code of Conduct
- Ethical principles for utilising artificial intelligence
- Anti-corruption and anti-bribery policy
- ISO 9001 quality management system
- Environmental policy
- Disclosure policy

The CEO is responsible for corporate responsibility and the Senior Vice President, HR, Culture and Sustainability for responsibility reporting. The corporate responsibility working group heads operational responsibility efforts, coordinated by focus area. The Senior Vice President, HR, Culture and Sustainability is the chair of the working group and is responsible to the Management Team. The Management Team monitors the development of key indicators of corporate responsibility. Digia's corporate responsibility objectives and indicators as well as this report are approved by the Board of Directors.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Focus areas, objectives and key indicators of Digia's corporate responsibility

Digia's aim is to build sustainable digitalisation that makes a difference. In 2020, we specified the most material themes of our corporate responsibility and defined priorities for them, complete with objectives and indicators, which are in force until the end of 2022.

Sustainable digital value for our customers while building a functional society

Topic	Objective	UN Sustainable Development Goals	Key indicators	2021
Solutions that promote the responsibility of our customers	Improving the responsible use of data	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Growth in data protection impacts and security analyses in customer orders, %*	1,113%
			Activity in the ethical utilisation of data, examples*	See description on page 54.
	Improving availability and user-friendliness of services	10 REDUCED INEQUALITIES	Growth in accessibility design and testing, %*	-17%
Promoting the sustainable digitalisation of society	Solutions that enhance environmental and social responsibility for society and our customers	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Description of the solutions and their sustainable development impacts*	See description on page 54.

Sustainable digital expertise for both our personnel and Finland as a whole

Topic	Objective	UN Sustainable Development Goals	Key indicators	2021
A learning community for top digital experts	The value of our personnel's expertise increases during their term of employment.	8 DECENT WORK AND ECONOMIC GROWTH	Growth in certified expertise in the selected area, % (2021: cloud)*	182%
			Employees for whom a learning target has been set, %*	74%
Bolstering technological expertise in Finland	We train new digital experts every year, to meet both our own needs and those of the sector as a whole	4 QUALITY EDUCATION	Total annual number of participants in external and internal training programmes as well as trainees and students working on theses*	65

* The entire Group, excluding Climber International AB and its subsidiaries, and Solasys Oy, which became part of Digia Group during 2021.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Sustainable digital life in our own work with respect for the environment

Topic	Objective	UN Sustainable Development Goals	Key indicators	2021
Employee well-being and diversity	Among the best in the sector in occupational wellbeing		Personnel satisfaction with team spirit and work-life balance (0–100)*	Satisfaction with team spirit 73 Satisfaction with work-life balance 80
			Sick leave (days/person, average)*	5.6
	Digia fosters diversity and inclusion at different levels of the organisation		Age and gender distribution of the Management Team, Board of Directors, supervisors and personnel**	See figures for 2021 on page 57.
			% of supervisors who have undergone training to promote diversity and inclusion *	36%
Carbon-neutral Digia	Reducing CO_2 emissions		CO_2 emissions***	See 2021 calculation on page 59.
Ethical operating culture	Entire organisation has adopted ethical ways of working		% of employees who have completed Code of Conduct training*	47%

* The entire Group, excluding Climber International AB and its subsidiaries, and Solasys Oy, which became part of Digia Group during 2021.

** Entire Group.

*** Digia Finland Oy's locations.

Sustainable digital value for our customers while building a functional society

Through digital solutions, Digia can influence the direction in which our society is developing. By ensuring that our solutions for customers are functional, accessible, secure and easy to use, we also promote the responsible digitalisation of society.

Digia aims to act as a technological pioneer whose products and services promote the positive development and wellbeing of society and the environment. The most important sustainability topics in the "sustainable digital value" focus area are solutions that promote the responsibility of our customers and the sustainable digitalisation of society.

In 2021, we joined the Microsoft Partner Pledge social responsibility programme. In this programme, Microsoft partners commit to promoting the positive impacts of Microsoft technologies to society and to make even greater outlays on the development of digital skills, responsible AI, equality and environmentally friendly solutions. We were also recognised as a Nasdaq ESG Transparency Partner for our commitment to openness and efforts in ESG themes.

Solutions that promote the responsibility of our customers

We seek to implement our customer solutions so that they promote our customers' responsibility. We aim to improve the responsible utilisation of data. To this end, we monitor and report on the annual growth in data protection impacts and security analyses in customer orders (%). In 2021, analyses saw growth of 1,113%. This large increase is due to both growth in the number of commissions and the trend in reporting accuracy.

Data security and protection are also included in Digia's certified quality assurance system. We maintain a high level of data protection and security by training our personnel, administrative and technical controls, audits, and continually developing processes related to data protection and security. Each Digia employee familiarises themselves with data security and protection procedures as part of their induction. In 2020, we renewed our internal data security and data protection training package. This training must be retaken every year, not only by Digia personnel but also any subcontractors working on Digia's premises. In 2021, 86 per cent of Digia employees had completed all sections of the training package.

We also provide our customers with services that meet particularly high data security/protection levels both on the customer's own premises and at our own officially-audited (Facility Security Clearance) premises.

We also seek to proactively promote the ethical utilisation of data through various measures. In 2021, we held two webinars for our customers and others interested in this topic: "Responsible data utilisation" and "Data, ethics and ecosystem business models". More than 50 people signed up for these webinars. In addition, in association with Sitra, we published an article in Kauppalehti on the responsible utilisation of data and spoke about the topic at the Shift Business Festival 2021 in August.

In addition, we aim to improve the accessibility and user-friendliness of services. At the annual level, we monitor and report on the growth in accessibility design and testing (%). In 2021, accessibility design and testing decreased by 16.7 per cent year-on-year. One of the reasons behind this decrease is normal variation in customer demand.

Promoting the sustainable digitalisation of society

As a Finnish IT provider, we are firmly rooted in Finnish society and use our expertise to develop society in different ways. In addition to customer work, we seek to contribute to building solutions that enhance environmental and social responsibility for society and our customers.

Here are three examples of customer implementations in 2021 in which the solution served to enhance environmental or social responsibility:

Visit Finland, part of Business Finland, has developed the Sustainable Travel Finland (STF) programme, which promotes sustainable travel and provides companies in the sector with a development path for sustainable travel. As part of this programme, Digia completed a Power BI report for Business Finland's site, enabling visitors to see which companies have been granted the STF label and examine suppliers by field of business and service category, for instance. This evolving report will provide valuable information about the state and development of sustainable travel in Finland and find actors committed to it.

Digia integrated a carbon footprint calculation app developed by Envitecpolis into the ERP it has developed for dairies and milk producers. ERP production data is exported to the app, which then calculates the carbon footprint of milk production. Previously, producers have been able to see their production results in the online service. Now, this information has been rounded out with the inclusion of carbon footprint data into the dairy's system, where it is available to producers along with animal welfare information.

Mobile is the crucial user interface for mobility services in Greater Helsinki, and HSL's mobile app has established its position as one of Finland's most popular apps in just a couple of years. As HSL's partner, Digia is responsible for developing and maintaining the app. As part of the development of the application, a feature that was already included in the browser version was added to the Journey Planner – in addition to suggesting a public transport route, it also displays a suggested walking or biking route. Public transport, walking and biking play a key role in reducing emissions from car traffic and improving air quality in cities.

Digia's tax footprint

The financial benefits we generate for our employees, shareholders and society are part of Digia's social responsibility. We ensure financial wellbeing through sustainable and responsible financial management. The key direct cash flows in our business arise from salaries and social expenses, taxes, the procurement of goods and services, and payments to financiers and shareholders.

We comply with local legislation on the payment, collection, recognition and reporting of taxes. Filing accurate tax returns on time and handling our other statutory obligations both play a key role in this. Our tax footprint summary covers all tax and tax-like payments which Digia has a statutory obligation to either pay or collect. In addition to direct and indirect taxes, Digia's tax footprint also includes the withholding tax and social security payments paid on employee salaries.

Taxes and tax-like payments

EUR 1,000	2021	2020
Corporate tax	3,556	4,152
Indirect taxes	28,859	28,894
Withholding tax on salaries	23,229	21,817
Social security contributions	2,527	1,095
Total	**58,172**	**55,959**

Digia's financial success also benefits our shareholders. Around 31.4 per cent of Digia's shareholder base consists of Finnish households. In addition, our largest shareholders include Finnish pension companies. Digia Plc's Annual General Meeting of 17 March 2021 decided to pay a dividend of EUR 0.15 (0.10) per share. The dividends were paid on 26 March 2021 and totalled EUR 4,001,719.

Sustainable digital expertise for both our personnel and Finland as a whole

Skilled personnel who are committed to the objectives of our customers are the cornerstone of all our operations. Digia aims to be a desired employer in the technology sector – an employer that supports personnel wellbeing and competence development. The most important responsibility themes in the "sustainable digital expertise" focus area are providing a learning community for top digital experts and bolstering technological expertise in Finland.

A learning community for top digital experts

Changes in the operating environment and society affect what kinds of expertise are required both now and in the future. We want to be a team of top professionals who are always learning and are both highly skilled and flexible. We create opportunities for employees to pursue career paths and personal development and to maintain their competence at a competitive level. For instance, Digia has active workplace tribes, whose major task is to develop the competence of the tribe members through peer activities and provide recommendations about company-level technology policies in the specialist area of the tribe.

Our goal is to increase the value of our personnel's expertise during their term of employment. At the annual level, we monitor and report on the percentage of employees for whom a personal competence target has been set. In 2021, a personal competence target had been set for 74 per cent of Digia employees.

As part of the development of their expertise, Digia employees complete various certificates annually. To verify the growth in the expertise of Digia employees, we monitor and report on the growth in certified expertise in selected areas. In 2020 and 2021, we chose to focus on cloud, which is one of Digia's strategic priorities. In 2021, the growth in certified cloud expertise was 182.2 percent (54.9%). The number of cloud certificates increased, especially in Microsoft Azure.

Bolstering technological expertise in Finland

Digia recognises its role as a significant employer and operator in the IT sector. That's why we also have a responsibility to strengthen technological expertise in Finland. We aim to train new digital experts every year, to meet both our own needs and those of the sector as a whole. To achieve this objective, we monitor and report on the total annual number of participants in training programmes organised by Digia alone or in cooperation with partners as well as trainees and students working on theses. In 2021, the total number was 65 (65).

In addition to training programmes, Digia engages in cooperation with educational institutions to support and round out their offering of IT courses. In 2021, we organised several expert lectures and courses on integrations, e-commerce platforms and service design, as well as a coding club, in cooperation with educational institutions and student organisations.

Sustainable digital life in our own work with respect for the environment

Digia wants to provide a safe and healthy working environment in which everyone is valued as themselves. Employee well-being, equality and equal treatment of personnel are Digia's direct impacts on personnel, social responsibility and human rights. They are also issues that affect Digia's reputation as an employer and improve its ability to retain the best experts in its employ and recruit top professionals. Digia's employee turnover in 2021 was 13% (10.1%).

The most important responsibility topics in the "sustainable digital life" focus area are employee well-being and diversity, carbon-neutral Digia and an ethical operating culture.

Employee well-being and diversity

Continually monitoring and supporting personnel well-being play a key role at Digia. Well-being is supported by, among other things, ensuring a workload suitable for the life situation of the employee, a coaching leadership style and support for developing one's own competence. Digia uses an early intervention model that supports success at work. Wellbeing is also supported with extensive benefits and flexible working arrangements, for instance.

Due to the coronavirus pandemic, Digia employees continued to work mainly remotely. For this reason, strengthening our sense of community emerged as a particularly important theme. During the year, we held a variety of virtual personnel meetings to bolster sense of community. We also began to prepare for a return to post-pandemic daily life and a model for hybrid work based on employees' wishes. On the basis of our personnel's wishes and everyday insights, Digia's offices will be remodelled to better meet future needs. Employees who primarily chose remote work also received support in the form of a home office package, which contained equipment, an electric table and a work chair.

In 2021, we piloted several remote well-being services with our external partners to support well-being at work. Together with these partners, we also offered webinars to employees and supervisors on a variety of themes concerning coping at work.

Our goal is that Digia is one of the best companies in its industry in terms of well-being at work. We monitor and report on the annual average days of sick leave per employee. In 2021, sick leave per employee averaged 5.6 days (5.1).

In addition, we monitor and report on our employees' satisfaction with team spirit and work-life balance using a personnel survey. We aim to maintain this at a good level (over 80). In 2021, personnel satisfaction with team spirit was 73 on a scale of 0–100 (75) and satisfaction with work-life balance was 80 (79).

Digia is a flexible employer that gives space to human diversity. Non-discrimination and equality are recorded in our Code of Conduct, and we treat all employees equally regardless of gender, ethnicity, religion, age, sexual orientation and other such factors.

In 2021, we conducted an equality and non-discrimination survey to gain a better understanding of how Digia employees feel that these themes are realised at the company. Digia employees praised aspects such as the variety of flexible opportunities at work and family leave arrangements. They also highlighted the wide age range of employees. We recruit experts of all ages – and some retire every year, too.

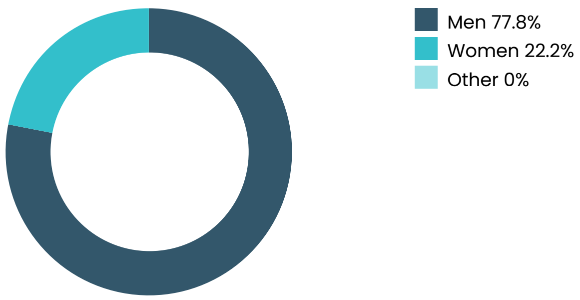
We updated our equality and non-discrimination plan and also requested feedback on it from our employees. In the action plan, we identified the priorities and development measures that are important to us and which we will tackle in 2022. These priorities include fostering a culture of mutual respect, better inclusion of experts who are not native Finnish speakers and encouraging women to enter the IT industry.

The diversity of the company and its inclusive, appreciative atmosphere support the well-being and productivity of Digia employees and their ability to renew themselves. We aim to ensure diversity and inclusivity at all levels of our organisation. We monitor and report on the gender and age distribution of all employees, the Management Team, supervisors and the Board of Directors at an annual level.

Gender and age breakdown of management and personnel in 2021

Personnel distribution by gender 31 Dec
Percent

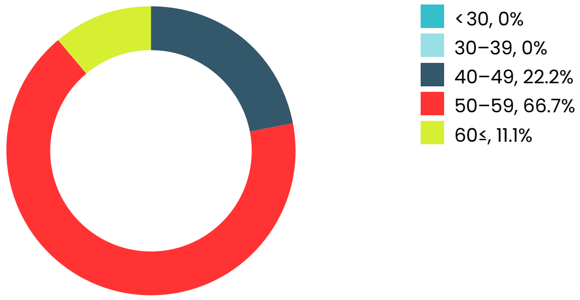
Group Management team distribution by gender 31 Dec
Percent



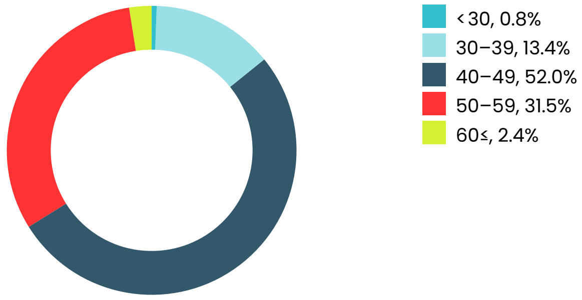
Supervisor distribution by gender 31 Dec
Percent

Personnel distribution by age 31 Dec
Percent

Group Management team distribution by age 31 Dec
Percent



Supervisor distribution by age 31 Dec
Percent

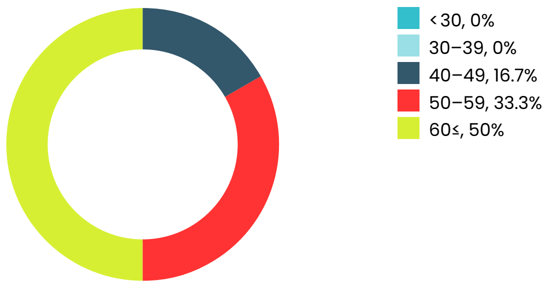


Board of Directors distribution by gender 31 Dec

Percent

Board of Directors distribution by age 31 Dec

Percent



Every year, we organise training and online meetings to promote diversity, equality and inclusion (DEI) for management, supervisors and personnel. Digia is also a member of the Inklusiiv community, which shares information, provides training and promotes equality in working life. We monitor and report on what percentage of our supervisors have completed DEI training each year. In 2021, 36% of our supervisors completed the training (18.8%).

Digia's Board of Directors has defined a Board diversity policy. It states that the requirements of the company's size, market position and industry should be duly reflected in the Board's composition. Both genders should be represented on the Board. More information about the Board Diversity Policy on page 23.

