



Ixonos Plc

Corporate governance statement

1 March 2010

## Corporate governance statement of Ixonos Plc

Ixonos Plc complies with the Finnish Corporate Governance Code (published 20 October 2008 by the Securities Market Association) with the exception of recommendation 9, according to which both genders should be represented on the Board of Directors. The corporate governance statement required by the Code complies with recommendation 51 and has been issued separately from the report of the Board of Directors. The statement is publicly available on the company's website, at <http://www.ixonos.com/en/investors/governance>.

This statement will not be updated during the year, but up-to-date information on its topics is available on the company's website, at <http://www.ixonos.com/>.

### THE IXONOS GROUP

In accordance with Finland's Limited Liability Companies Act (624/2006), the General Meeting and the President and CEO are responsible for the business operations of the Ixonos Group. The General Meeting elects the Board of Directors, which elects the President and CEO.

The General Meeting, in which the shareholders exercise their power of decision, is Ixonos Plc's supreme decision-making body. The Board of Directors sees to the administration of the company and the appropriate organisation of its operations. As the Group's parent company, Ixonos Plc is responsible for the management, financial administration, financing, legal matters, strategic planning and HR of the Group as well as for its internal and external communications.

Ixonos Plc has three reporting segments: Mobile Terminals and Software; Media and Communities; and Business Solutions.

### IXONOS PLC'S BOARD OF DIRECTORS

#### Composition of the Board of Directors

Tero Laaksonen is Chairman of the Board of Directors. Pertti Ervi is Deputy Chairman. The Board members are Peter Eriksson, Matti Järvinen, Matti Makkonen, Esko Siik and Markku Toivanen.

**TERO LAAKSONEN**, born 1946  
Master of Science, professional board member

**PERTTI ERVI**, born 1957  
Bachelor of Science (Engineering), independent consultant and investor 2000-

**PETER ERIKSSON**, born 1966  
Master of Science (Economics and Business Administration), CEO

**MATTI JÄRVINEN**, born 1945  
Master of Science (Economics and Business Administration)

**MATTI MAKKONEN**, born 1952  
Master of Science (Technology), management consultant

**ESKO SIIK**, born 1942  
Master of Science (Economics and Business Administration), retired

**MARKKU TOIVANEN**, born 1953  
Bachelor of Science, independent consultant and investor 2006-

Ixonos Plc's Board of Directors has assessed that Peter Eriksson, who works at Turret Oy Ab, is independent of the company but not of its significant shareholders. The other members of Ixonos Plc's Board of Directors are independent of the company as well as of its significant shareholders.

Ixonos Plc's General Meeting elects the Board of Directors. The number of Board members may vary between five and nine.

### **Board procedures and composition**

The Board of Directors represents all shareholders, serving their common interests equally. None of the Board members are operational managers in the company. The President and CEO participates in Board meetings as a reporting member. The Board of Directors may also invite to its meetings other members of the management as necessary. The Board of Directors elects from among itself a Chairman, a Deputy Chairman, an Audit Committee and a Staff Committee. The Board of Directors also elects a secretary for its meetings. The Board of Directors met 21 times during 2009. Timo Leinonen, the company's CFO, acted as the Board's permanent secretary. Attendance at Board meetings was 87 per cent. Board members received the following fees during 2009:

Chairman	Tero Laaksonen	EUR 38,650
Deputy Chairman	Pertti Ervi	EUR 25,750
Board member	Peter Eriksson	EUR 15,750
Board member	Matti Järvinen	EUR 21,125
Board member	Matti Makkonen	EUR 21,125
Board member	Esko Siik	EUR 21,275
Board member	Markku Toivanen	EUR 19,525

### **Principal responsibilities of the Board of Directors**

The Board of Directors is responsible for strategic management and for monitoring the company's operations. The Board of Directors is also responsible for developing the company's corporate governance and for appointing, supporting and dismissing the President and CEO.

### **Responsibilities of Board members and committees**

#### **Chairman**

The Chairman of the Board of Directors leads the Board's work and prepares, together with the President and CEO, its meetings. The Chairman represents—together with the President and CEO, when needed—the company in meetings with various stakeholders. If necessary, the Chairman participates in planning and meetings related to corporate acquisitions or mergers. The Chairman also prepares the appointment and dismissal of the company's President and CEO and manages him or her.

