



Nixu's Annual Report 2019

Corporate Governance



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ANNUAL REPORT 2019

Nixu's Annual Report is published in Finnish and English. It comprises three sections:

1. ANNUAL REVIEW,
2. FINANCIAL REVIEW, including the Financial Statements (audited), Report of the Board of Directors, and Auditor's Report
3. CORPORATE GOVERNANCE, including the Corporate Governance Statement and Remuneration Statement.

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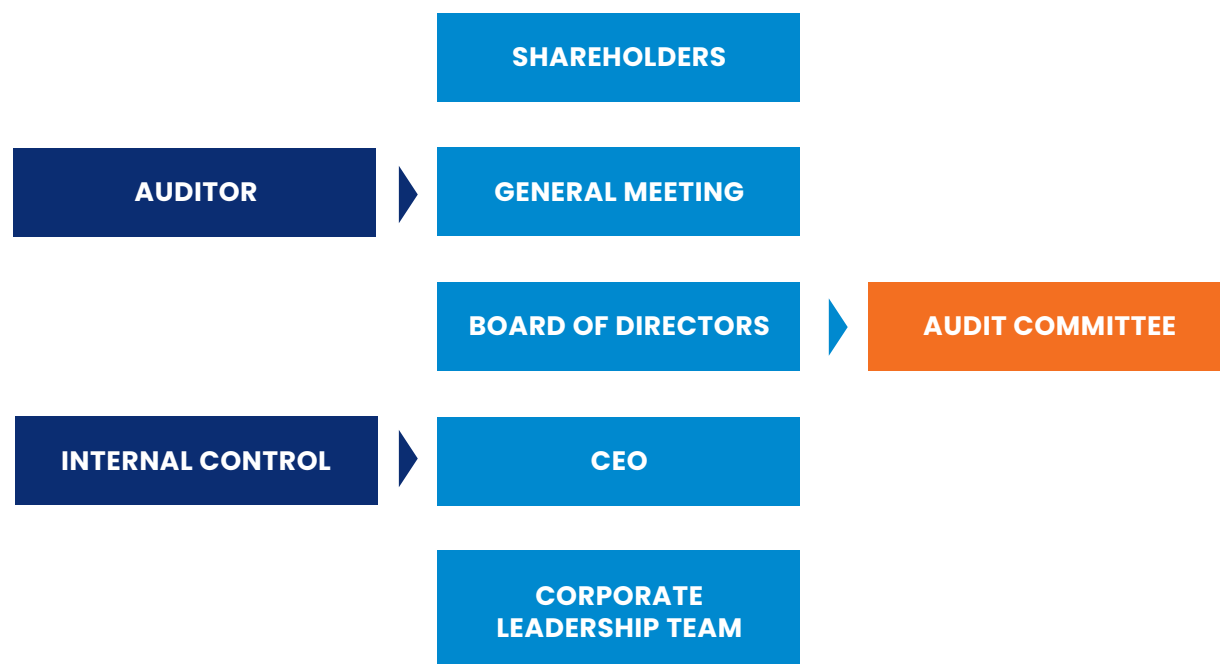


Corporate Governance Statement 2019

Nixu Corporation is a publicly listed company registered in Finland. The company's share is listed on Nasdaq Helsinki. The Nixu Corporation corporate governance system has been created based on the laws of Finland, the company's Articles of Association, the applicable securities markets laws as well as other rules and regulations concerning listed companies. This statement has been issued separately from the report by the Board of Directors and included in Nixu's Annual Report 2019. The statement is also published on the Nixu website www.nixu.com/investors.

Nixu has, without exception, complied with the Corporate Governance Code for Finnish Listed Companies (the "Corporate Governance Code") that became effective on January 1, 2016. The Corporate Governance Code for Finnish listed companies is available online on the Finnish Securities Market Association website www.cgfinland.fi/en.

Nixu's governance structure



Nixu's governance is divided between the General Meeting, the Board of Directors, and the CEO. The ultimate authority over the company is held by the shareholders, who exercise their control at General Meetings. Both the Members of the Board of Directors and the company auditor are elected by the General Meeting. The Board of Directors is responsible for the Nixu strategy as well as for controlling and supervising the company's business and appointing the company CEO. Supported by the Corporate Leadership Team, the CEO is responsible for running the company's business and deploying the company's strategic and operational goals.