Carbon-neutral Digia

Information and communications technology (ICT) is part of society's critical infrastructure today and in the future. We all who operate in this sector also play a key role in reconciling society's activities with the climate and nature's carrying capacity.

Digia aims to be a carbon-neutral company. In 2021, we launched climate roadmap work, which we completed in January 2022. The climate roadmap includes a comprehensive action plan to reduce emissions and also defines our climate objectives until 2030. We have been carbon neutral in our own operations since 2020 and our objective is to be carbon neutral throughout the entire value chain by 2030. We also seek to cut emissions by 75 per cent from the 2019 baseline by 2030. We compensate for the remaining emissions in a reliable manner.

The climate roadmap action plan also includes Digia's carbon handprint – that is, how we can promote the positive climate impacts we produce for customers and stakeholders. Digia has the opportunity to accelerate the ecological renewal of society by producing digital solutions and data for solving sustainability challenges.

Examples of such customer work are presented above in the section "Sustainable digital value for our customers while building a functional society".

In addition to our work on the climate roadmap, we updated our environmental policy in 2021 – it is based on compliance with legislation and the UN's Sustainable Development Goals, as well as on active monitoring and development of recommendations and practices applicable to the industry Digia operates in. Our environmental responsibility is guided by three principles that indicate how Digia takes responsibility for the climate and nature:

1. Our own operations are in balance with the climate and the carrying capacity of nature
2. Environmental responsibility is part of the daily life and expertise of our work community
3. We accelerate the ecological renewal of society

Read our updated environmental policy on our site: digia.com/en/company/corporate-responsibility.

We appointed an environmental officer in our organisation to promote measures taken in accordance with our environmental policy and action plan to improve Digia's environmental responsibility and reduce our emissions.

The largest environmental impacts of Digia's operations are related to energy consumption and equipment. Office work typically poses a very low risk of environmental damage.

Digia's carbon footprint 2021

We monitor and report our CO_2 emissions for our own operations and the entire value chain at an annual level (GHG Protocol Scope 2 and 3). Digia does not generate any Scope 1 emissions, that is, direct energy-based emissions. The calculations cover all of Digia Finland Oy's locations and employees.

The carbon footprint of Digia's own operations (Scope 2) in 2021 was 386 tonnes CO_2e. This figure includes emissions from heating and cooling at all our locations in Finland and the emissions of the data centres used by the company.

The carbon footprint of the entire value chain (Scopes 2 and 3) is around 1,210 tonnes CO_2e. The figure includes not only energy consumption, but also waste management, commuting, equipment procurements and recycling, and emissions from other procurements. Emissions relative to personnel were about 1 tonne/employee and relative to net sales 7.8 kg CO_2e/€1,000.

Compared to our carbon footprint in 2020, our total carbon footprint was 20 per cent lower, even though emissions from our own operations (Scope 2) grew by around 13 per cent. The main factors behind this were that emissions from commuting were low compared to the pre-pandemic period and emissions from IT equipment decreased. We assessed the willingness of Digia employees to keep working remotely after the pandemic – the majority of our employees intend to keep working mainly remotely. Due to the permanent change in working methods, the low level of emissions from commuting will most likely remain permanent, too. Digia for its own part has also wanted to support greater emission-free commuting and leisure travel by introducing an employee bicycle benefit.

In addition, the 2019–2020 carbon footprint calculations were revised – the results indicated that emissions from IT equipment procurements were lower than previously reported. This correction has no impact on the calculation of Digia's own emissions or carbon neutrality in 2020. The carbon footprint calculation methods and accuracy will be developed further in 2022 as part of the work on the climate roadmap.

Carbon footprint indicators	2019	2020	2021	Unit
Carbon footprint of own operations (Scope 2)	337	343	386	tonnes CO_2e
Carbon footprint of the entire value chain (Scopes 2 & 3)	3,050	1,510	1,210	tonnes CO_2e
Emissions per employee*	2.4	1.1	1.0	tonnes CO_2e/ employee
Emissions relative to net sales*	23.2	10.9	7.8	kg CO_2e/ €1,000

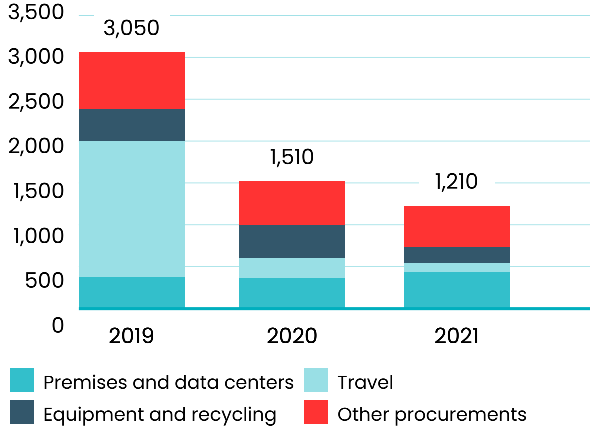
Carbon footprint (t CO_2e)	2019	2020	2021
Premises and data centres	360	350	420
Travel	1,620	240	110
IT equipment and recycling*	390	390	190
Other procurements	680	530	490
Total*	**3,050**	**1,510**	**1,210**

* The figures for 2019 and 2020 were revised in connection with the 2021 calculation.

Digia offset the emissions from its own operations in 2021 by funding the restoration of peatlands in Finland through Hiilipörssi. In 2022, in accordance with the action plan of the climate roadmap, we will start to assess and implement measures that will enable us to reduce our carbon footprint.

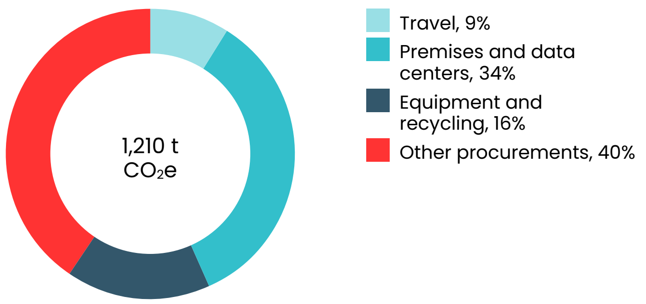
Digia's carbon footprint

Tonnes CO_2e



Digia's carbon footprint 2021

Percent



Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Ethical operating culture

Compliance with Digia's Code of Conduct is an essential aspect of our company's success. All of our personnel, including management and the Board of Directors, are responsible for complying with these principles in their work.

Our goal is for our entire organisation to internalise and comply with these ethical practices. We monitor and report on how many of our employees have completed training on the Code of Conduct each year. In 2021, 46.9 per cent of the personnel had completed this training. In 2022, we will develop the training further. This Code of Conduct also applies to Digia's subcontractors. By the end of 2021, 67 per cent of our subcontractors had signed Digia's Code of Conduct (44%).

Anti-bribery and anti-corruption activities are part of our ethical culture. Digia's anti-bribery and anti-corruption policy defines rules and guidelines for promoting ethical and legal activities. We updated the policy during 2021.

Digia's operations and business areas do not pose a high risk in terms of anti-bribery and anti-corruption activities. This is because Digia operates largely in Finland; furthermore, the operations of Digia Group companies mainly extend to countries classified as having a low risk of corruption according to Transparency International.

Digia's risk in anti-bribery and anti-corruption activities is increased by the company's extensive participation in public procurements and the share of Digia's customers accounted for by public administration. . In public procurements, Digia pays particular attention to anti-corruption measures during its participation and instructs participating persons to be very careful to ensure that operations are appropriate.

Digia has foreign partners in countries where the risk of bribery and corruption is high. We pay attention to bribery and corruption in our dealings with partners, and exercise extreme caution in the selection of our partners. We also require our partners to commit to compliance with anti-bribery and corruption legislation.

All Digia Group companies have undertaken to comply with the same ethical guidelines and anti-bribery and anti-corruption policies, or audits of their own policies have shown them to be at least at the same level. In addition, the employees of Group companies are provided with appropriate training on these themes. The personnel of Group companies have low-threshold access to counselling and whistleblowing channels through which they can enquire about suspected conflicts of interest, whether their own or of other persons participating in a tender process, for instance. They have received guidance on the use of these channels.

Digia has a channel through which any Digia employee or external party can report any suspected violations related to bribery and corruption. These reports can also be made anonymously. All reports are directed to Digia's legal unit and the Audit Committee of the Board of Directors for confidential handling. The whistle-blowing channel can be found on Digia's website: digia.com/en/company/corporate-responsibility/.

The mechanism used for Digia's whistleblowing process and notifications is currently being updated during the first quarter of 2022 based on the EU Whistleblower Directive (EU 2021/1937) and its national implementation provisions. The intention is to introduce a fully anonymous whistleblowing channel that fulfils the requirements of the directive, so that both external parties and Digia's whole personnel can report on activities that are in contravention of Digia's anti-bribery and anti-corruption policy and Code of Conduct.

Development and assessment of responsibility

The topics, objectives and key indicators of responsibility reported on here comprise Digia's responsibility reporting for 2020–2022. In 2022, our development priorities will be to further promote an ethical operating culture and human rights impact assessment, and to develop environmental responsibility in accordance with the climate roadmap. In the development of our responsibility efforts, we also rely on external experts on issues, such as the environment, corporate responsibility regulations and human rights.

In addition to our own internal assessment, Digia's responsibility is also assessed externally by EcoVadis. EcoVadis assessment of corporate social responsibility (CSR) indicates how well a company has integrated CSR principles into its business and management system. The assessment delves into questions on CSR that are grouped into four themes: the environment, labour and human rights, ethics and fair business practices, and sustainable procurement.

In 2021, Digia received a rating of 56/100 from EcoVadis (48/100) and rose to silver level. We improved our score in environmental matters in particular. We intend to maintain our assessment at a good level and improve our operations on the basis of the development proposals made during assessment.

Business in accordance with the EU Taxonomy

During the fiscal year, Digia assessed whether the company's business operations belong to any of the sectors specified in the taxonomy and has examined the business operations of the company in light of the criteria of the taxonomy. The assessment indicates that according to the criteria for both "climate change mitigation" and "substantial contribution to climate change adaptation", the company operates in the Information and Communication sector, but did not provide any services of the kind specified in the criteria during the fiscal year.

Even though Digia does not yet report on operations in accordance with the evolving and stringent taxonomy, the company has nevertheless implemented a significant amount of projects and services for its customers in 2021 that have a direct impact on both climate change mitigation and contribution to climate change adaptation in the operations of its customers. In addition, some of these projects have significant societal impacts.

Two examples of these projects and services include deliveries of the Digia Enterprise ERP and the Microsoft Unified Operations solution, as the core task of these systems is to optimise production and service. Optimising processes reduces wastage, energy consumption, transport and emissions and has a significant impact on mitigating and adapting to climate change in the operations of our customers.

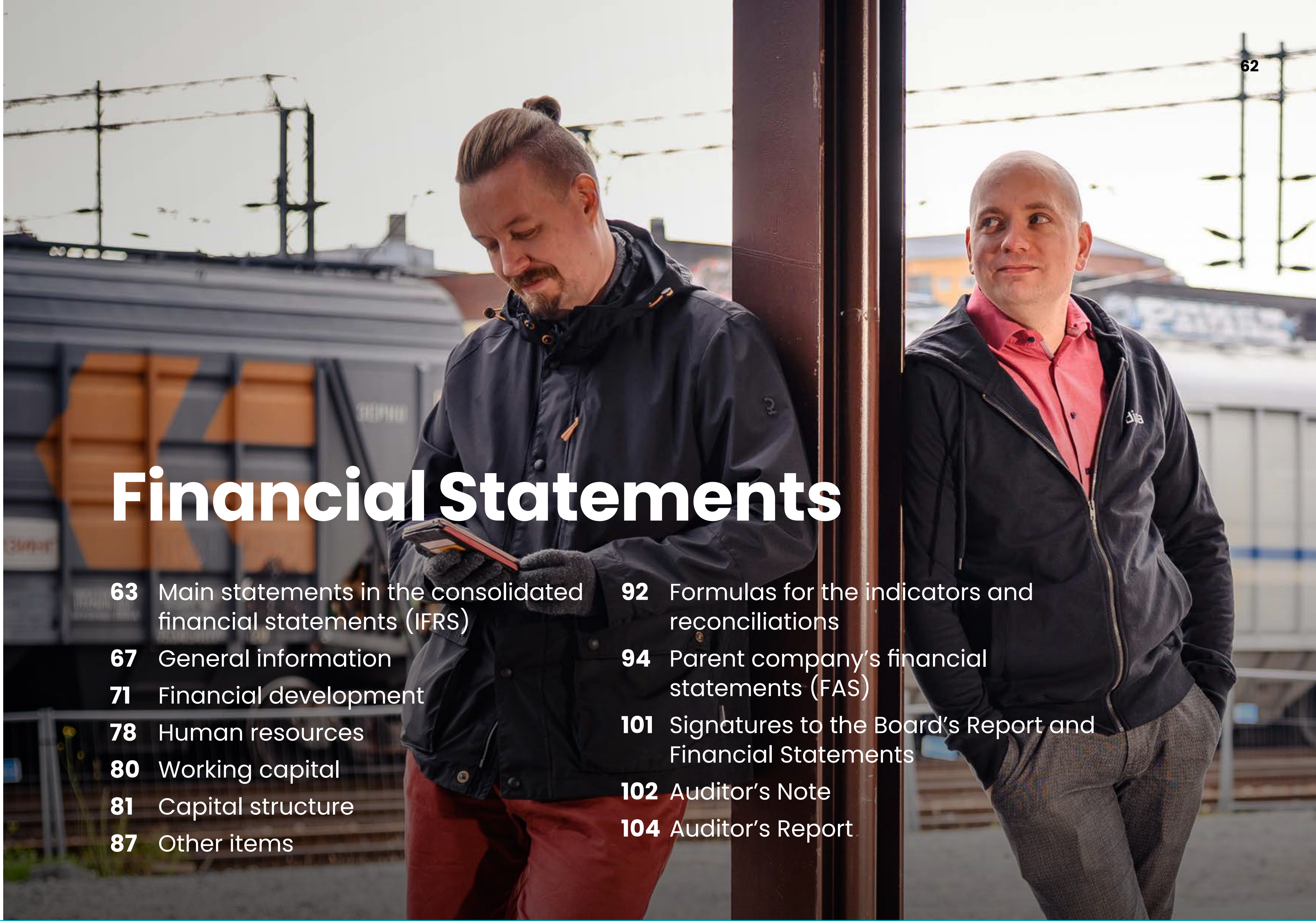
On the other hand, we accelerate the ecological renewal of society by providing digital solutions and data to solve sustainability challenges. Examples of our customer implementations that sustainably promote the digitalisation of society are presented in the section "Non-financial reporting".

In general, the company is widely involved in building and deploying new technologies, tools and systems to promote eco-friendliness. For instance, in order to solve sustainability challenges, data is required for feedback on both decisions and the success of actions and to ensure effective management. The data indicates where resources are wasted and where unnecessary emissions are produced.

Digital solutions can also be helpful in cultural changes in society – they facilitate adopting an ecological lifestyle, for instance. The technology and the operations of the user together form a positive influence on society. With the solutions that it provides, Digia helps its customers to understand their own operations and make conscious changes towards improving them.

In addition, Digia has provided a wide range of services that have a significant effect on areas of responsibility other than climate change for both the customer and society.