#### **Deputy Chairman**

If the Chairman is temporarily unable to perform his or her duties, the Deputy Chairman leads the Board's work and prepares, together with the President and CEO, its meetings.

#### **Audit Committee**

The Board of Directors elects from among itself an Audit Committee of at least three independent members. The Audit Committee familiarizes itself with the company's financial statements, interim reports and internal and external control systems. The Audit Committee also monitors the company's profitability development, budgeting principles, budgeting and risk management. In addition, the Audit Committee familiarizes itself with the company's financial management systems, approves the corporate governance statement, prepares a draft resolution on the appointment of an auditor, comments on the auditor's independence and evaluates the ancillary services provided by auditors. The auditor, the President and CEO and the CFO attend the meetings of the Audit Committee when necessary. Since the Annual General Meeting on 19 March 2009, the Audit Committee has consisted of Pertti Ervi as Chairman of the Committee and Matti Järvinen and Esko Siik as members. The Audit Committee has met ten times in 2009. Attendance has been 100 per cent.

#### **Staff Committee**

The Board of Directors elects from among itself a Staff Committee of at least two members. The Staff Committee participates in defining the company's HR strategy, especially in relation to pay, benefits and employment policy as well as to the development of the company's competence. The Staff Committee participates in planning the company's incentive policy for both staff and

management. The Staff Committee monitors and oversees principles and activities relating to the training and development of personnel. The Staff Committee monitors and oversees the quality assessment of the company's specialists; the principles and activities relating to personnel training and development; and the development and the utilization factor of employee competencies. In addition, the Staff Committee discusses—in accordance with the company's management system—the management objectives relating to its own responsibilities. The Staff Committee also monitors the attainment of those objectives. Since the Annual General Meeting on 19 March 2009, the Staff Committee has consisted of Matti Makkonen as Chairman of the Committee and Peter Eriksson and Markku Toivanen as members. The Staff Committee has met five times in 2009. Attendance has been 87 per cent.

#### Nomination Committee

The Board of Directors elects from among itself or outside the Board a Nomination Committee, which is tasked with preparing for the General Meeting nominations regarding future Board members. The members of the Nomination Committee must either be Board members independent of the company or come from outside the Board of Directors.

Since autumn 2009, the Nomination Committee has consisted of Tero Laaksonen as Chairman of the Committee and Paul Ehrnrooth, Matti Jokinen and Esko Siik as members. The Nomination Committee has met twice by the end of 2009. Attendance has been 100 per cent.

#### Board procedures

The Board of Directors normally holds one ordinary meeting per month, except for July. In addition, the Board of Directors holds extraordinary meetings when necessary. Board meetings may be held as telephone conferences.

#### Agenda

At its ordinary meetings, the Board of Directors discusses the topics listed in the annual plan; the President and CEO's situation report; and other current items that have been prepared for presentation at the meeting. The latter category of agenda items includes significant investments; financial, guarantee and collateral matters; major strategy changes; new service concepts, products and markets; business acquisitions; and adjustments to the President and CEO's salary or that of his or her direct reports.

#### Board meeting preparations and minutes

The President and CEO and the Chairman of the Board of Directors are jointly responsible for preparing the Board's meetings. Agenda items are prepared together with the Board's committees, if necessary. In good time before the meeting, the President and CEO sends the agenda, and the supplementary material for the items thereon, to the Board members by email or postal mail. The members of the Board of Directors are expected to read and understand the advance material provided; the Board's meetings concentrate on analyses and decisions.

#### Reporting to the Board of Directors

The President and CEO's monthly situation report comprises the income statement and balance sheet of the previous month; unit-by-unit profit reports; a turnover forecast for the current month; quarterly, a forecast of turnover and profit for the entire financial period; and, optionally, other topical reports.

When reporting on the current situation, the President and CEO shall provide, as necessary, comments on topics such as budget variances; significant deals won or lost; significant project deliveries; the outlook; significant current events; and overdue sales receivables.

