



Nixu's Annual Report 2018

Corporate Governance



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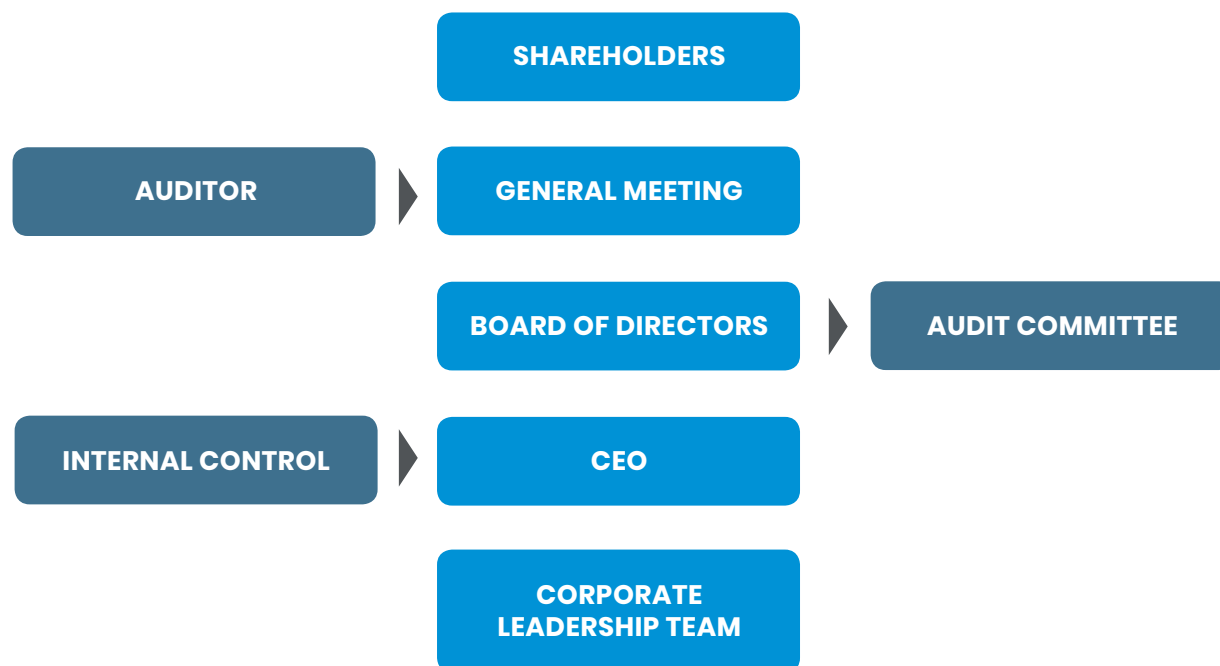
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Corporate Governance Statement 2018

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 2018. 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 Meetings

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.

One of Nixu's long-term goals 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, 2018

The Annual General Meeting elected six Members to the Board of Directors. Of the full members of the previous Board, Kimmo Rasila, Marko Kauppi, Juhani Kaskeala, Kati Hagros, and Tuija Soanjärvi were re-elected. Teemu Tunkelo was elected as a new full member. Kimmo Rasila will serve as the Chairman of the Board and Marko Kauppi as the Deputy Chairman.

In 2018, the Board of Directors convened 13 times. The objectives for 2018 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.

| Name | Position | Year of birth | Education | Shares | Independent of the Company | Independent of the Company's major shareholders | Meeting participation | |
|-----------------|--|---------------|--------------------------|--|----------------------------|---|-----------------------|-----------------|
| | | | | | | | Board of Directors | Audit Committee |
| Kimmo Rasila | Chairman | 1957 | MSc (Econ) | 157,132 shares Shares held by related parties: 10,000 | | ● | 13/13 | |
| Marko Kauppi | Deputy Chairman | 1970 | MSc (Econ) | 16,000 shares Through Tenendum Oy: 248,800 shares | ● | ● | 12/13 | |
| Kati Hagros | Member of the Board | 1970 | MSc (Tech) MSc (Soc) | 3,239 shares | ● | ● | 13/13 | |
| Juhani Kaskeala | Member of the Board of Directors and the Audit Committee | 1946 | Admiral | 8,000 shares Through Admiral Consulting Oy: 12,000 shares | ● | ● | 12/13 | 2/2 |
| Tuija Soanjärvi | Member of the Board of Directors and the Audit Committee | 1955 | MSc (Econ) | No shares | ● | ● | 13/13 | 2/2 |
| Teemu Tunkelo | Member of the Board of Directors and the Audit Committee | 1961 | MSc (Tech) PhD (Econ) | No shares | ● | ● | 9/13 | 2/2 |

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.