	Total (EUR)	Share of business covered by taxonomy critera (%)	Share of business not covered by taxonomy criteria (%)
Net sales	0	0	100
Operational expenses	0	0	100
Capital expenditure	0	0	100



Financial Statements

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

1 Main statements in the consolidated financial statements (IFRS)

1.1 Consolidated Income Statement

EUR 1,000	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Net sales	3.2	155,939	139,049
Other operating income	3.4	445	252
Materials and services		-21,674	-15,257
Depreciation, amortisation and impairment	3.6	-7,485	-6,066
Employee benefit costs	4.1, 4.2, 4.4, 7.6	-99,063	-90,597
Other operating expenses	3.7	-13,482	-13,279
		-141,260	-124,947
Operating profit		14,680	14,102
Financial income	6.5	540	84
Financial expenses	6.5	-646	-728
		-107	-644
Profit before taxes		14,573	13,458
Income taxes	3.8	-2,801	-2,830
Net profit		11,772	10,627
Earnings per share, EUR (undiluted)	3.10	0.44	0.40
Earnings per share, EUR (diluted)		0.44	0.39
Distribution of income for the period:			
Parent company shareholders		11,758	10,627
Non-controlling interests		14	0

1.2 Consolidated statement of comprehensive income

	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Net profit	11,772	10,627
Other comprehensive income items:		
Items that may later be reclassified as profit or loss:		
Exchange differences on translation of foreign operations	-198	80
Total comprehensive income	**11,574**	**10,707**
Distribution of total comprehensive income:		
Parent company shareholders	11,560	10,707
Non-controlling interests	14	0

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

1.3 Consolidated balance sheet

EUR 1,000	Note	31 Dec 2021	31 Dec 2020
ASSETS			
Non-current assets			
Goodwill	7.1	71,915	61,478
Intangible assets	7.3	10,875	6,332
Tangible assets	7.2	686	987
Right-of-use assets	7.4	6,969	9,272
Financial assets recognised at fair value through profit or loss	6.2	484	484
Non-current receivables	6.2	538	2
Deferred tax assets	3.9	640	513
		92,107	79,067
Current assets			
Accounts receivable and other receivables	5.2, 6.2	32,785	25,600
Cash and cash equivalents	6.2	18,148	16,410
		50,933	42,010
Total assets		**143,040**	**121,078**

EUR 1,000	Note	31 Dec 2021	31 Dec 2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
Equity attributable to parent-company shareholders			
Share capital		2,088	2,088
Other reserves		5,204	5,204
Unrestricted shareholders' equity reserve		42,081	42,081
Translation difference		-541	-343
Retained earnings		7,468	1,080
Net profit		11,758	10,627
		68,057	60,737
Equity attributable to non-controlling interests		14	0
Total shareholders' equity	6.7	**68,072**	**60,737**
Non-current liabilities			
Deferred tax liabilities	3.9	1,877	1,115
Non-current advances received		0	0
Financial liabilities	6.3	16,000	8,626
Lease liabilities		4,354	6,657
Other non-current liabilities	3.5	2,324	2,000
		24,554	18,399
Current liabilities			
Accounts payable and other liabilities	5.2	21,156	13,070
Income tax liabilities		985	790
Provisions	3.3	1,234	1,383
Accruals and deferred income		18,580	15,041
Lease liabilities	6.4	3,431	3,431
Other financial liabilities	6.3	5,026	8,226
		50,413	41,942
Total liabilities		**74,968**	**60,341**
Total shareholders' equity and liabilities		**143,040**	**121,078**

1.4 Consolidated cash flow statement

EUR 1,000	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Cash flow from operations:			
Net profit		11,772	10,627
Adjustments to net profit	7.5	9,398	16,057
Change in working capital	5.1	-3,204	2,815
Change in other receivables and liabilities		2,517	-1,684
Interest paid		-299	-457
Interest income		43	32
Taxes paid		-3,580	-3,801
Cash flow from operations		16,648	23,589
Cash flow from investments:			
Purchases of tangible and intangible assets		-1,768	-1,268
Acquisition of subsidiaries, net of cash and cash equivalents at the time of acquisition	3.5	-9,933	-3,591
Dividends received		5	10
Repayment of loans receivable		1,573	-
Divested business operations		-	60
Cash flow from investments		-10,124	-4,789

EUR 1,000	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Cash flow from financing:			
Repayment of lease liabilities	6.3	- 4,085	- 3,019
Repayment of current loans	6.3	-9,726	-2,326
Withdrawals of current loans	6.3	3,000	-
Repayment of non-current loans	6.3	-271	-
Withdrawals of non-current loans	6.3	10,900	-
Acquisition of treasury shares		-630	-301
Dividends paid		-4,002	-2,672
Cash flow from financing		-4,814	-8,317
Change in cash and cash equivalents		1,710	10,482
Cash and cash equivalents at beginning of period		16,410	5,838
Change in cash and cash equivalents		1,710	10,482
Effects of changes in foreign exchange rates		28	90
Cash and cash equivalents at end of period	6.2	18,148	16,410

1.5 Changes in shareholders' equity

EUR 1,000	Notes	Share capital	Unrestricted shareholders' equity reserve	Other reserves	Translation difference	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 Jan 2020		**2,088**	**42,081**	**5,204**	**-422**	**4,241**	**53,190**
Comprehensive income							
Net profit (+) / loss (-)	1.1					10,627	10,627
Other comprehensive income items	1.2	-	-	-	80	-	80
Total comprehensive income		**-**	**-**	**-**	**80**	**10,627**	**10,707**
Transactions with shareholders							
Share-based transactions settled in equity	4.4	-	-	-	-	-188	-188
Dividends		-	-	-	-	-2,672	-2,672
Acquisition of treasury shares		-	-	-	-	-301	-301
Transactions with shareholders, total						-3,161	-3,161
Shareholders' equity, 31 Dec 2020		**2,088**	**42,081**	**5,204**	**-343**	**11,707**	**60,737**

EUR 1,000	Notes	Share capital	Unrestricted shareholders' equity reserve	Other reserves	Translation difference	Retained earnings	Total shareholders' equity
Shareholders' equity, 1 Jan 2021		**2,088**	**42,081**	**5,204**	**-343**	**11,707**	**60,737**
Comprehensive income							
Net profit (+) / loss (-)	1.1					11,758	11,758
Other comprehensive income items	1.2	-	-	-	-198	-	-198
Non-controlling interests		-	-	-	-	14	14
Total comprehensive income		**-**	**-**	**-**	**-198**	**11,772**	**11,574**
Transactions with shareholders							
Share-based transactions settled in equity	4.4	-	-	-	-	392	392
Dividends		-	-	-	-	-4,002	-4,002
Acquisition of treasury shares		-	-	-	-	-630	-630
Transactions with shareholders, total						-4,239	-4,239
Shareholders' equity, 31 Dec 2021		**2,088**	**42,081**	**5,204**	**-541**	**19,240**	**68,072**

2 General information

2.1 Basic information on the Group

Digia is a software and service company that helps its customers renew themselves in the networked world. There are more than 1,300 of us working at Digia. Our roots are in Finland, and we work with our customers both in Finland and abroad. We are building a world in which digitalisation makes a difference – together with our customers and partners.

The company's strengths are its good customer base, extensive product and service offering, 24/7 maintenance and support, and the credible size of its business. Based on these strengths, Digia can serve as a trusted partner to its customers in their digitalisation transformation. We forge long-term customer relationships and develop them to grow with our customers.

Digia operates in eight locations in Finland – Helsinki, Lahti, Jyväskylä, Oulu, Rauma, Tampere, Turku and Vaasa – as well as in Stockholm and Malmö in Sweden, and Hengelo in the Netherlands. The company is listed on Nasdaq Helsinki (DIGIA). Digia Plc is domiciled in Helsinki and its registered office is at Atomitie 2 A, 00370 Helsinki.

2.2 Approval by the Board of Directors

The Board of Directors approved the financial statements for publication on 8 February 2022. According to the Finnish Companies Act, shareholders have the right to approve or reject the financial statements at the General Meeting held after publication. The General Meeting may also decide to revise the financial statements. Digia Plc's Annual General Meeting will be held on 21 March 2022.

2.3 Accounting policies

The consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS), observing the IAS and IFRS standards, as well as SIC and IFRIC interpretations valid on 31 December 2021. International Financial Reporting Standards refer to the standards and their interpretations approved for application in the EU in accordance with the procedure stipulated in EU regulation (EU) No. 1606/2002 and embodied in Finnish accounting legislation and the statutes enacted under it.

The consolidated financial statements are based on original acquisition costs. In the fair value hierarchy, the highest level is assigned to quoted (unadjusted) prices for identical assets or liabilities in active markets (Level 1 inputs), and the lowest to unobservable inputs (Level 3 inputs).

The consolidated financial statements include the parent company, Digia Plc, and all of its subsidiaries. Digia owns all of these subsidiaries in full with the exception of Climber Benelux B.V., in which it has an 80% holding. Acquired subsidiaries are consolidated using the acquisition method, according to which the assets and liabilities of the acquired entity are measured at fair value at the time of acquisition, and the remaining difference between the acquisition price and the acquired shareholders' equity constitutes goodwill. Subsidiaries acquired during the fiscal period are included in the consolidated financial statements as from when control was gained, while divested subsidiaries are included until the date of divestment. No subsidiaries were divested in the 2021 and 2020 fiscal periods.

The consolidated financial statements are primarily presented in thousands of euros, and the figures have been rounded to the nearest thousand euro, which means that the sum of individual figures may differ from the totals given.

Items referring to the earnings and financial position of the Group's units are recognised in the currency that is the main currency of the unit's primary operating environment ('functional currency'). The consolidated financial statements are given in euros, which is the operating and presentation currency of the parent company. The Group has subsidiaries abroad: four in Sweden, one in Denmark, and one in the Netherlands.

Receivables and liabilities denominated in foreign currencies have been converted into euro at the exchange rate in effect on the balance sheet date. Gains and losses arising from foreign currency transactions are recognised through profit or loss. Foreign exchange gains and losses from operations are included in the corresponding items above EBIT. The income statement of the Swedish group company has been converted into euro at the weighted average exchange rate for the period, and its balance sheet has been converted at the exchange rate quoted on the balance sheet date. Translation differences arising from the application of the acquisition method are treated as items adjusting consolidated shareholders' equity.

In the 2021 fiscal year, the company had non-controlling interests through Climber Benelux B.V., and thus the result is distributed between parent company shareholders and non-controlling interests.

Digia presents the other accounting principles applied in the financial statements in the notes to the financial statement items in question. The table below lists the Group's accounting policies, information about which note they are presented in and a reference to the relevant IFRS standard.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Accounting policy	Note		IFRS standard
Segment reporting	3.1	Reportable segments	IFRS 8
Recognition of net sales	3.2	Net sales	IFRS 15
Provisions	3.3	Provisions	IAS 37
Government grants	3.4	Other operating income	IAS 20
Business combinations	3.5	Acquired business operations	IFRS 3, IFRS 10
Research and development costs	3.7	Other operating expenses	IAS 38
Current tax	3.8	Current tax	IAS 12
Deferred tax assets and liabilities	3.9	Deferred tax	IAS 12
Earnings per share	3.10	Earnings per share	IAS 33
Pension liabilities	4.2	Pension liabilities	IAS 19
Accounts receivable and other receivables	6.2	Accounts receivable and other receivables	IFRS 9, IFRS 15
Financial assets	6.2	Financial assets recognised at fair value through profit or loss	IAS 32, IFRS 9, IFRS 7
Interest-bearing liabilities	6.3	Financial liabilities	IFRS 9, IFRS 13
Lease liabilities	6.4	Lease liabilities	IFRS 16
Share-based incentives	4.4, 6.7	Personnel expenses, Equity	IFRS 2
Goodwill	7.1	Goodwill	IFRS 3, IAS 36
Intangible assets	7.3	Intangible assets	IAS 38, IAS 36
Property, plant and equipment	7.2	Property, plant and equipment	IAS 16, IAS 36
Right-of-use assets	7.4	Lease obligations and commitments	IFRS 16
Impairment	7.5	Impairment of assets	IAS 36
Related party transactions	7.6	Related party information	IAS 24

In the 2021 financial statements, Digia Group has complied with the following agenda decision issued by the IFRS Interpretations Committee (IFRIC) on the accounting treatment of configuration or customisation costs in a cloud computing arrangement (IAS 38 Intangible Assets), which came into force during the fiscal year.

IAS 38 Intangible Assets agenda decision

In April 2021, the IFRS Interpretations Committee (IFRIC) issued its final agenda decision on the accounting treatment of configuration or customisation costs in a cloud computing arrangement (IAS 38 Intangible Assets). The accounting for cloud computing arrangements depends on whether the cloud-based software classifies as a software intangible asset or a service contract. Those arrangements where the Company does not have control over the underlying software are accounted for as service contracts providing the Company with the right to access the cloud provider's application software over the contract period. The ongoing fees to obtain access to the application software, together with related configuration or customisation costs incurred, are recognised under other operating expenses when the services are received.

Accounting estimates and judgements applied in the preparation of the financial statements

The preparation of financial statements in accordance with IFRS requires the Group's management to make accounting estimates and apply judgements and assumptions that have an effect on the application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses. These estimates and assumptions are based on previous experience and other justifiable assumptions that are believed to be reasonable under the circumstances and that serve as a foundation for evaluating the items included in the financial statements.

The estimates are reviewed regularly, but the actual results may differ from the estimates and solutions.

The assumptions underlying management's estimates are presented in the following notes:

Note	
Revenue recognition: Degree of completion of a project recognised as revenue over time	3.2
Revenue recognition: Principal or agent	3.2
Fair values of net assets acquired in business combinations and additional purchase prices	3.5
Main assumptions used in impairment testing of goodwill	7.1
Cloud service configuration and customisation costs	7.3
Leases	6.4 and 7.4

2.4 New and amended standards

Applicable new and amended standards as at 31 Dec 2021

Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16 *Leases* (effective as from 1 April 2021 for financial periods beginning on or after 1 January 2021).

The amendment provides lessees with an exemption from assessing whether COVID-19-related rent concessions are lease modifications if the concessions are a direct result of the Covid-19 pandemic and fulfil certain conditions.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9 *Financial Instruments*, IAS 39 *Financial Instruments: Recognition and Measurement*, IFRS 7 *Financial Instruments: Disclosures*, IFRS 4 *Insurance Contracts* and IFRS 16 *Leases* (effective for financial periods beginning on or after 1 January 2021).

The amendments provide guidance on changes to contractual cash flows or hedging relationships because of the interest rate benchmark reform for modifications that are required as a direct consequence of the entry into force of the EU Benchmarks Regulation (modifications due to the IBOR reform). The amendments guide companies to provide useful information on the effects of the reform to users of financial statements.

New and amended standards to be applied in future financial periods

* = The regulation has not been approved for application within the EU on 31 December 2021.

Costs of Fulfilling a Contract – Amendments to IAS 37 *Provisions, contingent liabilities and contingent assets* (effective for financial periods beginning on or after 1 January 2022).

The amendments clarify that when a provision is recognised for an onerous contract on the basis of costs that the entity cannot avoid, these costs include both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

Annual Improvements to IFRS Standards 2018–2020 (effective for financial periods beginning on or after 1 January 2022).

In the Annual Improvements procedure, all the minor and less urgent changes to the standards are gathered together and carried out once a year. The amendments have clarified the following standards:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* – Subsidiary as a first-time adopter: The amendment simplifies the application of IFRS 1 by a subsidiary that becomes a first-time adopter after its parent. A subsidiary is permitted to measure cumulative translation differences using the amounts reported by its parent.
- IFRS 9 *Financial Instruments* – Fees in the "10 percent" test for derecognition of financial liabilities: The amendment clarifies the "10 per cent test" for derecognition of fees such that when assessing fees paid less fees received, the borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.
- IFRS 16 *Leases* – Lease incentives – Example 13: The amendment removes the illustration of the reimbursement of leasehold improvements by the lessor, as the example was unclear with respect to why these payments do not constitute incentives.
- IAS 41 *Agriculture* – Taxation in fair value measurements: The amendment to IAS 41 removes a requirement to exclude cash flows from taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 *Fair Value Measurement*. Assumptions about cash flows and discount rates must be internally consistent when using the present value technique in fair value measurement – that is, both use either the pre- or after-tax discount rate and cash flows.

Property, Plant and Equipment — Proceeds before Intended Use – Amendments to IAS 16 *Property, Plant and Equipment* (effective for financial periods beginning on or after 1 January 2022).

The amendments require that sales proceeds recognised before the related item of property, plant and equipment is available for use are recognised in profit or loss together with the manufacturing costs associated with the items sold.

Reference to the Conceptual Framework – Amendments to IFRS 3 *Business Combinations* (effective for financial periods beginning on or after 1 January 2022).

The amendments update a reference in IFRS 3 and include related clarifications.

IFRS 17 *Insurance Contracts* (effective for financial periods beginning on or after 1 January 2023 – early application is permitted for entities that also apply IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*).

The new standard applies to insurance contracts and helps investors and other parties to better understand how insurers are exposed to risks as well as their profitability and financial position. This standard replaces IFRS 4.

Classification of Liabilities as Current or Non-current – Amendments to IAS 1 *Presentation of Financial Statements** (effective for financial periods beginning on or after 1 January 2023 – early application is permitted).

The amendments intend to harmonise application and clarify the requirements for classifying debt as current or non-current.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Disclosure of Accounting Policies – Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements** (effective for financial periods beginning on or after 1 January 2023 – early application is permitted).

The amendments clarify how to apply the concept of materiality to accounting policy disclosures.

Definition of Accounting Estimates – Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors** (effective for financial periods beginning on or after 1 January 2023 – early application is permitted).

The amendments clarify how companies should distinguish between changes in accounting policies and accounting estimates, and focus on the definition of "accounting estimate" and its clarification.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 *Income Taxes** (effective for financial periods beginning on or after 1 January 2023).

The amendments narrow the application of the recognition exemption and clarify that it no longer applies to individual transactions such as leases and decommissioning obligations that, on initial recognition, give rise to equal taxable and deductible temporary differences.