### **THE PRESIDENT AND CEO AND THE MANAGEMENT TEAM**

Ixonos Plc's President and CEO is Kari Happonen, Master of Social Sciences, born 1958. The President and CEO is responsible for the company's business operations and executive management in accordance with the Limited Liability Companies Act and the instructions and orders given by the Board of Directors. The President and CEO chairs the Management Team, but he or she is not a member of the Board of Directors. The company's Board of Directors appoints the

President and CEO and decides on his or her salary and other benefits. The main terms of the President and CEO's contract must be agreed on in writing.

The President and CEO is assisted by a Management Team consisting of Timo Leinonen, Senior Vice President and CFO; Kari Liuska, Senior Vice President and Director, Business Operations; Asko Vainionpää, Senior Vice President and CAO; Pasi Iljin, Director, Service Production; Timo Kaisla, Vice President and Director, Media and Communities; and, representing the personnel, Esa Launis, Chief Shop Steward of the Group. Sirje Ahvenlampi, Communications Manager, acts as secretary to the Management Team.

The responsibilities of the Management Team include preparing monthly reports, investments, Group guidelines and policies, long-term plans, action plans for 12 months ahead and financial statements, for the Board of Directors to decide on. The Management Team normally meets once every month. In 2009, the Management Team met eleven times.

During 2009, Kari Happonen, President and CEO, received EUR 334,360 in salaries and other short-term employee benefits. The other members of the Management Team received a total of EUR 833,862 in salaries and other short-term employee benefits.

At the end of 2009, Kari Happonen, President and CEO, had 26,250 option rights; the other Management Team members had a total of 75,000 options.

## **INSIDER MANAGEMENT**

Ixonos Plc's Board of Directors has ratified the insider guidelines for the Ixonos Group. The guidelines supplement the provisions on the administration and handling of insider information that are provided in chapter 51 of the Penal Code (39/1889), chapter 5 of the Securities Markets Act (495/1989), FIN-FSA standard 5.3 (Declarations of insider holdings and insider registers) and NASDAQ OMX Helsinki Ltd's publication "Guidelines for Insiders".

The company's public insider register comprises the Board members and the President and CEO as well as the principal auditor nominated by the audit firm that acts as the company's auditor. The company has also determined that the members of the Group's Management Team are public insiders subject to the duty to declare. Persons who regularly learn inside information by virtue of their positions or tasks are company-specific insiders; the register of such insiders is not public. The company also maintains a non-public register of insiders specific to significant projects as defined in the insider provisions.

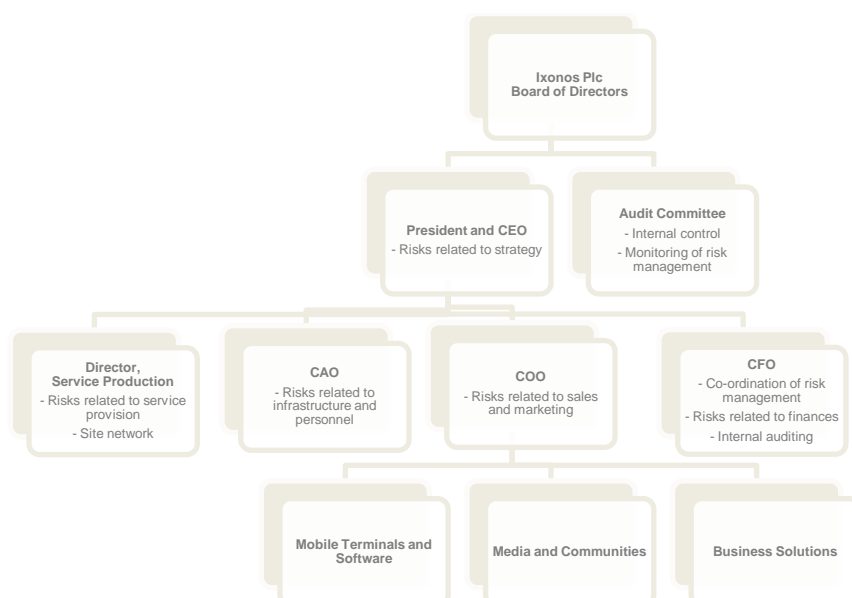
The public insider register, including up-to-date information on ownership and dealings, is available on Ixonos' website. Ixonos' insider register can also be viewed at the service point of Euroclear Finland Ltd (previously Finnish Central Securities Depository Ltd) at Urho Kekkosen katu 5 C, 8th floor, Helsinki. Ixonos trains and informs its public, company-specific and project-specific insiders to recognize their position and its significance. A trading window allowing the company's insiders to trade in securities emitted by the company opens when Ixonos Plc publishes an interim report or a financial statement. The window closes 14 days later. The company's CFO is in charge of the Ixonos Group's insider matters.