2018

As of June 18, 2018, 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 2018, the Audit Committee convened two 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, 2018

The details of the management team member's and their shareholding in the company are provided in the table below.

| Name | Position | Year of birth | Education | Shares |
|--------------------|--------------------------------|---------------|-----------------------------|---------------|
| Petri Kairinen | CEO | 1977 | MSc (Econ) | 35,640 shares |
| Janne Kärkkäinen | CFO and Deputy CEO | 1973 | MSc (Econ) | 5,455 shares |
| Katja Müller | CPO | 1976 | MSc (Econ) | No shares |
| Valtteri Peltomäki | Market Area Leader for Finland | 1981 | MSc (Econ) | 6,787 shares |
| Jesper Svegby | CCO | 1975 | Upper secondary education | No shares |
| Kim Westerlund | CDO | 1975 | Undergraduate of Philosophy | 26,109 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 relevant training. Nixu's CFO is responsible for 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, persons discharging managerial responsibilities, 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.

2018

The 2018 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 2018, Nixu paid PricewaterhouseCoopers member firms in Finland and abroad a total of EUR 91 thousand in fees for audits of Nixu group companies. Fees for additional services amounted to EUR 344 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 2018

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 2018 decided on the remuneration of the members of the Board of Directors. The Chairman of the Board of Directors: EUR 3,000 per month, the Deputy Chairman: EUR 2,250 per month, and other Members of the Board: EUR 1,500 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 share-based 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 2018 as well as their shareholding in the Company on 31 December 2018 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 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. |
| 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 (1 January 2018): 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. |

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.

C. Remuneration Report 2018

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 | 35,200 € |
| Marko Kauppi | Deputy Chairman | 26,400 € |
| Kati Hagros | Member | 17,600 € |
| Juhani Kaskeala | Member | 17,600 € |
| Tuija Soanjärvi | Member | 17,600 € |
| Teemu Tunkelo | Member | 12,300 € |

The table below describes the remuneration paid to the CEO and the Management Team during financial year 2018.

As of 1 January 2018 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 | 152,572 € | 563,049 € |
| Short-term incentives (performance-based incentives based on the performance and results of H2/2017 and H1/2018) | 30,909 € | 91,787 € |
| In total | 183,481 € | 654,836 € |

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

Board of Directors

Members of the Board of Directors on December 31, 2018.



Kimmo Rasila

Born 1957, MSc (Econ.)
Chair of the Board since 2006,
Member of the Board since 2005.

Professional experience: IBM, Tietotekniikan Liitto ry, CEO of ExecNet Oy since 2003. Kimmo had a long career at IBM (1980–2003) and was a member of the IBM Finland Management Team between 1994 and 2003. Kimmo has extensive expertise in the ICT sector and has gained different perspectives on the development of digitalization. Currently, Kimmo is an independent entrepreneur, providing management coaching and serving on the Board of Directors of several ICT companies. Kimmo has also served as Deputy Chair of the Board of Directors' Institute Finland.



Juhani Kaskeala

Born 1946, Admiral
Member of the Board since 2012.

Professional experience: Finnish Defence Forces in several positions 1965–2009, last as Commander of the Finnish Defence Forces 2001–2009. Juhani's contribution to the Nixu Board includes his deep knowledge of public administration, an extensive network of contacts, and his understanding of the rising importance of cyber defense. Since 2011, Juhani has been Managing Director of Admiral Consulting Oy, that he established. Currently, Juhani serves as a Member of the Board of Oy Forcit Ab and KONE Corporation.



Marko Kauppi

Born 1970, MSc (Econ.)
Deputy Chair of the Board since 2014
and Member of the Board since 2011.

Professional experience: University of Vaasa, ABB, Opstock, Enskilda Securities, Mandatum, Arvo Omaisuudenhoido. After starting his career in academia, Marko took a more industry-oriented path by joining ABB, and moved to the financial sector some years later. He worked for 12 years in brokerage and banking. Since 2009, Marko has been an entrepreneur, managing his company Tenendum Oy and serving on the Board of Directors of several companies.



Tuija Soanjärvi

Born 1955, MSc (Econ.)
Member of the Board since 2015.