Comparative Information – Amendments to IFRS 17 *Insurance Contracts: Initial Application of IFRS 17 and IFRS 9** (effective for financial periods beginning on or after 1 January 2023 – early application is permitted).

The amendment reduces mismatches between comparative information due to the different transition requirements of IFRS 9 and IFRS 17.

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 *Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures** (voluntary application is permitted – effective date postponed indefinitely)

The amendments eliminate an inconsistency between current guidance on consolidation and the equity method, and require that gains be recognised in full when the transferred assets constitute a business as defined in IFRS 3 *Business Combinations*.

New or amended standards and interpretations have no effect on the consolidated financial statements.

3 Financial development

3.1 Reportable segments

Digia reports on its business operations as one segment. In 2021, Digia comprised four service areas: Intelligent Solutions, Managed Digital Core, Business Platforms and Financial Platforms. These service areas have similar financial characteristics and are also similar in terms of the nature of product and service production processes, types of customer, geographical characteristics, and methods used in product or service distribution or service provision. For this reason, these service areas have been combined into a single reporting segment.

The table below presents the combined net sales and balance sheet value of the companies in the main market areas.

EUR 1,000	Finland	Sweden	Other countries	Total
net sales	143,647	10,693	1,598	155,939
balance sheet	128,520	13,275	1,244	143,040

3.2 Net sales

Digia's net sales in the review period amounted to EUR 155.9 (139.0) million, of which Finland accounted for EUR 143.6 (138.2) million and other countries for EUR 12.3 (0.9) million. The net sales of the service and maintenance business totalled EUR 104.7 (90.0) million, or 67.1 (64.8) per cent of total net sales. The net sales of the project business totalled EUR 51.3 (49.0) million and accounted for 32.9 (35.2) per cent of total net sales. The net sales of the product business generated 13.4 (12.9) per cent of the company's net sales. The product business includes licence maintenance, and it is included in both project and service and maintenance operations. Net sales of work performed by people accounted for 72.7 (74.3) per cent of the company's net sales.

Of net sales, EUR 2.2 (2.6) million were recognised in one instalment and EUR 153.7 (136.4) million over time.

At the end of the reporting period, Digia reports the total transaction price of uncompleted performance obligations insofar as the agreement is for several years and not charged on an hourly basis. On 31 December 2021, Digia had an order book of EUR 6.4 (2.4) million for multiyear projects with a fixed or target price. The order book for service and maintenance agreements cannot be unambiguously determined and it is not reported because the agreements often include transaction-based items in addition to a fixed-price item.

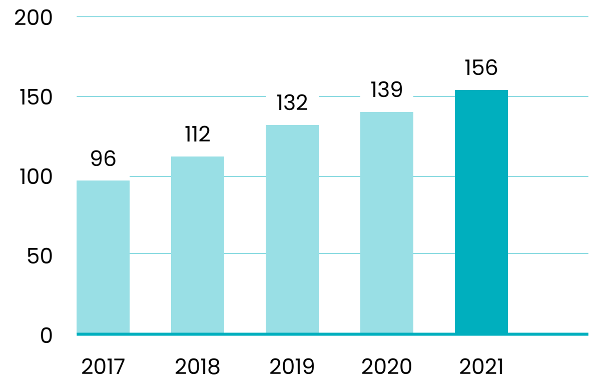
On 31 December 2021, the balance sheet included EUR 0.4 (0.1) million in advance payments for projects in which income is recognised over time.

In 2021, no single customer accounted for more than 10 per cent of consolidated net sales.

Accounting principle – recognition in net sales

Digia's performance obligations are work performed by people, licences of own products, maintenance of own products, third-party products, maintenance of third-party products as well as services. The typical payment term in all performance obligations is 14–60 days from the invoice date. The warranty period for customer-specific materials in all performance obligations is six months from the approval of the delivery. The cancellation term in agreements is typically the right of either party to cancel the agreement if a party commits a material breach of the agreement and has not remedied

Net sales
EUR million



Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

said breach within 30 days. When an agreement is cancelled, the parties are to return any deliverables received.

Work performed by people

Work performed by people in specification and delivery projects is recognised as revenue over time in accordance with progress. Long-term projects with a fixed price are recognised over time on the basis of their percentage of completion once the outcome of the project can be reliably estimated. The percentage of completion is determined as the proportion of costs arising from work performed for the project up to the date of review in the total estimated project costs. If estimates of the project change, the recognised sales and profit/margin are amended in the period during which the change becomes known and can be estimated for the first time.

Digia fulfils its performance obligation with respect to work performed by people in accordance with progress. The warranty period in expert service agreements is 30 days from service delivery.

Projects that include a specification phase after which the customer has the option of withdrawing from the project are recognised as revenue over time. The delivery project will not be recognised as revenue until the specification project has been approved.

Own products

The licences of own products comprise a performance obligation that is to be recognised as revenue at a point in time. Revenue is recognised in one instalment when the product has been delivered, that is, when the licences have been installed in the customer's testing environment. Digia has fulfilled its performance obligation once installation has been completed.

SaaS (software as a service) agreements for the company's own products are recognised as revenue over time during the contract period.

Maintenance fees for Digia product licences are recognised as revenue over time during the contract period.

Digia provides a six-month warranty for its own products, effective as from the date when the delivery of the completed software has been approved.

Third-party products

With respect to third-party licences, the actual responsibility for the features, further development and maintenance of the product is specified in the agreement. If Digia is responsible, revenue from third-party products is recognised on a gross basis in one instalment once the product licence has been installed in the customer's test environment. If a third party holds actual responsibility for the aforementioned matters, revenue is recognised on a net basis, that is, the margin or commission is recognised in net sales upon installation.

Revenue accrued from maintenance of third-party products and from SaaS agreements is recognised over time either on a gross basis (Digia has actual responsibility for maintenance) or on a net basis (a third party is responsible for maintenance).

The warranty for third-party software is determined according to the terms of the third-party software.

Services

Revenue from service agreements is recognised over time during the agreement period. If a service agreement includes a ticket- or hour-based performance obligation, revenue is recognised over time in accordance with progress.

Significant judgement:

Revenue recognition: degree of completion of a project recognised as revenue over time

A project recognised as revenue over time is recognised as income and expenses on the basis of degree of completion once the outcome of the project can be reliably estimated. Recognition is based on estimates of expected income and expenses of the project and reliable measurement and estimation of project progress. If estimates of the project's outcome change, the recognised sales and profit/margin are amended in the period during which the change becomes known and can be estimated for the first time. An onerous contract is immediately recognised as an expense. Additional information is provided in Note 3.3 Provisions.

Recognition: principal or agent

Digia can act as either a principal or agent for third-party products. Whether the company is deemed to be acting as a principal or agent for third-party products is based on Digia management's analysis of the legal form and factual content of the agreements made between the company and its suppliers. With respect to factual content, the decisive factor is Digia's role and responsibility towards the end customer. If Digia is responsible, revenue is recognised from these products in one instalment on a gross basis once the installation environment has been completed. Maintenance revenue will also be recognised on a gross basis, but over time. If a third party holds actual responsibility, Digia only recognises the margin or commission in net sales.

3.3 Provisions

Unprofitable agreements

EUR 1,000	2021	2020
1 Jan	1,383	1,384
Increase in provisions	1,100	1,224
Provisions used	-1,249	-1,225
31 Dec	1,234	1,383

Unprofitable agreements

On the balance sheet date of 31 December 2021, the Group had one fixed-price project for which loss provisions had been recorded on the basis of remaining work. A loss provision has been made on the basis of the estimated total workload. If the total workload changes as the project progresses, this impacts the size of the loss provision.

Accounting principle – provisions

A provision is recognised when the Group has a legal or factual obligation based on previous events, the realisation of a payment obligation is probable and the amount of the obligation can be reliably estimated.

A loss provision is created for fixed-price projects if it becomes apparent that the obligatory expenditure on the fulfilment of project obligations will exceed the benefits to be gained from the agreement. The loss is recognised in the period when it becomes known and can be estimated for the first time. Loss provisions are reversed in accordance with the extent and timing of incurred expenses.

3.4 Other operating income

EUR 1,000	2021	2020
Government grants	41	130
Other income	403	122
Total	**445**	**252**

In 2021 and 2020, government grants were allocated for product development, and these product development expenses are included in employee benefit expenses and external services.

Accounting principle – government grants

Government grants received as compensation for costs are recognised in the income statement at the same time as the expenses related to the target of the grant are recognised as expenses. Grants of this kind are presented under other operating income.

3.5 Acquired business operations

Business operations acquired during the 2021 fiscal year

Two acquisitions were carried out in the 2021 fiscal year.

The acquisition of the entire share capital of Climber International AB was carried out on 7 January 2021, when the terms and conditions for its completion were met and Climber International AB was transferred to Digia's ownership. Climber International AB is a Swedish company that provides its customers with consulting and solutions for data-driven business development. The acquisition concerns Climber's operations in Sweden, Finland, Denmark and the Netherlands. Climber will continue as a subsidiary with its own brand.

Climber International AB's net sales in 2021 totalled approximately EUR 13,3 million and the company employed 77 people on 31 December 2021. Smart data utilisation is one of the main focal points of Digia's strategy. The acquisition of Climber will accelerate growth in Digia's data and analytics business, primarily by providing access to markets outside Finland.

Digia acquired the entire share capital of Solasys Oy on 1 September 2021. In the financial period ending in June, Solasys had net sales of about EUR 1.3 million. Nine experts joined Digia as a result of the acquisition. Previously, Digia had a 10 per cent holding in Solasys Oy. Solasys has long served as a partner in the delivery and development of the Digia Enterprise ERP system. In addition, the company has robust expertise in reporting and analytics. The acquisition supports our strategy of combining analytics solutions with profound expertise in core business systems.

Total fair values of the acquired businesses on the acquisition date:

Property, plant, and equipment, and intangible assets	62
Accounts receivable and other receivables	9,108
Cash and cash equivalents	2,527
Total assets	**11,698**
Accounts payable and other liabilities	8,522
Total liabilities	**8,522**
Value of order book	542
Value of trademark	936
Value of customer contracts	3,919
Net assets	3,175
Goodwill	10,254
Acquisition cost	17,746

Cash flow effect of the acquired businesses:

Acquisition cost	-17,746
Cash and cash equivalents	2,527
Additional purchase price	5,324
Acquisition-related costs and taxes	-23
Net cash flow of acquisition	-9,918

The purchase prices were paid at the time of acquisition in cash, with the exception of estimated additional contingent amounts subsequently payable in cash. The total purchase price of acquisitions in the 2021 fiscal year was EUR 17.7 million. The total value of the net assets of the acquirees was estimated at EUR 3.2 million in the acquisition cost calculations. Acquisitions had an impact of EUR 13.5 million on the Digia Group's net sales in the 2021 fiscal year and EUR 1.7 million on the result for the period.

Accounts receivable consist of the ordinary receivables of the acquired companies, whose fair values are estimated to correspond to their book values. Digia's goodwill grew by EUR 10.3 million as a result of the acquisitions. Goodwill consisted of the value of acquired market share, business expertise and expected synergies. Additional information on goodwill is presented in Note 7.1.

The business operations acquired in 2021 were not of substantial relevance to the Group as a whole. If the businesses acquired during the fiscal year had been included in Digia's consolidated accounts for the entire year, the consolidated net sales in 2021 would have amounted to about EUR 156.8 million and the operating result to EUR 14.9 million.

Business operations acquired during the 2020 fiscal year

On 1 October 2020, Digia acquired the entire share capital of NSD Consulting Oy. With this acquisition, Digia bolstered its ability to provide its customers with first-rate expertise for demanding requirements. NSD is a consulting firm that specialises in demanding full-stack software development and, in particular, Java and .NET environments. A key element in NSD's operations is a professional network of more than 1,600 freelancers. The company's net sales totalled EUR 3.51 million in 2019. Following the acquisition, NSD Consulting Oy's 14 own employees transferred into Digia's employ. Forty consultants were working on projects at the time of the transaction.

Total fair values of the acquired businesses on the acquisition date:

Property, plant, and equipment, and intangible assets	14
Accounts receivable and other receivables	772
Cash and cash equivalents	1,489
Total assets	**2,275**
Accounts payable and other liabilities	711
Total liabilities	**711**
Value of customer contracts	1,223
Net assets	2,543
Goodwill	3,707
Acquisition cost	6,250

Cash flow effect of the acquired businesses:

Acquisition cost	-6,250
Cash and cash equivalents	1,489
Additional purchase price	2,000
Acquisition-related costs and taxes	-100
Net cash flow of acquisition	-2,862

The purchase price was paid at the time of acquisition in cash, with the exception of estimated additional contingent amounts subsequently payable in cash. The total purchase price of acquisitions in the 2020 fiscal year was EUR 6.3 million. The value of the net assets of the acquiree was estimated at EUR 2.5 million in the acquisition cost calculations. The acquired business had an impact of EUR 0.9 million on the Digia Group's net sales in the 2020 fiscal year and EUR 0.2 million on the result for the period.

Accounts receivable consist of the ordinary receivables of the acquired company, whose fair values are estimated to correspond to their book values. Digia's goodwill grew by EUR 3.7 million as a result of the acquisition. Goodwill consisted of the value of acquired market share, business expertise and expected synergies. Additional information on goodwill is presented in Note 7.1.

The business acquired in 2020 was not of substantial relevance to the Group as a whole. If the business acquired during the fiscal year had been included in Digia's consolidated accounts for the entire year, net sales in 2020 would have been about EUR 142.9 million and operating result EUR 14.7 million.

Accounting principle – business combinations

All business combinations are accounted for using the acquisition method. The purchase price consists of a share paid at the time of acquisition and any additional purchase price payable later. Such additional purchase prices are paid in cash.

Identifiable assets acquired and liabilities assumed in business combinations are measured at their fair value at the time of acquisition. The amount of the purchase price that exceeds the fair value of acquired net assets is recognised as goodwill. Changes in the value of the additional purchase price (liability item) are recognised through profit or loss. The exception to this is a situation in which additional information has been received about the financial position at the time of acquisition and this has an effect on the acquisition price. In this case, the change in the acquisition price is recognised by adjusting the acquisition cost calculation. Acquisition-related costs are recognised as expenses when incurred and are presented under other operating expenses in the consolidated income statement.

Non-controlling interests in the acquired subsidiary are measured as a relative share of the fair value.

In a phased acquisition, the earlier holding is measured at fair value and the resulting gain or loss is recognised through profit or loss.

Significant estimate

Fair values of net assets acquired in business combinations and additional purchase prices

The purchase price, additional purchase price, if any, and net assets acquired in business combinations are measured at fair value.

The fair value of acquired net assets is determined based on the fair values of similar asset items, estimated expected cash flows from acquired assets or estimated payments required to fulfil the obligation. The fair value of the additional purchase price is determined based on a forecast of the parameters in accordance with the terms of the additional purchase price over the period defined in the terms.

In the view of management, the used estimates and assumptions are sufficiently reliable for determining fair value.

3.6 Depreciation, amortisation and impairment

EUR 1,000	2021	2020
Depreciation and amortisation by asset category		
Intangible assets		
Software and licences	31	107
Amortisation of acquisition costs	3,059	1,898
Property, plant and equipment		
Buildings	7	7
Improvements to premises	170	147
Machinery and equipment	303	373
Right-of-use assets	3,915	3,534
Total	**7,485**	**6,066**
Total depreciation and amortisation	**7,485**	**6,066**

In the fiscal years 2021 and 2020, the Group did not recognise impairment losses.

3.7 Other operating expenses

EUR 1,000	2021	2020
Cost of premises	1,101	1,112
IT costs	5,585	4,622
Voluntary personnel expenses	3,214	3,026
Travel	291	422
External services	1,851	1,414
Other expenses	1,439	2,683
Total	**13,482**	**13,279**

In addition to information technology, IT costs include the cost of communication solutions. Voluntary personnel expenses primarily include expenses tied to Digia's personnel benefits. Both expected and realised credit losses are recognised in other operating expenses.

Auditors' fees

EUR 1,000	2021	2020
Audit, KPMG Oy Ab	96	104
Audit, other	39	0
Other statutory duties	2	4
Tax counselling	2	0
Other services	17	1
Total	**157**	**109**

In 2021, KPMG Oy Ab invoiced EUR 96.0 (104.2) thousand for auditing and EUR 18.7 (4.7) thousand for other services. Audit fees are included in other operating expenses.