General Meeting

The General Meeting is the supreme decision-making body of Nixu Corporation. Pursuant to the Finnish Limited Liability Companies Act, the General Meeting decides on amendments to the company's Articles of Association, adoption of its financial statements, use of the profit shown on the adopted balance sheet and distribution of dividends, discharge from liability of the Members of the Board of Directors and the CEO, increases and decreasing capital, and the appointment of the Members of the Board of Directors and the auditors.

Board of Directors

According to the Articles of Association, Nixu's Board of Directors includes no less than three and no more than seven ordinary members and a sufficient number of deputy members. The General Meeting determines the exact number of members to be elected and elects the members for the term of service, which expires at the end of the first annual general meeting following their election.

The Board of Directors elects a Chairman and a Deputy Chairman from among its members. The Board of Directors convenes as often as necessary to perform its duties. The Board of Directors constitutes a quorum when at least half of its members are present in the meeting.

Tasks of Nixu's Board

The Board of Directors is responsible for the appropriate organization of the company's governance and operations pursuant to the Finnish Limited Liability Companies Act and other regulations. Pursuant to the Rules of Procedure, the Board of Directors decides on the following matters:

- Nixu's strategy,
- dividend policy,
- business plan and budget,
- convening General Meetings and preparing the Board of Directors' proposals to General Meetings,
- financial statements and half-year financial reports,
- as well as the stock exchange releases concerning them,
- substantial corporate arrangements and investments, and
- appointment and discharge of the CEO as well as the terms and conditions of the CEO's service.

The roles and responsibilities of the company's Board of Directors are defined in detail in written charter approved by the Board available at www.nixu.com/investors/board-directors.

Each year, the Board of Directors evaluates its performance as a self-assessment.

Board Diversity Principles

Diversity supports the overall goal that Board of Directors has optimal competence profile to support the Company's existing and future business. Diversity is conceived as an integral part and a success factor enabling the achievement of the Company's strategic goals and the continuous improvement of customer-driven operations.

Important factors for the Company are the mutually complementary expertise of the members, their education and experience in different professional areas and industrial sectors, businesses in various stages of development, leadership experience, and personal capacities. The diversity of the Board of Directors is supported by experience in an international operating environment and various industries as well as different cultures and by consideration to the age and gender breakdown.

Nixu's long-term goal is to maintain a balanced gender ratio among the Board of Directors. To achieve this goal, whenever possible, the application and assessment process for new Board members is handled jointly by a mixed-gender team. One of the priorities in selecting new Board members is to ensure that the Board of Directors will be collectively able to support the development of the company's current and future business.








Board of Directors on December 31, 2019

The Annual General Meeting, held on April 25, 2019, elected seven Members to the Board of Directors. The full members of the previous Board, Kimmo Rasila, Marko Kauppi, Juhani Kaskeala, Kati Hagros, Tuija Soanjärvi and Teemu Tunkelo were re-elected. Anders Silwer was elected as a new full member. Kimmo Rasila serves as the Chairman of the Board and Marko Kauppi as the Deputy Chairman.

In 2019, the Board of Directors convened 16 times. The objectives for 2019 regarding the Board diversity principles are assessed to have been achieved.

Details of the members and their independency, committee membership and meeting attendance are provided in the table below. Further information on Board members is available at www.nixu.com/about.