## **DESCRIPTION OF THE MAIN FEATURES OF THE COMPANY'S INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCESS**

### **Risk management**

Ixonos Plc's risk management aims to ensure undisturbed continuity and development of the company's operations, back up the implementation of the commercial targets set by the company and promote increasing company value.

Risk management is present in all the company's core processes, from the Board's strategy process to customer-specific service provision and the company's quality system. The CFO is responsible for risk management planning, development, instructions and supervision as well as for developing the risk management methods and processes. In accordance with the risk management system, each unit in the Group is responsible for identifying, evaluating and preventing the risks related to its own operations. Risk management has been implemented in the normal business planning and monitoring systems of the units as well as in the company's management systems.



In accordance with the strategy, business planning and budgeting processes, the Board of Directors monitors the implementation of the company's risk management policy. This supervision has been organized so that the Audit Committee supervises the implementation and development of the company's risk management program and submits risk management related matters to the Board of Directors when necessary. Significant business risks are always considered by the Board of Directors.

### Types of risk

Once a risk has been identified, it is monitored monthly, quarterly, semi-annually or when risk exposure is detected, depending on the type of the risk. Ixonos has identified the following risk types and risks:

- Operating environment: political, economic and legislative conditions, the competitor situation and customer requirements.
- Service sales and marketing: personal, contract, liability and information-security risks related to the sales and marketing of services.
- Service provision: personal, contract, liability and information-security risks related to service provision.
- Technical infrastructure: risks related to data processing and information networks.
- Finances: risks related to liquidity, capital adequacy, financing, capital, interest and currencies.
- Abuse: risks caused by incidents involving deviation from legislation, other corresponding external norms or the company's internal instructions.
- Strategy: risks related to environmental perception; reporting; decision-making; and strategy implementation.

## RISK MANAGEMENT APPROACH

### Board of Directors

Ixonos Plc's Board of Directors carries the principal responsibility for the adequacy of the Group's risk management arrangements. The Audit Committee is responsible for organizing the company's internal control and its risk management. The Audit Committee consults those responsible for the organization's risk management, internal control and administration; those who evaluate the company's operations; and the auditors as well as other parties as it deems necessary.

## **Risk management governance**

The CFO of the Group oversees that risk management is arranged efficiently and that the performance thereof is ensured. The CFO is also responsible for developing the risk management operations, assessing the results of case-specific reporting and approving the necessary action. In addition, the CFO evaluates the risk management methods of the business units, approves the necessary additional measures, oversees risk management reporting and regularly reports the company's risk status to the Audit Committee.

## **Risk management process**

Risk management is a continuous, regular process that penetrates the entire organization. Risk management tasks are part of internal control. The risk management process is intended to identify pre-emptively the risks threatening business operations as well as to evaluate and develop the risk management methods that are needed. The risk management process is coupled with the Group's annual operational planning process.

## **Actions**

Risk management measures are designed to keep the risk management methods and guidelines as simple and practical as possible.

## **Major risks and uncertainty factors**

Presently, the major uncertainty factors relate to the global financial crisis and its potential ramifications. The general financial insecurity and tightened credit conditions also influence corporate investments and propensity to invest. The current economic uncertainty affects the information systems development investments of Ixonos' customers too; such investments may be put on hold, or decisions regarding them may be postponed.

Ixonos' acquisitions, its rapid growth in 2006–2008 and the upswing in its project operations have increased the company's requirement for working capital. The company manages this need by creating, together with financiers, adequate buffers to ensure sufficient funds as well as by facilitating the circulation of working capital. The company's balance sheet also includes a significant amount of goodwill. Despite the September 2009 depreciation of goodwill allocated to the Business Solutions unit, the company's goodwill may be impaired further should either internal or external factors reduce the profit expectations of the company or any of its cash-generating units. Goodwill will be tested during the final quarter of the present year and, if necessary, at other times.