Research and development costs

EUR 1,000	2021	2020
Research and development costs	6,103	5,956
Total	**6,103**	**5,956**

The R&D spend includes the development of the company's own products carried out largely by in-house personnel and recognised in personnel expenses. When external services are used for this purpose, the expenses are recognised in other operating expenses.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

3.8 Income taxes

EUR 1,000	2021	2020
Current tax	3,390	3,178
Taxes from previous periods	-20	-12
Deferred tax	-570	-335
Total	**2,801**	**2,830**

Reconciliation between the tax expenses in the income statement and taxes calculated at the tax rate valid in the Group's home country (20 per cent):

EUR 1,000	2021	2020
Profit before taxes	14,573	13,458
Taxes calculated at the domestic corporation tax rate	2,912	2,692
Deviating tax rates of foreign subsidiaries	11	-
Income not subject to tax	-51	-3
Non-deductible expenses	18	45
Other items	-73	97
Taxes from previous periods	-20	-
Total	**2,801**	**2,830**
Taxes in the income statement	**2,801**	**2,830**

Accounting principle – current tax

Income taxes recognised in the income statement include taxes based on taxable income for the financial period, adjustments to taxes for previous periods, as well as changes in deferred taxes. Tax based on taxable income for the period is calculated using the corporate income tax rate applicable in each country (Finland, Sweden and the Netherlands).

3.9 Deferred tax assets and liabilities

Changes in deferred taxes during 2021:

EUR 1,000	1 Jan 2021	Recognised in income statement	Acquired business operations	31 Dec 2021
Deferred tax assets:				
Provisions	277	-30	-	247
Share-based payments	70	78		149
Other items	167	33	45	244
Total	**513**	**82**	**45**	**640**

EUR 1,000	1 Jan 2021	Recognised in income statement	Acquired business operations	31 Dec 2021
Deferred tax liabilities:				
Allocation of acquisitions	1,115	-557	1,079	1,638
Other items	-	69	170	239
Total	**1,115**	**-488**	**1,249**	**1,877**

EUR 1,000	1 Jan 2020	Recognised in income statement	Acquired business operations	31 Dec 2020
Deferred tax assets:				
Provisions	277	-	-	277
Share-based payments	182	-112		70
Other items	99	68	-	167
Total	**558**	**-45**	**-**	**513**

EUR 1,000	1 Jan 2020	Recognised in income statement	Acquired business operations	31 Dec 2020
Deferred tax liabilities:				
Allocation of acquisitions	1,250	-380	245	1,115
Total	**1,250**	**-380**	**245**	**1,115**

Accounting principle – deferred taxes

Deferred tax receivables and liabilities are recognised for temporary differences between the taxable values and book values of asset and liability items. Temporary differences arise from obligatory provisions, the share-based incentive scheme, and revaluation at fair value in connection with acquisitions. Deferred taxes are determined on the basis of the tax rate enacted by the balance sheet date. Deferred tax receivables are recognised up to the probable amount of taxable income in the future, against which the temporary difference can be utilised.

3.10 Earnings per share

	2021	2020
Profit for the period attributable to parent company shareholders (EUR 1,000)	11,758	10,627
Weighted average number of shares during the period	26,647,118	26,687,854
Earnings per share, EUR, undiluted	0.44	0.40
Earnings per share, EUR, diluted	0.44	0.39

Accounting principle – earnings per share

Basic earnings per share are calculated by dividing the earnings before tax for the accounting period attributable to the parent company's shareholders by the weighted average of shares outstanding during the accounting period. Own shares held by the company are not included in the calculation of the weighted average of shares outstanding. When calculating diluted earnings per share, the impact of the share-based incentive scheme is taken into consideration.

4 Human resources

Group personnel on average during the period	2021	2020
Business units	1,285	1,219
Administration and management	49	42
Total	**1,334**	**1,261**

4.1 Personnel expenses

EUR 1,000	2021	2020
Salaries and remunerations	81,345	76,933
Pension costs, defined-contribution plans	12,878	10,877
Share-based payments	392	350
Other personnel expenses	4,448	2,437
Total	**99,063**	**90,597**

The total remuneration Digia offers to employees consists of salaries, fringe benefits and short-term incentives (see 4.4). Share-based payments include the annual costs of the management incentive scheme. Information on share-based payments is provided in Note 4.4 Share-based payments. Additional information on the remuneration of key employees is also provided in Note 7.6 Related party transactions.

4.2 Pension liabilities

Digia's pension schemes are arranged through external pension insurance companies in Finland, Sweden and the Netherlands.

Accounting principle – pension liabilities

The Group's pension schemes are defined contribution plans, and payments are recognised in the income statement during the period to which the payment applies.

4.3 Personnel remuneration

Employee remuneration is based on fixed monthly or hourly pay. Part of the employees are covered by target bonus schemes. The key indicators of the target bonus scheme for sales are the value of agreements or the value of agreements and net sales. The key indicators of the short-term target bonus scheme are consolidated net sales and operating profit. Employees have access to extensive occupational healthcare services. In addition, all employees have medical expenses insurance from an insurance company as well as telephone and fitness benefits.

4.4 Share-based payments

Digia has incentive schemes where payments are made either in equity instruments or in cash. The benefits granted through these arrangements are measured at fair value on the date of their being granted and recognised as expenses in the income statement evenly during the vesting period. The impact of these arrangements on the financial results is shown in the income statement under the cost of employee benefits and the impact on the balance sheet as a change in shareholders' equity.

On 7 February 2020, Digia Plc's Board of Directors decided to establish a new long-term share-based incentive scheme that covers the calendar years 2020–2022. The scheme offers participants the chance to earn company shares if the targets set by the Board of Directors for the three-year bonus period are reached. In principle, the target group confirmed by the Board of Directors consists of the CEO and the company's senior executives. The scheme is designed to align the goals of the company's shareholders and management in order to increase the company's value, and to commit executive management to the company and its long-term objectives.

The targets of the scheme are based on the company's net sales and total shareholder return (TSR). The earnings period for the turnover and TSR indicators is three years (2020–2022), and the targets for both indicators have been set for the final date of the earnings period. During the bonus period, the company's CEO and other scheme participants are entitled to a bonus equivalent to a maximum of 525,000 new Digia Plc shares. If the terms are met, the bonuses for both indicators based on the new scheme will be paid at the end of the reward period in the spring of 2023. All bonuses under this scheme will be paid as a 50/50 combination of shares and cash. The cash portion of the bonus will primarily be used to cover taxes and other comparable costs arising from the scheme.

As a rule, the bonus will not be paid if a member resigns or if a member's employment or post is terminated prior to the bonus payment date specified in the incentive scheme. Under certain conditions, the Board has the option to decide on possible bonuses in accordance with the pro-rata principle.

Basic information on the share incentive scheme is presented on the next page.

	President and CEO's share-based incentive scheme 2020–2022	Key personnel's share-based incentive scheme 2020–2022
Granting date	7 Feb 2020	7 Feb 2020
Implementation	Shares and cash	Shares and cash
Target group	President & CEO	Key personnel
Maximum number of shares *	180,000	345,000
Beginning of the earning period	1 Jan 2020	1 Jan 2020
End of the earning period	31 Dec 2022	31 Dec 2022
Vesting condition	Net sales and TSR Employment requirement	Net sales and TSR Employment requirement
Maximum validity, years	3.2	3.2
Remaining validity, years	1.3	1.3
Number of persons (31 Dec 2021)	1	11

* The amounts include the cash portion (in shares) granted according to the terms of the incentive scheme.

Transactions carried out in the 2021 fiscal year are presented in the table below. Because the cash portion of the bonus payment is also recorded as a share-based expense, the sums below are gross, i.e. the bonuses include the shares and the equivalent cash sum.

Events in 2021 fiscal year	President and CEO's share-based incentive scheme 2020–2022	Key personnel's share-based incentive scheme 2020–2022
Gross amounts, 1 Jan 2021		
Outstanding at beginning of period	170,000	283,000
Changes during the period		
Granted during the year	10,000	72,604
Forfeited during the year	-	96,142
Exercised during the year	-	-
Gross amounts, 31 Dec 2021		
Outstanding at end of period	180,000	269,462

Accounting principle – share-based incentive scheme

The targets of the share-based scheme are based on the Group's net sales and total shareholder return (TSR). The accrual of expenses from the incentive scheme is recognised annually, assessing the total cost impact of the scheme at the level estimated by management. If estimates of the total cost impact of the scheme change, the cost is amended in the period during which the change becomes known for the first time.

Immediate costs relating to the acquisition of Digia Plc's own shares are recognised as deductions in shareholders' equity.

The parent company complies with Statement 2020/1998 of the Accounting Board (KILA) in the FAS treatment of share-based incentive schemes, as the terms and conditions of such schemes are irrevocably fulfilled only at the end of the incentive period.

Allocation of incentives under the terms and conditions of the share-based incentive scheme does not require an employee covered by the scheme to make a cash payment as consideration, and thus has no effect on the parent company's income statement and balance sheet. Once the incentive period has ended and the terms and conditions of the scheme have been fulfilled, ownership of said shares is transferred to the employee in question and does not result in an event that would be recognised in the bookkeeping of the parent company.

Expense effect of share-based incentive schemes on 2021 consolidated result

Effect on earnings and financial position, EUR 1,000	President and CEO's share-based incentive scheme 2020–2022	Key personnel's share-based incentive scheme 2020–2022	Total
Share-based payment expense for the fiscal year	152	241	392
Share-based payments, shareholders' equity, 31 Dec 2021	152	241	392

Comparison data for 2020

Effect on earnings and financial position, EUR 1,000	President and CEO's share-based incentive scheme 2020–2022	Key personnel's share-based incentive scheme 2020–2022	Total
Share-based payment expense for the fiscal year	190	161	350
Share-based payments, shareholders' equity, 31 Dec 2020	190	161	350

5 Working capital

Digia ensures optimal working capital through the turnover of accounts receivable and payable. Additional information on accounts receivable is provided in Note 6.2.

5.1 Change in working capital

EUR 1,000	2021	2020
Change in accounts receivable	-4,504	1,875
Change in accounts payable	1,300	939
Total	**-3,204**	**2,815**

5.2 Accounts payable and other liabilities

EUR 1,000	2021	2020
Accounts payable	6,160	4,860
Other liabilities	14,996	8,210
Total	**21,156**	**13,070**

Accounts payable are non-interest-bearing and are paid mainly within 14-90 days.

Other liabilities include project-related advance payments from customers, VAT liabilities, other short-term liabilities, and liabilities due to personnel expenses.

Accounting principle – accounts payable and other liabilities

The carrying amounts of accounts payable and other liabilities are considered to correspond to their fair values due to the short-term nature of these items.

6 Capital structure

6.1 Capital management and net liabilities

The Group's capital management aims at supporting company business by means of optimal management of the capital structure, ensuring normal operating conditions and increasing shareholder value with a view to achieving the best possible profit. At the end of the year, the Group's interest-bearing net liabilities were EUR 10.7 million (31 Dec. 2020: EUR 10.5 million). When calculating net gearing, the interest-bearing net liabilities are divided by shareholders' equity as indicated in the consolidated balance sheet. Gearing includes interest-bearing net liabilities less cash and cash equivalents. Interest-bearing liabilities comprise loans from financial institutions and lease liabilities in accordance with IFRS 16. Net gearing at the year-end 2021 was 16% (2020: 17%).

The share of liabilities of total shareholders' equity was as follows on 31 December 2021 and 31 December 2020:

EUR 1,000	2021	2020
Interest-bearing liabilities	28,811	26,941
Cash and cash equivalents	18,148	16,410
Interest-bearing net liabilities	10,663	10,531
Total shareholders' equity	68,072	60,737
Net gearing, %	16%	17%

Net gearing = Net liabilities/Total shareholders' equity

Additional information on shareholders' equity is presented in Note 6.7 and on interest-bearing liabilities in Note 6.3.

6.2 Financial assets

Amortised cost:

Accounts receivable and other receivables

EUR 1,000	2021	2020
Accounts receivable and other receivables		
Accounts receivable	26,618	22,115
Receivables arising from customer agreements	1,645	1,782
Prepayments and accrued income	4,101	1,365
Other receivables	1,599	855
Accounts receivable and other receivables	**33,963**	**26,115**

EUR 1,000	2021	2020
Not yet due	25,641	19,896
Due 1-30 days ago	771	668
Due 31-90 days ago	171	108
Due more than 90 days ago	36	1,442
Total	**26,618**	**22,115**

Accounts receivable are mainly attributable to invoicing of Finnish companies and organisations. At the end of the 2021 fiscal year, credit losses totalled EUR 9 (-2) thousand.

The book value of accounts receivable, receivables from customer agreements and security deposits for rental dues is a reasonable estimate of their fair value. Their balance sheet values best correspond with the sum of money that represents the maximum amount of credit risks. Receivables from customer agreements comprise completed work that has not been invoiced. Typically, these are fixed or target price projects in which it has been agreed that invoices will be sent after sub-deliveries are accepted. After invoicing, receivables from customer agreements are transferred to accounts receivable. Essential items included in prepayments and accrued income are associated with the accrual of statutory insurance premiums and other accrued expenses.

At fair value through profit or loss:

Other shares and holdings	31 Dec 2020	Change	31 Dec 2021
Other shares total	484	0	484
Total	**484**	**0**	**484**

Other shares include holiday cabins usable by personnel and golf shares.

Accounting principle – financial assets

Financial assets are classified at amortised cost and as financial assets recognised at fair value through profit or loss. Classification is based on the business model objective and contractual cash flows of investments or by applying the fair value option at the time of initial acquisition. All purchases and sales of financial assets are recognised on the transaction date.

Amortised cost: Financial assets measured at amortised cost comprise accounts receivable and receivables from customer agreements. Due to their nature, the carrying amount of short-term accounts receivable and other prepayments and accrued income is their fair value minus the amount of credit losses.

At fair value through profit or loss: Both realised and unrealised gains and losses due to fair value changes are recognised in the period in which they arise. Unlisted shares and participations owned by Digia are recognised at fair value through profit or loss.

Accounts receivable and receivables from customers on long-term projects

Accounts receivable and other receivables are measured at fair value less credit losses. The credit loss provision is based on management's estimate of expected credit losses in each accounts receivable category and contractual receivables.

Provision matrix for accounts receivable

Accounts receivable, EUR 1,000	Balance sheet values (gross)	Expected credit loss	Credit loss provision
Not yet due	25,641	0.1%	26
Due 1-30 days ago	771	0.2%	2
Due 31-90 days ago	171	1.5%	3
Due more than 90 days ago	36	2.5%	1
Total	**26,618**		**31**
Receivables related to customer contracts	1,645	0.1%	2

In addition to anticipated credit loss provisions, a customer-specific credit loss provision of EUR 13 thousand has been recognised.

Impairment of financial assets

The Group's credit loss provision is estimated based on expected credit losses on accounts receivable and receivables from customers in long-term projects over their entire period of validity (Note 5.2). Digia applies a simplified provision matrix to recognise the credit risk of accounts receivable. Thus the estimate of the credit loss provision is based on expected credit losses over the entire period of validity. The model based on expected credit losses is predictive, and the expected loss share is based on previous loss amounts. The expected credit losses for the entire period are calculated by multiplying the gross carrying amount of unpaid accounts receivable and receivables from customers on long-term projects by the expected loss share in each age category. Changes in expected credit losses are recognised in other operating expenses through profit or loss.

Cash and other cash equivalents

EUR 1,000	2021	2020	Fair value hierarchy level
Bank accounts	18,148	16,410	-
Bank credit facilities	4,500	3,000	
Total	**22,648**	**19,410**	

Accounting principle – cash and cash equivalents

Cash and cash equivalents are recognised at fair value.

6.3 Financial liabilities

The Group's financial liabilities include accounts with a credit facility, bank loans from financial institutions, lease liabilities and accounts payable. Digia did not use derivative instruments in the 2020 and 2021 fiscal years. Loans from financial institutions are subject to covenant terms that are described in more detail below.

Interest-bearing liabilities

The Group's bank loans on 31 December 2021 amounted to EUR 21.0 (16.9) million. Bank loans have floating interest rates tied to three- or six-month Euribor plus a margin. The average interest rate of the loans in 2021 was 1.2 per cent (1.1% in 2020). Total lease liabilities as at 31 Dec. 2021 amounted to EUR 7.8 (10.1) million. On 18 May 2021, Digia signed an agreement on new long-term bank financing of EUR 5.9 million with OP Corporate Bank Plc. The loan has a floating interest rate tied to 3-month Euribor plus a margin.

The loan covenant related to the Group's solvency and liquidity comprised the following key figure: operating profit before depreciation and amortisation (EBITDA) in relation to net debt. The company fulfilled the set loan covenants in 2020 and 2021. The maximum and minimum values specified in the loan covenants, and the realised figures on 31 December 2021 and 31 December 2020 were:

	31 Dec 2021	
	Covenant value	Realised value
Net debt / EBITDA, max.	3.5	0.5

	31 Dec 2020	
	Covenant value	Realised value
Net debt / EBITDA, max.	3.5	0.5

Credit facility

The company also has EUR 4.5 million in floating rate credit facilities at its disposal. More information on these facilities is provided in Note 6.6 on liquidity risk.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Balance sheet values and fair values of financial liabilities

EUR 1,000	2021 Fair values	2020 Fair values	2021 Balance sheet values	2020 Balance sheet values	Fair value hierarchy level
Non-current					
Bank loans	16,000	8,626	16,000	8,626	3
Lease liabilities			4,354	6,657	3
Total	**16,000**	**8,626**	**20,354**	**15,284**	
Current					
Bank loans	5,026	8,226	5,026	8,226	3
Lease liabilities			3,431	3,431	3
Total	**5,026**	**8,226**	**8,457**	**11,658**	
Total	**21,026**	**16,853**	**28,811**	**26,941**	

Accounts payable have not been included in the table above because the carrying amount of accounts payable is close to their fair value.