Board of Directors

	Name / Position	Year of birth	Education	Main occupation	Shares	Independence	Meeting participation	
							Board of Directors	Audit Committee
	Kimmo Rasila Chairman Member of the Board since 2005	1957	MSc (Econ)	CEO, ExecNet Oy	157,132 shares Shares held by related parties: 4,000	Dependent of the Company Independent of the Company's major shareholders	16/16	
	Marko Kauppi Deputy Chairman Member of the Board since 2011	1970	MSc (Econ)	Entrepreneur, Tenendum Oy	16,000 shares Through Tenendum Oy: 248,800 shares	Independent of the Company and Company's major shareholders	16/16	
	Kati Hagros Member of the Board since 2014	1970	MSc (Tech), MSc (Soc)	CDO, Aalto University	3,239 shares	Independent of the Company and Company's major shareholders	14/16	
	Juhani Kaskeala Member of the Board since 2012 Member of the Audit Committee	1946	Admiral	Managing Director, Admiral Consulting Oy	8,000 shares Through Admiral Consulting Oy: 12,000 shares	Independent of the Company and Company's major shareholders	16/16	5/5
	Anders Silwer Member of the Board since 2019	1959	Lieutenant General (Res)	Entrepreneur, Anders Silwer AB.	No shares	Independent of the Company and Company's major shareholders	12/12	
	Tuija Soanjärvi Member of the Board since 2015 Chair of the Audit Committee	1955	MSc (Econ)	Board member	No shares	Independent of the Company and Company's major shareholders	14/16	4/5
	Teemu Tunkelo Member of the Board since 2018 Member of the Audit Committee	1961	MSc (Tech, PhD (Econ)	Entrepreneur, Tunkelo Consulting	No shares	Independent of the Company and Company's major shareholders	16/16	5/5

Board committees

To improve the efficiency of its work, the Board of Directors appointed an Audit Committee on June 18, 2018. The term of the committee commenced upon the company's listing. As an administrative support body, the Audit Committee focuses on handling and preparing matters concerning financial reporting and control. The Audit Committee has no independent decision-making authority; instead, it functions as a preparatory body, and the Board of Directors makes the final decisions on the matters discussed by the committee, and the matters it addresses are brought to be decided on by the Board of Directors.

Considering the extent and nature of the company's operations and the current practices of the Board of Directors, the Board has seen no need to establish committees for other purposes.

Audit Committee

The Board of Directors prepares and establishes a charter for the Audit Committee, which defines the responsibilities of the committee. Examples of the Audit Committee's responsibilities include oversight of Nixu's financial reporting and accounting, monitoring the statutory audit of financial statements and consolidated financial statements as well as monitoring the performance of Nixu's internal control, internal auditing efforts, and risk management systems. Additionally, the committee is tasked with reviewing the company's annual Corporate Governance Statement.

2019

In 2019, the Audit Committee has consisted of the following members: Tuija Soanjärvi (Chairman), Teemu Tunkelo, and Juhani Kaskeala. Each of the Audit Committee members is independent of the company and its substantial shareholders. In 2019, the Audit Committee convened five times.

CEO

Petri Kairinen (b. 1977, MSc. (Econ)), Nixu's CEO since 2014, manages the company in accordance with the Limited Liabilities Act and the instructions, orders, and mandates issued by the Board of Directors. He is also in charge of the daily operational management and implementation of the company strategy, as well as steering and supervising the operations of Nixu and its business. Additionally, the CEO prepares matters for deliberation by the Board and implements any associated decisions by the Board. The CEO must obtain the Board's authorization for any action that can be considered unusual in terms of the nature and extent of the company's operations or may otherwise have far-reaching consequences.







Management Team

The Corporate Leadership Team supports the CEO in managing the group but the team has no executive power based on law or the company's Articles of Association; instead, its role is to help the CEO to prepare company policies and the company strategy as well as to assist in preparatory work concerning both group-wide and function-specific matters. The company CEO acts as the Chairman of the management team. The Board of Directors participates in selecting the members of the Corporate Leadership Team and to determine the terms and conditions of their employment. The management team holds regular meetings, meeting twice a month on average.

Corporate Leadership Team on December 31, 2019

The details of the management team members and their shareholding in the company are provided in the table below. Further information on the Corporate Leadership Team available at www.nixu.com/about.

Corporate Leadership Team

	Name / Position	Year of birth	Education	Shares
	Petri Kairinen CEO	1977	MSc (Econ)	37,640 shares
	Janne Kärkkäinen CFO and Deputy CEO	1973	MSc (Econ)	7,455 shares
	Katja Müller CPO	1976	MSc (Econ)	1,000 shares
	Valtteri Peltomäki Market Area Leader for Finland	1981	MSc (Econ)	8,787 shares
	Jesper Svegby CCO	1975	Upper secondary education	50 shares
	Kim Westerlund CDO	1975	Undergraduate of Philosophy	27,109 shares

Risk management and internal control

The aim of the company's internal control and the risk management systems associated with the company's financial reporting process is to ensure that the financial reports published by the company provide reliable, relevant, and accurate information about the company's finances in a manner compliant with applicable laws and regulations. Internal control and risk management are integrated into the company's processes and operations.