The company's financial agreements have covenants attached to them. A covenant violation may cause either an increase in the company's financing costs or a call for swift partial or full repayment of non-equity loans. The biggest risks related to covenant violations are associated with operating profit fluctuation due to the market situation and with a potential need to increase the company's working capital through non-equity funding. The company manages these risks by negotiating with financiers and by maintaining readiness for various financing methods. Ixonos has access to the cash funds its normal operations require.

Ixonos Plc has entered EUR 7.8 million as additional acquisition price in accordance with the share purchase agreement, signed on 4 September 2007, for Cidercone Life-Cycle Solutions Oy (later Ixonos Outsourcing Services Ltd). This amount is based on Ixonos Plc's view of the additional acquisition price. Negotiations with the selling party have not led to consensus on the amount of the additional acquisition price. To solve the disagreement, arbitration is underway at the Arbitration Institute of the Central Chamber of Commerce of Finland. The sellers claim an additional acquisition price of some EUR 8 million, on top of the additional acquisition price already paid, in their request for arbitration. The arbitrator's decision is expected in spring 2010.

## **Risks related to financing**

The company is exposed to several funding risks in the course of its normal business operations. Risk management aims to minimize any adverse effects that changes on the finance market might have on the company's profit. The main funding risks of the Ixonos Group pertain to capital adequacy and interest rates.

The long-term funding of the Ixonos Group has chiefly been arranged through two main financiers. Later, the company may also decide to issue shares. Should the general economic situation tumble

into an exceptionally long decline, this would likely increase the Ixonos Group's financing costs in proportion to the earnings from the Group's operations, as the Group's earning power as well as the cash flow from its business operations presumably would decrease during a general recession.

The circumstances mentioned above might also reduce the availability of external financing for the Ixonos Group and weaken the Group's financial standing. The financing function of the parent company is responsible for the implementation of risk management and tasked with identifying, estimating and hedging financial risk in cooperation with the business units.

## **INTERNAL CONTROL**

Ixonos' business operations are governed and controlled in accordance with the administration and management system described above. The Board of Directors is tasked with ensuring adequate control of accounting as well as of financial management. The President and CEO sees to it that the accounts of the company comply with the law and that its financial affairs have been arranged in a reliable manner.

The President and CEO, the Management Team members and the directors of the business units are responsible for ensuring that their respective areas of responsibility are managed in compliance with the law, the Group's operational principles and the instructions and orders given by the Board of Directors.

Control of the business units' administration and accounting has been centralized at the Group's Finance unit and the finance departments of the business units. The Group's Finance unit, which the Group's CFO manages, centrally provides the financial statements required by financial accounting. The Finance unit also provides management accounting analyses and performance reports for profitability monitoring to the Group's Management Team and the management teams of the business units. The Group's internal control practices aim to ensure accurate reporting of the Group's finances. The business operations and the financial management are monitored by way of the reporting described above. The Ixonos Group employs a business unit specific system for financial reporting. The realization of the business plans of the units is also monitored through the reporting practices. To ensure consistency, the Group's financial management has created a uniform chart of accounts as well as various Group-level instructions related to reporting and financial monitoring. The financial management also trains employees in applying those resources.

## **AUDITING**

As part of the annual auditing assignment, Ixonos Plc's external auditors audit the accounting and administration of the parent company and the subsidiaries. The requirements of internal control have been taken into account in the audit plans. The auditors provide yearly reports to the Annual General Meeting of Ixonos Plc. They also communicate the main points of the annual audit report to the Board of Directors and the Audit Committee. In addition, for each interim report, they notify the Audit Committee about the audit findings orally or in writing.

## **INTERNAL AUDITING**

As part of internal control, the Audit Committee is responsible for co-ordinating the internal auditing of the company. The Group's financial management is responsible for internal auditing in addition to its regular duties. Auditing is performed by the CFO and the company's controller function. The financial management may occasionally use external assistance in audit cases where that is necessary. The findings of the internal audit are reported to the financial management, which reports them to the Audit Committee. An internal audit plan is developed annually together with the company's auditors. In 2009, internal audits were performed in the Group's Chinese and Slovak subsidiaries.