Interest-bearing liabilities fall due as follows:

Year, EUR 1,000	2021	2020
2022	8,457	4,686
2023	7,271	3,916
2024	8,159	6,157
2025	1,424	525
2026	3,500	-
Total	**28,811**	**15,284**

The tables below describe agreement-based maturity analysis results for 2021 and the 2020 comparison period. The figures are undiscounted and include interest payments and the repayment of loan capital:

EUR 1,000					
31 Dec 2021	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
Bank loans	21,026	21,705	5,283	5,186	11,236
Lease liabilities	7,785	7,785	3,431	2,271	2,083
Accounts payable	6,160	6,160	6,160	0	0
Total	**34,971**	**35,650**	**14,874**	**7,457**	**13,319**

EUR 1,000					
31 Dec 2020	Balance sheet values	Cash flow	Less than 1 year	1–2 years	2–5 years
Bank loans	16,853	17,145	8,357	2,100	6,687
Lease liabilities	10,089	10,089	3,431	2,659	3,998
Accounts payable	4,860	4,860	4,860	0	0
Total	**31,801**	**32,093**	**16,649**	**4,760**	**10,685**

Accounts payable are recognised in the balance sheet at their original cost, which is equivalent to their fair value, because the effect of discounting is not material, considering the maturities of the liabilities.

Changes in financial liabilities with an effect on cash flow and no effect on cash flow in 2021

		Changes with an effect on cash flow	Changes with no effect on cash flow	
EUR 1,000	**1 Jan**		**Changes in leases**	**31 Dec**
Non-current interest-bearing financial liabilities including a current component				
Loans from financial institutions	16,800	4,200		21,000
Lease liabilities	10,089	-3,898	1,594	7,785
Total	**26,889**	**302**	**1,594**	**28,785**
Current interest-bearing liabilities	26	69		95

Changes in financial liabilities with an effect on cash flow and no effect on cash flow in 2020

EUR 1,000	1 Jan	Changes with an effect on cash flow	Changes with no effect on cash flow Changes in leases	31 Dec
Non-current interest-bearing financial liabilities including a current component				
Loans from financial institutions	19,100	-2,300		16,800
Lease liabilities	9,275	-2,763	3,577	10,089
Total	**28,375**	**-5,063**	**3,577**	**26,889**
Current interest-bearing liabilities	53	-26		26

Accounting principle – financial liabilities

The Group's financial liabilities are classified in two categories: measured at amortised cost and fair value through profit or loss. Financial liabilities are initially recognised in the accounts at fair value on the basis of the consideration received. Financial liabilities are included in non-current and current liabilities and may be interest-bearing or non-interest-bearing. Loans falling due in less than 12 months are presented under current financial liabilities.

6.4 Lease liabilities

A more detailed description of leases is provided in Note 7.4.

Lease liabilities (EUR 1,000)	31 Dec 2021	31 Dec 2020
Long-term	4,354	6,657
Short-term	3,431	3,431
Lease liabilities, total	**7,785**	**10,089**
Maturity distribution		
Within one year	3,431	3,431
More than a year and within five years	4,354	6,657
Over five years	0	0
Interest expenses	180	174
Exemptions on recognition and measurement		
Costs of agreements on low-value asset items	1,015	1,050
Future cash flows from:		
Commitments to future agreements	0	701
Short-term lease commitments	27	0

Contingent liabilities

EUR 1,000	2021	2020
Bank guarantees for lease agreements	594	634

6.5 Financial income and expenses

Financial income

EUR 1,000	2021	2020
Interest income from accounts receivable	43	31
Dividend income	5	10
Exchange rate gains	412	0
Other financial income	80	43
Total	**540**	**84**

Financial expenses

EUR 1,000	2021	2020
Interest expenses for financing loans valued at amortised cost	324	237
Interest expenses for leases	180	174
Interest expenses for accounts payable	8	3
Loan administration fees	47	25
Exchange rate losses	18	82
Other financial expenses	69	206
Total	**646**	**728**

6.6 Financial risks

Financial risk management consists, for instance, of the planning and monitoring of solvency of liquid assets, the management of investments, receivables and liabilities denominated in a foreign currency, and the management of interest rate risks on non-current interest-bearing liabilities.

Digia Plc's internal and external financing and the management of financing risks is concentrated in the finance and financial management unit of the Group's parent company. The unit is responsible for the Group's liquidity, sufficiency of financing, and the management of interest rate and currency risk. The Group is exposed to several financial risks in the normal course of business.

The Group's risk management seeks to minimise the adverse effects of changes in financial markets on the Group's earnings. The primary types of financial risks are interest rate risk, credit risk, and liquidity risk. The general principles of risk management are approved by the parent company's Board of Directors, and the Group's finance and financial management unit together with the business segments are responsible for their practical implementation.

Interest rate risks

The Group's interest rate risk is primarily associated with long-term bank loans whose interest rates are linked to Euribor rates. Changes in market interest rates have a direct effect on the Group's future interest payments. During the 2021 fiscal year, the interest rate on long-term bank loans varied between 0.95% and 1.7% (in 2020, between 0.95% and 1.4%). The impact of a +/-1% change in the loan's interest rate is EUR 0.2 million per annum. Interest rate developments are monitored and reported on regularly in the Group. Possible interest rate hedges will be made with the appropriate instruments. At the end of the 2020 and 2021 fiscal years, the Group did not have any hedging instruments in force.

Credit loss risk

The Group's customers are mostly well-known Finnish and foreign companies with well-established credit, and thus the Group is deemed to have no significant credit loss risks. The Group continuously assesses the increase in credit risk after initial recognition on the basis of changes in the default risk.

The Group's policy defines creditworthiness requirements for customers and investment transactions with the aim of minimising credit losses. Services and products are only sold to companies with a good credit rating. The counterparties in investment transactions are companies with a good credit rating. Credit loss risks associated with commercial operations are primarily the responsibility of operational units. The parent company's finance and financial management unit provides customer financing services in a centralised manner and ensures that the Group's guidelines are observed with regard to terms of payment and collateral required.

The credit loss provision totalled EUR 33 thousand on 31 Dec. 2021 (31 Dec. 2020: EUR 70 thousand). The maturity analysis of accounts receivable and receivables from customer agreements for 2020 and 2021 is presented in Note 6.2. The Group has no identified risk concentrations.

Foreign exchange risks

The Group's currency risks are related to the receivables, liabilities and investments of the Swedish and Danish subsidiaries as well as the Finnish companies' accounts receivable and payable denominated in foreign currency. On 31 December 2021, accounts receivable denominated in foreign currency amounted to EUR 2,267 thousand and accounts payable denominated in foreign currency to EUR 860 thousand (on 31 December 2020, accounts receivable amounted to EUR 25 thousand and accounts payable to EUR 81 thousand).

Liquidity risk

The Group aims to continuously estimate and monitor the amount of financing required for business operations in order to maintain sufficient liquid funds for financing operations and repaying loans falling due. The Group maintains its immediate liquidity with the help of cash management solutions such as Group accounts and credit facilities at banks. The amount of unwithdrawn standby credit on 31 December 2021 was EUR 4.5 million (31 December 2020: EUR 3.0 million). Cash and cash equivalents on 31 December 2021 amounted to a total of EUR 18.1 million (31 December 2020: EUR 16.4 million). The contractual maturity analysis of financial liabilities is presented in Note 6.3.

6.7 Shareholders' equity

	Number of shares	Share capital (EUR 1,000)
1 Jan 2020	26,823,723	2,088
31 Dec 2020	26,823,723	2,088

	Number of shares	Share capital (EUR 1,000)
1 Jan 2021	26,823,723	2,088
31 Dec 2021	26,823,723	2,088

The accounting countervalue of the shares is EUR 0.10 per share and the maximum number of shares is 48 million (48 million in 2020). All shares grant equal rights to their holders. The Group's maximum share capital is EUR 4.8 million (EUR 4.8 million in 2020). All outstanding shares are paid in full. On 31 December 2021, the company held 97,369 of its own shares (31 December 2020: 57,372), or 0.4 per cent of all shares (31 December 2020: 0.2%). At the end of the fiscal year, 138,222 of these shares remained undistributed and were under the management of EAM Digia Holding Oy (31 December 2020: 88,222).

Reserves

Other funds have consisted of M&A-related structural changes in previous years. Translation differences comprise translation differences arising from the translation of financial statements of non-Finnish units. The unrestricted shareholders' equity reserve comprises investments similar to shareholders' equity and the subscription price of shares when a specific decision is made not to enter it in shareholders' equity.

Dividends

A dividend of EUR 0.17 per share is proposed for the 2021 fiscal year. A dividend of EUR 0.15/share was paid for the 2020 fiscal year, to a total of EUR 4,001,719.35. Dividends were paid on 26 March 2021.

Accounting principle – dividends

Dividends proposed by the Board of Directors will not be deducted from distributable shareholders' equity before the Board's decision has been received.

Calculation of the parent company Digia Plc's distributable funds, 31 Dec

EUR 1,000	2021	2020
Unrestricted shareholders' equity reserve	42,540	42,540
Retained earnings	9,750	6,256
Net profit	9,533	8,126
Total	**61,824**	**56,922**

7 Other items

7.1 Goodwill

Goodwill and impairment testing

Digia's goodwill has been generated by several acquisitions. Goodwill amounted to EUR 71.9 million at the end of the 2021 fiscal year (31 December 2020: EUR 61.5 million). The goodwill of the businesses acquired in 2021 accounted for EUR 10.4 million and the goodwill of those acquired in 2020 for EUR 3.7 million.

	Goodwill 2021	Goodwill 2020
Acquisition cost, 1 Jan	112,872	109,165
Increases	10,437	3,707
Acquisition cost, 31 Dec	123,309	112,872
Accumulated amortisation, 1 Jan	-51,394	-51,394
Accumulated depreciation and amortisation, 31 Dec	-51,394	-51,394
Book value, 1 Jan	61,478	57,771
Book value, 31 Dec	71,915	61,478

Accounting principle – goodwill

Goodwill is recognised from the acquisition as the difference between points 1 and 2 below:

1. Sum of the following items:
   » The fair value of the consideration paid at the time of acquisition.
   » The amount of any non-controlling interest in the object of acquisition.
   » The fair value of any previously held non-controlling interest in the object of acquisition, in the case of a phased business combination.

2. The net sum of the acquisition date assets acquired and liabilities assumed.

No amortisation is booked on goodwill but it is tested annually for impairment. For this purpose, goodwill is allocated to cash generating units. Goodwill is recognised at the original cost from which the impairment is deducted.

Impairment testing of assets

Goodwill impairment testing is performed at Group level, with the Group as the cash-generating unit. The tables below show the distribution of goodwill and balance sheet values of other asset items subject to testing at the end of the reporting period:

EUR 1,000	Intangible assets	Goodwill	Other items	Balance sheet value of assets subject to testing, total
31 Dec 2020	5,576	61,478	17,968	85,022
31 Dec 2021	8,007	71,915	11,351	91,273

The current values of the expected future cash flows of Digia's operations on 31 Dec. 2020 and 31 Dec. 2021 were calculated for a five-year forecast period based on the following assumptions:

In the five-year forecast period, annual growth in net sales is expected to be 5.0 per cent (8.0) and 2 per cent (2.0) thereafter, operating profit of 8.0 per cent (8.0) and a pre-tax discount rate of 11.0 per cent (11.0). Post-forecast-period cash flows were extrapolated using the same assumptions as for the forecast period. The discount rate used is the average cost of capital (WACC).

Sensitivity analysis

Management tests the impacts of changes in the significant estimates used in forecasts with sensitivity analyses.

The most important factors in goodwill sensitivity analyses are not only the cash flow forecasts and their assumptions, but also the growth percentage of the terminal value and the discount rate used. If -16.4 per cent had been used as the growth percentage of the terminal value, instead of 2.0 per cent, the value in use would have corresponded to the value subject to testing. If 16.9 per cent had been used as the discount rate, instead of 11.0 per cent, the value in use would have corresponded to the value subject to testing. If the operating margin were 3.7 per cent, instead of 8.0 per cent, the value in use would correspond to the value subject to testing.

In addition, a sensitivity analysis of net sales growth and operating profit has been carried out. According to the sensitivity analysis, goodwill requires either net sales to remain at the current level with profitability of 5.7 per cent, or a 2.0 per cent growth in net sales with profitability of 4.4 per cent.

Significant estimate – main assumptions used in impairment testing of goodwill

Management applies significant estimates and judgements in assessing the development of the Group's net sales and costs, the applicable tax rates, and the impact of changes in market conditions on the Group's earnings trend. Cash flow forecasts are based on the Group's actual result and management's best estimates of future financial performance. Cash flow forecasts include the budgeted figure for the next fiscal year and projected figures for the next five years. Growth rates are based on management's estimates of growth in future years.

Accounting principle – impairments

On the balance sheet date, it is estimated whether there is evidence that the value of a tangible or intangible asset may have been impaired. If there is evidence of impairment, the amount recoverable from the asset is estimated. In addition, the recoverable amount is estimated annually on goodwill regardless of whether there is an indication of impairment or not. The need for impairment is reviewed at the level of cash generating units, which refers to the lowest level of unit that is mainly independent of other units and whose cash flows can be separated from other cash flows. If the carrying amount exceeds the recoverable amount, an impairment loss is recognised in the income statement. An impairment loss recognised for goodwill will not be reversed under any circumstances.

7.2 Property, plant and equipment

2021

EUR 1,000	Right-of-use assets	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2021
Acquisition cost, 1 Jan	16,322	162	23,389	724	40,598
Increases	1,202		104	11	1,318
Transferred through business combinations	1,899		63	1	1,962
Decreases	-1,489	-	-	-	-1,489
Acquisition cost, 31 Dec	17,935	162	23,555	735	42,388
Accumulated depreciation and amortisation, 1 Jan	-7,051	-132	-22,802	-354	-30,339
Depreciation for the period	-3,915	-7	-303	-170	-4,395
Accumulated depreciation and amortisation, 31 Dec	-10,966	-138	-23,106	-524	-34,734
Book value, 1 Jan	9,272	31	586	370	10,259
Book value, 31 Dec	6,969	25	449	212	7,655

2020

EUR 1,000	Right-of-use assets	Buildings and structures	Machinery and equipment	Other tangible assets	Total 2020
Acquisition cost, 1 Jan	12,667	162	23,152	340	36,322
Increases	3,767		222	383	4,373
Transferred through business combinations	-		14	-	14
Decreases	-111	-	-	-	-111
Acquisition cost, 31 Dec	16,322	162	23,389	724	40,598
Accumulated depreciation and amortisation, 1 Jan	-3,517	-125	-22,429	-207	-26,278
Depreciation for the period	-3,534	-7	-373	-147	-4,061
Accumulated depreciation and amortisation, 31 Dec	-7,051	-132	-22,802	-354	-30,339
Book value, 1 Jan	9,150	38	723	133	10,044
Book value, 31 Dec	9,272	31	586	370	10,259

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

Accounting principle – property, plant and equipment

Property, plant and equipment (PPE) are carried at cost less accumulated depreciation and impairment. Assets are depreciated over their estimated useful lives. Depreciation is not booked for land areas. Estimated useful lives are as follows:

Machinery and equipment	3–8 years
Leasehold improvement expenditure	3–5 years
Buildings and structures	25 years

The residual value and useful life of assets is reviewed on each balance sheet date and, if necessary, adjusted to reflect any changes in expected economic value.

Capital gains and losses on elimination and the transfer of property, plant and equipment are included either in other operating income or expenses.