Risk management

Nixu's approach to risk management is primarily based on continuous, systematic, and preventive action taken to identify risks, to define the company's risk appetite, to assess and manage risks and, should they materialize, to manage and control them in an effective manner.

The company divides its risk factors into strategic, operational, and financial risks as well as hazard risks. The company has divided the identified risks into further sub-categories, which are assessed using an internal risk management tool and risk management process adopted by the company.

Risk management is decentralized across business units and group support functions, each of which is responsible for risk management responsibility allocation as well as risk assessment, management, and reporting. Each business function is responsible for identifying and assessing risks affecting their own area and creating proposals for managing the identified risks. They must also provide regular reports to the Management Team as instructed. Twice a year, an overview of the company's risks is presented for consideration by the Board of Directors and the Management Team.

Internal control

Internal control aims to ensure that financial reporting complies with generally accepted accounting principles as well as rules and regulations in force at any given time.

Nixu prepares its consolidated financial statements and half-year financial reports in accordance with the IFRS international financial reporting standards adopted by the EU, the Finnish Securities Markets Act, and the applicable regulations and guidelines set by the Financial Supervisory Authority and the rules of Nasdaq Helsinki Ltd. The company's report of the Board of Directors and the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and the guidelines (Finnish Accounting Standards) and statements of the Finnish Accounting Board.

The Audit Committee supervises that the company's accounting practices, financial administration, internal control, auditing, and risk management are organized in an appropriate manner. The company's Board of Directors and management team monitor the financial status of the group and its business functions and track goal progress on a monthly basis. Nixu's finance department is responsible for the internal control of financial reporting and continuously assesses the performance of the controls. The company's financial information is disclosed in accordance with Nixu's Corporation Disclosure Policy.

Insider management

Nixu's insider management is compliant with the laws of Finland as well as any complementary regulation and the Guidelines for Insiders ("Stock Exchange Guidelines for Insiders") by Nasdaq Helsinki Ltd. Additionally, the company has its own internal guidelines for insiders, approved by the company's Board of Directors. Nixu's CFO is responsible for insider management and related training, updating the Company's insider registers and lists of persons discharging managerial responsibilities.

Trading in Nixu securities by Nixu's management personnel (The members of the Board of Directors, CEO and Corporate Leadership Team) and other persons subject to a restriction on trading is only allowed within a two (2) month period that begins on the day following the date of publication of Nixu's financial statements or half-year financial report (the "open window" period).

The restriction on trading also concerns persons who participate in the preparation and publication of the company's financial reports. Consequently, the restriction on trading extends to those working in Nixu's finance and sales department, members of the Leaders Circle (selected persons in senior leader and/or senior consultant roles), group support function personnel, and the company's external accountant.

Audit

According to the Articles of Association, Nixu has one regular auditing body, which must be a firm of accountants authorized by the Finnish Patent and Registration Office. The term of the auditor ends with the conclusion of the Annual General Meeting following the election of the auditor.

2019

The 2019 Annual General Meeting appointed PricewaterhouseCoopers Oy, a Firm of Authorized Public Accountants, as the company's auditor. The auditor in charge is Authorized Public Auditor Heikki Lassila. In 2019, Nixu paid PricewaterhouseCoopers member firms in Finland and abroad a total of EUR 127 thousand in fees for audits of Nixu group companies. Fees for additional services amounted to EUR 18 thousand.

Related party transactions

Nixu's related parties include the Board of Directors, the CEO, and the management team. The company's finance department monitors transactions concluded between the company and its related parties as part of its normal reporting and monitoring process.

Remuneration Statement 2019

A. Decision-Making Procedure Concerning Remuneration

The Annual General Meeting decides annually on the remuneration of the members of the Board of Directors for one term of office at a time. According to the Charter of the Board of Directors, the Board of Directors is in charge of matters relating to remuneration of the management and personnel and nomination of the management as well as makes the related decisions.