Professional experience: TietoEnator Corporation, Elisa Corporation, Itella Corporation. For 15 years, Tuija served as the Chief Financial Officer and Member of the Board for various public companies and, for five years, as the CFO of a fully state-owned company. As CFO, she has been responsible not only for corporate funding and finance, but also procurement, real estate property and premises, mergers and acquisitions, information security, and the governance of internal audits. Tuija has served as a Member of the Board for various companies since the late 1990s and is currently a Member of the Board of Nixu Corporation, Basware Corporation, Metsähallitus, Edgware AB, and VR-Group Ltd. Tuija also serves as the chair of the Finnish Orienteering Federation.



Kati Hagros

Born 1970, MSc in Social Sciences
and MSc in Technology,
Member of the Board since 2014.

Professional experience: BNL Information Oy, Nokia Corporation, Kone Corporation, Aalto University. Kati has gained lengthy international experience from working for technology companies and has, among other things, served as the Quality Director of Nokia and as the CIO and Development Director of Kone. Currently, Kati serves as the Chief Digital Officer of Aalto University and a Member of the Board of Nixu Corporation, Siili Solutions Corporation, and Tokmanni Group.



Teemu Tunkelo

Born 1961, M.Sc. (Eng.), Ph.D. (Econ.)
Member of the Board since 2018.

Professional experience: Teemu Tunkelo, CTO and EVP Platform Services, Voith Digital Solutions, is responsible for the technologies of digitalization solutions, and the related new service business in the Voith Group in Germany. Prior to joining Voith, he held senior positions at Nokia, Siemens, ABB and Invensys. His previous work experience includes development of embedded hardware, communication and software systems at Nokia Data and international experience of ICT- system development and business management at Siemens, ABB and Invensys.

Corporate Leadership Team

Members of the Corporate Leadership Team on December 31, 2018.



Petri Kairinen

Born 1977, MSc (Econ.)
Nixu Chief Executive Officer since 2014.

Petri's most important responsibilities include leading Nixu's operating culture in such a way that the Nixu professionals thrive and evolve to perform their duties. Before becoming CEO, Petri headed Nixu's sales and marketing and was a member of the Management team since 2006. He has previous experience from sales and marketing positions in several technology-based companies such as Elcoteq, Affecto, and Hewlett-Packard.



Valtteri Peltomäki

Born 1981, MSc (Econ.)
Nixu Finnish Market Area Leader
since January 2018.

Valtteri is responsible for the development of Finnish business activities, personnel, and customer collaboration. Valtteri joined Nixu in 2008. Before becoming Finnish Market area Leader, Valtteri has served as Nixu's CCO since 2014, his responsibilities being sales, marketing, and sales partners. In addition, he has held various sales and marketing positions at Nixu.



Janne Kärkkäinen

Born 1973, MSc (Econ.)
Nixu Chief Financial Officer since 2016.

As CFO Janne is responsible for Nixu Group's financial management and risk management, and operational support functions. Additionally, he serves as Nixu's deputy CEO and Secretary of the Board. Janne is an experienced CFO with a long international career, providing Nixu with wide-ranging international expertise in the financial management of consulting and service companies. Before joining Nixu, Janne worked as CFO at M-Brain, Global Intelligence Alliance Group, and Tetra Pak.



Jesper Svegby

Born 1975, Upper secondary school.
Nixu Chief Commercial Officer
since January 2018.

Jesper is responsible for the overall management of Nixu Corporation's sales, marketing and customer relations. He carries more than 17 years of experience from the Cyber Security market on an international level. Jesper has covered several roles within globally leading product companies, most recent with international responsibility of strategic sales at Check Point Software Technologies. Jesper has a long history in commercializing products and services for the international market at large scale. Jesper joins the team from the position as CEO of acquired company Bitsec.



Katja Müller

Born 1976, MSc (Econ.)
Nixu Chief People Officer since October 2017.

As CPO Katja is responsible for Nixu Group's international people operations. Katja joined Nixu in September 2016 as Head of People Operations. Katja has extensive experience of human resources in professional services firms and technology industry, thanks to previous positions at Accenture, Lenovo and KPMG, among others.



Kim Westerlund

Born 1975, Undergraduate of Philosophy
Nixu Chief Development Officer since 2014.

Kim is responsible for the service, people and overall development of operations including support systems at Nixu. Before becoming CDO, Kim managed a business unit specializing in different information security architectures. Before joining Nixu, Kim has held various information security positions at Hewlett-Packard and Finland Post Corporation.

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