7.3 Intangible assets

2021

EUR 1,000	Goodwill	Development expenses	Other intangible assets	Intangible assets in progress	Allocated assets related to acquisitions	Total 2021
Acquisition cost, 1 Jan	112,782	2,487	27,544	736	9,914	153,553
Increases	10,254	-	43	2,726	-	13,022
Translation difference	183	-	-	-	93	276
Transferred through business combinations	-	-	-		5,397	5,397
Decreases	-	-	-	-625	-	-625
Acquisition cost, 31 Dec	123,309	2,487	27,587	2,837	15,404	171,623
Accumulated depreciation and amortisation, 1 Jan	-51,394	-2,487	-27,525	-	-4,337	-85,743
Depreciation for the period	-	-	-31	-	-3,039	-3,070
Translation difference	-	-	-	-	-20	-20
Accumulated depreciation and amortisation, 31 Dec	-51,394	-2,487	-27,555	-	-7,396	-88,833
Book value, 1 Jan	61,478	0	20	736	5,576	67,810
Book value, 31 Dec	71,915	0	32	2,837	8,007	82,790

2020

EUR 1,000	Goodwill	Development expenses	Other intangible assets	Intangible assets in progress	Allocated assets related to acquisitions	Total 2020
Acquisition cost, 1 Jan	109,165	2,487	27,544	-	8,691	147,887
Increases	3,707	-	-	736	-	4,443
Transferred through business combinations			-	-	1,223	1,223
Decreases	-	-	-	-	-	-
Acquisition cost, 31 Dec	112,872	2,487	27,544	736	9,914	153,553
Accumulated depreciation and amortisation, 1 Jan	-51,394	-2,487	-27,418	-	-2,439	-83,738
Depreciation for the period	-	-	-107	-	-1,898	-2,005
Accumulated depreciation and amortisation, 31 Dec	-51,394	-2,487	-27,525	-	-4,337	-85,743
Book value, 1 Jan	57,771	0	126	736	6,252	64,149
Book value, 31 Dec	61,478	0	20	736	5,576	67,810

Accounting principle – intangible assets

Allocated assets related to acquisitions comprise customer agreements and technologies with a limited useful life. They are entered in the balance sheet under intangible assets and recognised as expenses in the income statement by straight-line depreciation over their useful life, which is typically 2–9 years.

Other intangible assets comprise capitalised IT software licenses. The depreciation period of licences is three years.

Prepayments and intangible assets in progress include capitalisations related to the new business platform and management system (Digia Business Engine) during the fiscal year, inclusive of both services provided by external experts and work performed by in-house personnel. Digia Business Engine will be deployed in phases starting in 2022. On deployment, this item will then be included in other intangible assets.

Research costs are recognised as expenses. Development costs are capitalised if they fulfil the capitalisation criteria for development costs.

The accounting for cloud computing arrangements depends on whether the cloud-based software classifies as a software intangible asset or a service contract. Those arrangements where the Company does not have control over the underlying software are accounted for as service contracts providing the Company with the right to access the cloud provider's application software over the contract period. The ongoing fees to obtain access to the application software, together with related configuration or customisation costs incurred, are recognised under other operating expenses when the services are received.

7.4 Right-of-use assets

Leases in the balance sheet:

EUR 1,000	1 Jan 2021	Depreciation	Increases	Decreases	31 Dec 2021
Business premises	8,500	-3,350	2,540	-1,325	6,366
Cars	514	-252	300	-164	398
IT equipment	216	-168	261	-105	205
Equipment	41	-41	0	0	0
Right-of-use assets, total	9,272	-3,811	3,102	-1,593	6,969

EUR 1,000	1 Jan 2020	Depreciation	Increases	Decreases	31 Dec 2020
Business premises	7,929	-2,980	3,552	0	8,500
Cars	676	-267	215	-111	514
IT equipment	422	-205	0	0	216
Equipment	123	-82	0	0	41
Right-of-use assets, total	9,150	-3,534	3,767	-111	9,272

Accounting principle – lease agreements

IFRS 16 sets out the requirements for the recognition, measurement, and disclosure of leases that have been complied with. Under the standard, the lessee shall recognise lease contracts in the balance sheet as a lease liability and related right-of-use asset. At the commencement date of the contract, the lessee recognises a liability for its obligation to make lease payments and an asset for its right to use the leased asset. Interest expenses must be recognised for the liability in the balance sheet and depreciation for the asset.

Digia leases its business premises, company cars, equipment and multifunction devices, and thus the adoption of the standard has had an impact on the accounting treatment of these items. The bulk of the lease liability and right-of-use asset in the balance sheet comprises lease contracts for offices. Digia has applied exemptions permitted under IFRS 16 for short-term lease contracts. Such lease contracts with a term of less than 12 months have not been recognised in the balance sheet. In addition, Digia does not recognise an asset and liability in the balance sheet for leases of low value assets. Calculations of the right-of-use asset and corresponding lease liability are based on the company's estimate of the duration of current lease contracts and potential use of options to extend them.

7.5 Notes to the cash flow statement

Adjustments to net profit

EUR 1,000	2021	2020
Depreciation, amortisation and impairment	7,485	6,066
Transactions that do not involve a payment transaction	-1,183	355
Change in receivables and liabilities related to customer agreements	-379	5,827
Financial income and expenses	107	644
Taxes	3,369	3,165
Total	**9,398**	**16,057**

7.6 Related party transactions

Two parties are considered related if one party can exercise control or significant power in decision-making associated with the other party's finances and business operations. The related parties of the Group's parent company, Digia Plc, include the following entities:

- subsidiaries
- members of the Board of Directors and the Group's Management Team, including the CEO (key management)
- the family members of said persons, and
- companies under the control of related parties.

The amounts presented in the tables below correspond to the costs recognised as expenses in the fiscal years in question. Wages and salaries include any share-based incentive scheme benefits and fringe benefits.

Remuneration paid to key management during the fiscal period, including fringe benefits, was as follows:

EUR 1,000	2021	2020
Salaries and other short-term employee benefits	1,586	1,572
Performance bonuses	478	481
Share-based bonuses	0	525
Cash component of the share-based incentive scheme	0	517
Total	**2,064**	**3,096**

The CEO and the Group's other management are provided with pension coverage under the Finnish Employees' Pension Act (TyEL).

The members of the Board of Directors and the CEO have received the following salaries and fees:

EUR 1,000		2021	2020
Ala-Härkönen Martti	Member of the Board	61	37
Elsinen Santtu	Member of the Board	57	36
Hokkanen Päivi	Member of the Board	63	38
Ingman Robert	Chair of the Board of Directors	89	77
Ruotsalainen Seppo	Member of the Board	80	51
Taivainen Outi	Member of the Board	58	36
Levoranta Timo	CEO	428	826
Total		**834**	**1,100**

The Group's incentive schemes are described in Note 4.4 Share-based payments and in the separate report on corporate governance.

Related party transactions involving purchases of goods and services totalled EUR 104 thousand (2020: EUR 213 thousand) and consisted mainly of marketing services. Related party transactions involving sales totalled EUR 907 thousand (2020: EUR 464 thousand) and consisted mainly of expert services. Sales of services to related parties are based on the Group's current prices. The Group has no related-party loans or voluntary pension arrangements.

Group companies	Domicile	Domestic segment	Share of ownership	Share of votes
Digia Plc	Helsinki	Finland	Parent company	
Digia Finland Ltd	Helsinki	Finland	100%	100%
Digia Hub Oy	Helsinki	Finland	100%	100%
Solasys Oy	Turku	Finland	100%	100%
Digia Sweden Ab	Stockholm	Sweden	100%	100%
Climber International AB	Stockholm	Sweden	100%	100%
Climber Finland Oy	Helsinki	Finland	100%	100%
Climber Benelux B.V.	Hengelo	Netherlands	80%	80%
Climber Danmark ApS	Copenhagen	Denmark	100%	100%
Climber Holding AB	Stockholm	Sweden	100%	100%
Climber AB	Stockholm	Sweden	100%	100%

7.7 Events after the balance sheet date

There have been no major events since the balance sheet date.

8 Formulas for the indicators and reconciliations

The indicators are unaudited.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

8.1 Formulas for the indicators

Net sales growth, %:

$$\frac{\text{Net sales for the period x 100}}{\text{Net sales for the comparison period}}$$

Operating profit (EBIT):

Profit for the period + income taxes + financial income and expenses

Operating profit (EBITA):

Operating profit plus purchase price allocation amortisation

Operating profit (EBITA) margin, %

$$\frac{\text{(Operating profit + purchase price allocation amortisation) x 100}}{\text{Net sales}}$$

Return on investment (ROI),%:

$$\frac{\text{(Profit or loss before taxes + interest and other financing costs) x 100}}{\text{Balance sheet total – non-interest bearing financial liabilities (average)}}$$

Return on equity (ROE),%:

$$\frac{\text{(Profit or loss before taxes – taxes) x 100}}{\text{Shareholders' equity (average)}}$$

Equity ratio, %:

$$\frac{\text{(Shareholders' equity + minority interest) x 100}}{\text{Balance sheet total - advances received}}$$

Earnings per share (EPS), EUR:

$$\frac{\text{Profit for the period attributable to parent company shareholders}}{\text{Weighted average number of shares during the period}}$$

Earnings per share (EPS), EUR, diluted:

$$\frac{\text{Profit for the period attributable to parent company shareholders}}{\text{Diluted weighted average number of shares during the period}}$$

Dividend/share, EUR:

$$\frac{\text{Total dividend}}{\text{Number of shares at the end of the period, adjusted for share issues}}$$

Dividend payout ratio, %:

$$\frac{\text{Dividend per share}}{\text{Earnings per share}}$$

Net gearing, %:

$$\frac{\text{(Interest-bearing liabilities - cash and cash equivalents) x 100}}{\text{Shareholders' equity}}$$

Effective dividend yield, %:

$$\frac{\text{Dividend per share x 100}}{\text{Last trading price for the period, adjusted for share issues}}$$

Price/earnings (P/E):

$$\frac{\text{Last trading price for the period, adjusted for share issues}}{\text{Earnings per share}}$$

8.2 Reconciliation of alternative performance measures

As alternative performance measures, the Group reports operating profit plus purchase price allocation amortisation (EBITA), operating profit (EBIT), return on equity, return on investment, net gearing and equity ratio, which are not defined in IFRS. The company presents the alternative performance measures to describe the financial situation and development of business operations, as it considers this information necessary for investors.

Operating profit (EBITA)	31 Dec 2021	31 Dec 2020
Operating profit	14,680	14,102
Purchase price allocation amortisation	3,059	1,898
Operating profit (EBITA)	17,739	16,000

Return on equity, %	31 Dec 2021	31 Dec 2020
Profit before taxes	14,573	13,458
Taxes	-2,801	-2,830
Profit after taxes	11,772	10,627
Shareholders' equity (average for the year)	64,404	56,964
Return on equity, %	18.3%	18.7%

Return on investment, %	31 Dec 2021	31 Dec 2020
Profit before taxes	14,573	13,458
Financial expenses	-646	-728
Profit before taxes + financial expenses	15,219	14,186
Balance sheet total (average for the period)	132,059	117,597
Non-interest-bearing liabilities (average for the year)	38,470	31,552
Balance sheet total – non-interest bearing liabilities	93,589	86,044
Return on investment, %	16.3%	16.5%

Net gearing, %	31 Dec 2021	31 Dec 2020
Interest-bearing liabilities	28,811	26,941
Cash and cash equivalents	18,148	16,410
Shareholders' equity	68,072	60,737
Net gearing, %	15.7%	17.3%

Equity ratio, %	31 Dec 2021	31 Dec 2020
Shareholders' equity	68,072	60,737
Balance sheet total	143,040	121,078
Advance payments received	1,256	1,345
Balance sheet total - advances received	141,784	119,733
Equity ratio, %	48.0%	50.7%

9 Parent company's financial statements (FAS)

9.1 Parent company's income statement

EUR	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Net sales	1	13,387,000.00	10,980,087.50
Other operating income	2	41,934.00	36,445.00
Materials and services		0	-22,087.50
Personnel expenses	3	-4,100,382.01	-3,149,665.32
Depreciation, amortisation and impairment	4	-430,994.10	-455,022.52
Other operating expenses	5	-8,329,762.28	-6,760,051.70
		-12,819,204.39	-10,350,382.04
Operating profit		567,795.61	629,705.46
Financial income and expenses	6	-629,511.98	-693,791.44
Earnings before appropriations		-61,716.37	-64,085.98
Accumulated appropriations			
Group contribution		12,000,000.00	10,000,000.00
Profit before taxes		11,938,283.62	9,935,914.02
Income taxes	7	-2,405,101.58	-1,810,400.80
Net profit		9,533,182.05	8,125,513.22

9.2 Parent company balance sheet

EUR	Note	31 Dec 2021	31 Dec 2020
ASSETS			
FIXED ASSETS			
Intangible assets	8		
Intangible rights		28,841.99	7,544.10
Other long-term expenses		3,025,073.47	1,075,875.07
		3,053,915.46	1,083,419.17
Tangible assets	9		
Land and water areas		16,818.79	16,818.79
Buildings and structures		24,725.47	31,318.95
Machinery and equipment		367,278.34	507,277.51
Other fixed assets		1,210.95	1,210.95
		410,033.55	556,626.20
Investments	10		
Shares in Group companies		158,375,053.19	140,441,834.51
Other shares and holdings		480,004.54	480,004.54
		158,855,057.73	140,921,839.05
Total fixed assets		162,319,006.74	142,561,884.42

EUR	Note	31 Dec 2021	31 Dec 2020
CURRENT ASSETS			
Non-current receivables			
Prepayments and accrued income		302,222.43	1,851.72
Current receivables	11		
Accounts receivable		260.40	0
Receivables from Group companies		2,955,524.62	202,914.24
Other receivables		141,043.78	291,784.93
Prepayments and accrued income		1,028,612.86	360,468.73
		4,125,441.66	855,167.90
Cash and cash equivalents		7,762,533.69	8,332,394.96
Total current assets		12,190,197.78	9,189,414.58
Total assets		**174,509,204.52**	**151,751,299.00**

EUR	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Equity attributable to parent-company shareholders	12		
Share capital		2,087,564.50	2,087,564.50
Unrestricted shareholders' equity reserve		42,540,499.12	42,540,499.12
Retained earnings		9,749,865.95	6,256,157.44
Net profit		9,533,182.05	8,125,513.22
Total shareholders' equity		**63,911,111.62**	**59,009,734.28**
LIABILITIES			
Non-current liabilities			
Loans from financial institutions	13	16,000,000.00	8,600,000.00
Other non-current liabilities		2,324,000.00	2,000,000.00
		18,324,000.00	10,600,000.00
Current liabilities			
Accounts payable		902,901.78	393,288.95
Current interest-bearing liabilities	14	5,000,000.00	8,200,000.00
Liabilities to Group companies		79,449,092.38	72,599,547.35
Other liabilities		5,245,978.00	207,707.47
Accruals and deferred income		890,866.04	738,020.95
Taxes based on the net result for the year		785,254.70	3,000.00
		92,274,092.90	82,141,564.72
Total liabilities		**110,598,092.90**	**92,741,564.72**
Total shareholders' equity and liabilities		**174,509,204.52**	**151,751,299.00**

9.3 Parent company's cash flow statement

EUR	Note	1 Jan–31 Dec 2021	1 Jan–31 Dec 2020
Cash flow from operations:			
Net profit		9,533,182.05	8,125,513.22
Adjustments to net profit		-9,249,919.55	-7,120,272.93
Change in working capital		-2,090,324.04	5,235,494,92
Interest paid		-639,295.79	-603,883.68
Interest income		-	22.96
Taxes paid		-1,620,247.66	-2,667,538.32
Cash flow from operations		-4,066,604.99	2,969,336.17
Cash flow from investments:			
Purchases of tangible and intangible assets		-1,764,741.50	-1,201,873.40
Acquisition of subsidiary, net of cash acquired		-12,707,037.01	-5,179,515.85
Cash flow from investments		-14,471,778.50	-6,381,389.21
Acquisition of treasury shares			
Repayment of current loans		-630,085.36	-300,596.29
Withdrawals of current loans		-9,700,000.00	-2,300,000.00
Withdrawals of non-current loans		3,000,000.00	-
Group financing items 1		10,900,000.00	-
Group contribution		8,400,326.93	-45,050.32
Konserniavustus		10,000,000.00	13,000,000.00
Dividends paid	12	-4,001,719.35	-2,672,038.20
Cash flow from financing		17,968,522.22	7,682,315.19
Change in cash and cash equivalents		-569,861.27	4,270,262.15
Cash and cash equivalents at beginning of period		8,332,394.96	4,062,132.81
Change in cash and cash equivalents		-569,861.27	4,270,262.15
Cash and cash equivalents at end of period		7,762,533.69	8,332,394.96

[1] Group financing items comprise changes in loans between the parent company and its subsidiaries.

9.4 Basic information on the parent company and accounting policies

Basic information on the company

Digia Plc is the parent company of the Digia Group. It is domiciled in Helsinki and its registered office is at Atomitie 2, 00370 Helsinki. Digia Plc's active subsidiaries are Digia Finland Oy, Digia Hub Oy, Solasys Oy, Digia Sweden AB and Climber International AB with their subsidiaries.

Accounting policies

The parent company's financial statements have been prepared in accordance with Finnish Accounting Standards (FAS). The financial statements are based on original acquisition costs. Book values based on original costs have been reduced to correspond to fair value as necessary.