The Board's responsibilities include monitoring the effectiveness of the remuneration and incentive schemes to ensure that they promote the achievement of the Company's short term and long-term goals.

The Board of Directors appoints and dismisses the group's CEO and decides on the terms of the CEO's employment. In addition, the Board of Directors appoints the members of the Corporate Leadership Team.

The Board of Directors decides on the salaries, remuneration and short-term incentive schemes, i.e. bonus systems paid to the CEO and the management team.

B. Main Principles of Remuneration

Compensation of the Board of Directors

The members of the Board of Directors are paid a monthly fee. A separate meeting fee is not paid for board and committee meetings. The Annual General Meeting on 25 April 2019 decided on the remuneration of the members of the Board of Directors. The Chairman of the Board of Directors: EUR 3,200 per month, the Deputy Chairman: EUR 2,400 per month, and other Members of the Board: EUR 1,600 per month.

For the work of the Audit Committee, the Chair of the Committee will be paid an annual remuneration of EUR 2,000 and each Member will be paid an annual remuneration of EUR 1,000. Travel expenses will be reimbursed in accordance with the Company's travel policy.

The members of the Board of Directors do not participate in the Company's sharebased incentive schemes and the compensation for the Board is not paid in shares. The total compensation paid to the members of the Board of Directors in 2019 as well as their shareholding in the Company on 31 December 2019 is presented in the note to the consolidated financial statements on the company's website at www.nixu.com/investors and in the Remuneration Report available at www.nixu.com/investors/governance.

Main Principles of Remuneration of the CEO and the Management

The remuneration of the CEO and other members of the management team includes fixed salary, fringe benefits as well as short-term incentive plans and an annual bonus. The objective of the incentive schemes is to motivate the management of the Company to develop the Company and secure the long-term financial performance of the Company. The Company's development phase and business strategy are taken into account in compensation principles. In Finland, part of the annual bonus (25-100 %) is paid to the personnel fund, pursuant to the Act on Personnel Funds, which is owned and governed by the personnel. The CEO and other members of the management participate in share-based compensation schemes.

The Board of Directors evaluates and decides annually the salary, remuneration and other benefits of the CEO and other management team members as well as the compensation principles. The Board of Directors decides annually on reward targets and earning criteria. The amount of bonuses paid to the CEO and other management team members depends on the Group's financial performance and achievement of personal goals.

Remuneration Elements of Nixu's Management Team

Remuneration element	Description
Base salary	Fixed salary including taxable fringe benefits.
Short-term incentives:	
Performance –based incentive plan	<p>Incentive plan performance targets:</p> <ul style="list-style-type: none"> • Financial targets • Strategic individual targets • Threshold, target and maximum performance levels defined <p>Target (maximum) incentive levels as a % of annual base salary: CEO: 24 % (48 %) Other members of the Management Team: 11-25 % (22-50 %) On average the target level was 16 %</p>
Annual bonus	The CEO and the Management Team are included in the market area based annual bonus systems. The bonus is paid half-yearly on a basis of EBITDA in Finland and on a basis of revenue in Sweden. The whole personnel is included in the annual bonus system and the bonus is paid pro rata with the salary.
Personnel fund (Finland)	In Finland, the CEO and the management team are members of the personnel fund, in which part of the annual bonus can be paid, at least 25 %. The proceeds, i.e. fund units, can be withdrawn maximum 15 % once in a year.
Pensions	Statutory pension, defined contribution plan.
All-Employee Matching Share Plan	The CEO and the management team participate in the All-Employee Matching Share Plan.
Key personnel stock option scheme	The CEO and the management team participate in the stock option scheme directed to personnel responsible for the implementation of Nixu's growth strategy.

Financial Benefits Related to the CEO's Employment Relationship

Base Salary

Remuneration of the CEO comprises a fixed salary, benefits and performance-based incentive plans.

The performance-based incentive paid to the CEO is based on the financial targets determined by the Company's Board of Directors. Target period of this short-term incentive scheme is half a year and the award is paid half-yearly. The CEO's performance-based incentive can be maximum 48 per cent of the fixed annual salary. In addition, the CEO is covered by the company's annual bonus.