Since 1 June 2005, the parent company has operated as the Group's administrative company and charged the Group companies for services rendered.

Pension schemes

The Group's pension schemes are arranged through a pension insurance company. Pension premiums and expenses allocated to the financial period are based on confirmations received from the insurance company. Pension expenses are recognised as expenses for the year in which they arise.

Leasing payments

Leasing payments are recognised as annual expenses.

Share-based payments

Digia has a share-based incentive scheme where payments are made either in equity instruments or in cash. The company complies with Statement 1998, 15 January 2020 of the Accounting Board (KILA) in the treatment of benefits granted in such schemes. According to the statement, the terms and conditions of a share-based incentive scheme are irrevocably fulfilled only at the end of the incentive period. Therefore, the service commitment required of an employee under the share-based incentive scheme is indivisible by nature – the performance is to be considered to have been rendered on the one hand and received on the other by the company at the end of the incentive period, at which point the employee shall have an irrevocable right to the shares specified in the scheme.

Fixed assets, depreciation and amortisation

Fixed assets are recognised in the balance sheet at immediate cost less planned depreciation and amortisation.

The economic lives underlying planned depreciation and amortisation are as follows:

Intangible assets	
Intangible rights	3–5 years
Other long-term expenses	3–5 years
Tangible assets	
Buildings and structures	25 years
Machinery and equipment	3–8 years

Purchases of fixed assets with an economic life of less than three years are recognised as annual expenses.

Board's dividend proposal

According to the balance sheet dated 31 December 2021, Digia Plc's distributable shareholders' equity was EUR 61,823,547.12, of which EUR 9,533,182.05 was profit for the fiscal year. At the Annual General Meeting, the Board of Directors will propose that a dividend of EUR 0.17 per share be paid according to the confirmed balance sheet for the fiscal year ending 31 December 2021. Shareholders listed in the shareholders' register maintained by Euroclear Finland Oy on the dividend reconciliation date, 23 March 2022, will be eligible for the payment of dividend. Dividends will be paid on 30 March 2022.

9.5 Notes to the parent company's financial statements

1. Net sales

Net sales by segment

EUR	2021	2020
Projects	-	22,087.50
Group administration services	13,387,000.00	10,958,000.00
Total	**13,387,000.00**	**10,980,087.50**

2. Other operating income

EUR	2021	2020
Rental income	41,199.00	36,445.00
Other operating income	735.00	-
Total	**41,934.00**	**36,445.00**

3. Information on personnel and governing bodies

EUR	2021	2020
Board emoluments and remuneration and CEO's compensation	834,259.55	1,100,248.55
Other salaries and remunerations	2,640,118.86	1,595,875.66
Pension insurance contributions	542,390.58	390,773.95
Other personnel expenses	83,613.02	62,767.16
Total	**4,100,382.01**	**3,149,665.32**

Number of personnel, 31 Dec	2021	2020
Management and administration	43	35
Total	**43**	**35**

4. Depreciation, amortisation and impairment

EUR	2021	2020
Planned depreciation and amortisation		
Property, plant, and equipment, and intangible assets	430,994.10	455,022.52
Total	**430,994.10**	**455,022.52**

5. Auditors' fees

EUR	2021	2020
Audit	86,000.00	87,375.00
Other statutory duties	-	3,601.38
Tax counselling	1,627.50	-
Other services	14,645.00	1,125.00
Total	**102,272.50**	**92,101.38**

6. Financial income and expenses

Financial income

EUR	2021	2020
Interest and financial income from others	67,198.57	42,168.09
Total	**67,198.57**	**42,168.09**

Financial expenses

EUR	2021	2020
Interest expenses to Group companies	300,795.96	321,025.22
Interest expenses to other companies	320,273.29	236,362.73
Loan administration fees	46,655.97	25,394.88
Other financial expenses	28,985.33	153,176.70
Total	**696,710.55**	**735,959.53**

7. Income taxes

EUR	2021	2020
Income taxes on operations	-2,405,101.58	-1,810,400.78
Income taxes for previous periods	-	-0.02
Total	**-2,405,101.58**	**-1,810,400.80**

Deferred tax assets arising from accrual differences and from temporary differences between book values and taxation values are unrecorded in the statement of financial position, in accordance with the principle of prudence. Deferred tax assets totalled EUR 197 thousand at the end of the fiscal year.

8. Intangible assets

EUR	Intangible rights	Other long-term expenses	Intangible assets in progress	Total 2021	Total 2020
Acquisition cost, 1 Jan	5,343,896.25	1,513,700.33	735,587.19	7,593,183.77	6,487,158.86
Increases	42,632.74	11,247.00	2,725,880.72	2,779,760.46	1,106,024.91
Decreases	-	-	-624,935.00	-624,935.00	-
Acquisition cost, 31 Dec	5,386,528.99	1,524,947.33	2,836,532.91	9,748,009.23	7,593,183.77
Accumulated depreciation and amortisation, 1 Jan	-5,336,352.15	-1,173,412.45	-	-6,509,764.60	-6,323,264.37
Depreciation	-21,334.85	-162,994.32	-	-184,329.17	-186,500.23
Accumulated depreciation and amortisation, 31 Dec	-5,357,687.00	-1,336,406.77	-	-6,694,093.77	-6,509,764.60
Book value, 1 Jan	7,544.10	340,287.88	-	1,083,419.17	163,894.49
Book value, 31 Dec	28,841.99	188,540.56	2,836,532.91	3,053,915.46	1,083,419.17

Intangible assets in progress are presented in note 7.3: Intangible assets.

9. Property, plant and equipment

EUR	Land and water areas	Buildings and structures	Machinery and equipment	Total 2021	Total 2020
Acquisition cost, 1 Jan	16,818.79	162,905.90	3,423,538.29	3,603,262.98	3,434,483.34
Increases	-	-	100,072.28	100,072.28	168,779.64
Acquisition cost, 31 Dec	16,818.79	162,905.90	3,523,610.57	3,703,335.26	3,603,262.98
Accumulated depreciation and amortisation, 1 Jan	-	-131,686.95	-2,915,049.83	-3,046,636.78	-2,778,114.49
Depreciation	-	-6,593.48	-240,071.45	-246,664.93	-268,522.29
Accumulated depreciation and amortisation, 31 Dec	-	-138,180.43	-3,155,121.28	-3,293,301.71	-3,046,636.78
Book value, 1 Jan	16,818.79	31,318.95	508,488.46	556,626.20	656,368.85
Book value, 31 Dec	16,818.79	24,725.47	368,489.29	410,033.55	556,626.20

10. Investments

EUR	Investments in subsidiary shares	Other shares and holdings	Total 2021	Total 2020
Acquisition cost, 1 Jan	140,470,790.51	606,292.32	141,077,082.83	134,726,734.03
Increases	17,933,218.68	-	17,933,218.68	6,350,348.80
Decreases	-	-	-	-
Acquisition cost, 31 Dec	158,404,009.19	606,292.32	159,010,301.51	141,077,082.83
Accumulated amortisation, 1 Jan	-28,956.00	-126,287.78	-155,243.78	-155,243.78
Impairment	-	-	-	-
Accumulated amortisation, 31 Dec	-28,956.00	-126,287.78	-155,243.78	-155,243.78
Book value, 1 Jan	140,441,834.51	480,004.54	140,921,839.05	134,571,490.25
Book value, 31 Dec	158,375,053.19	480,004.54	158,855,057.73	140,921,839.05

Itemisation of subsidiaries and other shares and holdings

Group companies	Domicile	Domestic segment	Share of ownership	Share of votes
Digia Finland Oy	Helsinki	Finland	100%	100%
Digia Sweden Ab	Stockholm	Sweden	100%	100%
Digia Hub Oy	Helsinki	Finland	100%	100%
Solasys Oy	Turku	Finland	100%	100%
Climber International AB	Stockholm	Sweden	100%	100%

11. Current receivables

EUR	2021	2020
Receivables from Group companies		
Accounts receivable	914,072.38	167,404.24
Prepayments and accrued income	2,041,452.24	35,510.00
Accounts receivable	260.40	0.00
Other receivables	141,043.78	291,784.93
Prepayments and accrued income	1,028,612.86	360,468.73
Total	**4,125,441.66**	**855,167.90**

12. Shareholders' equity

EUR	2021	2020
Share capital, 1 Jan	2,087,564.50	2,087,564.50
Share capital, 31 Dec	2,087,564.50	2,087,564.50
Total restricted shareholders' equity	2,087,564.50	2,087,564.50
Unrestricted shareholders' equity reserve, 1 Jan	42,540,499.12	42,540,499.12
Unrestricted shareholders' equity reserve, 31 Dec	42,540,499.12	42,540,499.12
Accrued earnings, 1 Jan	14,381,670.66	9,767,078.37
Changes during the fiscal year		
Dividends	-4,001,719.35	-2,672,038.20
Acquisition of treasury shares	-630,085.36	-300,596.29
Share-based payments	-	-538,286.44
Accrued earnings, 31 Dec	9,749,865.95	6,256,157.44
Net profit	9,533,182.05	8,125,513.22
Total unrestricted shareholders' equity	**61,823,547.12**	**56,922,169.78**
Total shareholders' equity	**63,911,111.62**	**59,009,734.28**

Calculation of distributable shareholders' equity, 31 Dec

EUR	2021	2020
Unrestricted shareholders' equity reserve	42,540,499.12	42,540,499.12
Retained earnings	9,749,865.95	6,256,157.44
Net profit	9,533,182.05	8,125,513 ,22
Total	**61,823,547.12**	**56,922,169.78**

13. Non-current liabilities

EUR	2021	2020
Loans from financial institutions	16,000,000.00	8,600,000.00
Other non-current liabilities	2,324,000.00	2,000,000.00
Total	**18,324,000.00**	**10,600,000.00**

14. Current liabilities

EUR	2021	2020
Interest-bearing		
Current interest-bearing liabilities	5,000,000.00	8,200,000.00
Liabilities to Group companies		
Borrowings	72,552,623.45	64,193,781.11
Total interest-bearing current liabilities	**77,552,623.45**	**72,393,871.11**
Liabilities to Group companies		
Accounts payable	-	76,303.21
Accruals and deferred income	6,896,468.93	8,329,373.03
To others		
Accounts payable	902,901.78	393,288.95
Other liabilities	5,245,978.00	207,707.47
Accruals and deferred income	1,676,120.74	741,020.95
Total interest-free current liabilities	**14,721,469.45**	**9,747,693.61**
Total current liabilities	**92,274,092.90**	**82,141,564.72**

Material items included in accrued expenses arise from the accrual of holiday pay, as well as accrued provisions for salaries and fees.

15. Contingent liabilities

Lease liabilities

EUR	2021	2020
Due during the current financial period	62,849.82	258,533.07
Due later	25,387.76	77,296.26
Total	**88,237.58**	**335,829.33**

Other lease liabilities

EUR	2021	2020
Due during the current financial period	2,709,633.60	2,809,252.27
Due later	3,508,262.08	6,594,815.56
Total	**6,217,895.68**	**9,404,067.83**

Other liabilities

EUR	2021	2020
Collateral pledged for own commitments		
Other	582,617.82	633,900.41
Total	**582,617.82**	**633,900.41**

16. Share-based incentive scheme

The purpose and key terms of the share-based incentive scheme are presented in section 4.4 of the consolidated financial statements.

The maximum number of shares promised as share rewards is 525,000. They represent 2.0 per cent of share capital and the total number of shares. The number of people participating in the scheme as at 31 December 2021 was 12, including the CEO. The fair value of the share-based incentive scheme on 31 December 2021 was EUR 1,268,463.

Signatures to the Board's Report and Financial Statements

Helsinki, 8 February 2022

Robert Ingman
Chair of the Board of Directors

Martti Ala-Härkönen

Santtu Elsinen

Päivi Hokkanen

Seppo Ruotsalainen

Outi Taivainen

Timo Levoranta
President & CEO

Auditor's Note

A report of the audit has been submitted today.

Helsinki, 8 February 2022

KPMG Oy Ab

Virpi Halonen
Authorised Public Accountant

List of accounting books and storage methods

Accounting books	Storage method
Journals	electronic archive
General ledger	electronic archive
Accounts receivable	electronic archive
Accounts payable	electronic archive
Payroll	electronic archive
Travel Invoices	electronic archive
Balance sheet book	separately bound
Itemisations of balance sheet	electronic archive

Voucher types and storage method	until 1 January 2027
Eurocard vouchers	paper documents
Accruals	electronic archive
Bank receipts	paper documents
Travel and expense invoices	electronic archive
Sales invoices	electronic archive
Sales payments	electronic archive
Memoranda	paper documents
Purchasing invoices	electronic archive
Payments of purchases	electronic archive
Payroll receipts	electronic archive
Tax account receipts	paper documents

Auditor's Report

To the Annual General Meeting of Digia Plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Digia Plc (business identity code 0831312-4) for the year ended December 31, 2021. The financial statements comprise the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies, as well as the parent company's balance sheet, income statement, 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 Standards (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 the 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 3.7 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.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

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. The significant risks of material misstatement referred to in the EU Regulation No 537/2014 point (c) of Article 10(2) are included in the description of key audit matters below.

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.

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the
Board of Directors

Financial statements

The key audit matters

Valuation of goodwill EUR 71.9 million – Note 7.1 to the consolidated financial statements

The key audit matter

Goodwill totaling EUR 71.9 million, has increased by EUR 10.4 million due to acquisition during the financial year 2021. Goodwill comprise a significant portion of consolidated balance sheet.

Goodwill is tested for impairment annually, and more frequently if there is any indication of impairment. Preparation of impairment tests requires significant amount of management estimates and judgement in assessing the development of Group´s net sales and costs as well as the changes of market condition on the Group´s earnings trend.

Due the management judgment involved and significant carrying amount, valuation of goodwill is key audit matter.

How the matter was addressed in the audit
Our audit procedures related to goodwill impairment tests included, among others:

- we have analyzed the reasonable of assumptions underlying the goodwill impairment tests such as profitability, discount rate and forecasted growth rate.
- we have involved KPMG valuation specialists in audit. They have tested accuracy of the technical model and analyzed the reasonableness of the assumptions underlying the goodwill impairment tests compared to the market information.
- we have compared the assumptions used in previous year's impairment tests, especially in respect of net sales and profitability, into performance in 2021, to assess the accuracy of Digia's estimation process.
- we have considered the accuracy and adequacy of the disclosures in respect of goodwill and impairment testing.

Revenue recognition, project accounting and valuation of accounts receivable – Note 3.2 and 6.2 to the consolidated financial statements

The key audit matter

Digia Group´s net sales are generated through work performed by people, maintenance of own and third-party products as well as services. A portion of the net sales consist of projects with a fixed price which are recognized over a time on the basis of their percentage of completion. The percentage of completion is determined as the proportion of cost arising from work performed for the project up to the date of review in the total estimated project costs.

Revenue recognition for projects requires management judgement and assumptions, especially in respect of future costs and amount of work to complete a project. If the forecasts are inaccurate, projects may become loss-making contracts.

Accounts receivable and receivables arising from customer agreements are in total EUR 28.3 million as at December 31, 2021, which comprise significant part of the balance sheet. Regardless the fact that there are no significant credit losses incurred in the past, there may be a valuation risk associated with significant balance sheet item.

Due the above-mentioned reasons the recognition of revenue, especially the projects with a fixed price and valuation of accounts receivable are key audit matters.

How the matter was addressed in the audit

Our audit procedures included, among others:

- we have assessed the appropriateness of the revenue recognition principles and compared those to the requirements of IFRS standards.
- we have assessed the internal control environment over the sales invoicing and tested effectiveness of the key internal controls. We have also performed analytical and substantive audit procedures over the revenue recognized.
- we have performed audit procedures to analyze the revenue recognition principles applied to selected projects accounted for using percentage of completion method and derived total revenue estimates from the contract prices and price changes, as well as analyzed the actual working hours. In addition, we have analyzed most significant on-going projects and related workload estimates to identify potential loss-making projects.
- we have evaluated monitoring routines for accounts receivable and tested the effectiveness of the key internal controls. We have also analyzed the accounts receivable and inquired confirmation letters from selected third parties.
- in addition, we have assessed the appropriateness of disclosure information related to revenue recognition and accounts receivable.

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 financial 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 statutory requirements. The Board of Directors and the President 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 misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the President and CEO are responsible for assessing the parent company's and the group's ability

Digia's direction

Digia 2021

Responsible Digia

Corporate Governance

Report by the Board of Directors

Financial statements

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 for 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:

- Identify 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 parent company or the group 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 matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 were first appointed as auditors by the Annual General Meeting on 12.3.2015, and our appointment represents a total period of uninterrupted engagement.

Other Information

The Board of Directors and the President 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 auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this 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 information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes 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 that fact. We have nothing to report in this regard.

Helsinki February 8, 2022

KPMG OY AB

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