Pension benefits and terms relating to the termination of service relationship

The CEO is covered by the statutory pension scheme and no additional pension schemes or pension age is agreed.

The notice period for terminating the service contract of the CEO is six months if the company terminates the contract and three months if the CEO terminates the contract. If contract is terminated by the company's fault, the CEO is entitled to an additional severance pay of an amount equaling his or her monthly salary for six months including holiday pay without work obligation.

All-Employee Share Matching Plan 2019–2021

1. The All-Employee Matching Share Plan 2019–2021, is directed to all permanent employees of Nixu Corporation and its subsidiaries. The plan is to create an incentive for the Nixu employees to become shareholders or increase their shareholding in Nixu and thereby continue to strengthen and align the interests of the employees, Nixu and its shareholders. And in addition to share Nixu's success with its employees also through the possible increase in the share price and to drive One Nixu -thinking. The participation is voluntary.
2. Plan period: two years, 2019–2021
3. The employees that participate in the plan have the right of receiving one matching share free of consideration for each full two New Shares subscribed in the Share Issue after a two-year retention period.

Key personnel stock option scheme

1. The goal is to create an incentive for the key personnel committed to implementing Nixu's strategy. A prerequisite (at least for the first series of options) is to participate in the All-employee share matching plan.
2. The total maximum number of Stock Options issued is 345,000. Of the Stock Options, 115,000 are marked with the symbol 2019A, 115,000 with the symbol 2019B and 115,000 with the symbol 2019C.

The share subscription period with the Stock Options shall be:

- for Stock Options 2019A: 1 October 2021 – 31 May 2023
- for Stock Options 2019B: 1 October 2022 – 31 May 2024
- for Stock Options 2019C: 1 October 2023 – 31 May 2025.

3. The Stock Options will be issued gratuitously. The Board of Directors is in connection with the distribution of the Stock Options entitled to set the Stock Option holders' right to keep all or part of the Stock Options until the commencement of the share subscription period conditional on the fulfilment of specific financial or operational performance targets on terms separately determined by the Board of Directors.
4. The share subscription price shall be:

2019A: the trade volume weighted average quotation of the Company's share on NASDAQ Helsinki Ltd during the period of April 1, 2019 – April 30, 2019. The subscription price was set at EUR 12.09 per share.

2019B: the trade volume weighted average quotation of the Company's share on NASDAQ Helsinki Ltd. during the twenty trading days following the publication date of the Company's financial statements release for the year 2019.

2019C: the trade volume weighted average quotation of the Company's share on NASDAQ Helsinki Ltd. during the twenty trading days following the publication date of the Company's financial statements release for the year 2020.

C. Remuneration Report 2019

Board of Directors

The table below describes the annual remuneration paid to the members of the Board of Directors.

Name	Position	Annual remuneration
Kimmo Rasila	Chairman	37,600 €
Marko Kauppi	Deputy Chairman	28,200 €
Kati Hagros	Member	18,800 €
Juhani Kaskeala	Member	19,800 €
Anders Silwer	Member	12,800 €
Tuija Soanjärvi	Member	20,800 €
Teemu Tunkelo	Member	19,800 €

CEO and the Management Team

The table below describes the remuneration paid to the CEO and the Management Team during financial year 2019.

As of 1 January 2019, the Management Team have consisted of, in addition to the CEO, Janne Kärkkäinen, Katja Müller, Valtteri Peltomäki, Jesper Svegby and Kim Westerlund.

	CEO Petri Kairinen	Other management team members in total *
Fixed salary including fringe benefits	182,750 €	617,235 €
Short-term incentives (performance-based incentives based on the performance and results of H2/2018 and H1/2019)	46,631 €	88,431 €
Share-based payment	7,170 €	20,568 €
In total	236,551 €	726,234 €


*Janne Kärkkäinen, Katja Müller, Valtteri Peltomäki, Jesper Svegby and Kim Westerlund

The table below describes the stock options of the CEO and the Management Team:

Name	The number of Stock Options 2019A
Petri Kairinen	9,100
Janne Kärkkäinen	5,000
Katja Müller	5,000
Valtteri Peltomäki	5,000
Jesper Svegby	5,000
Kim Westerlund	5,000

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