

# Annual Report 2015

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Corporate Governance Statement  
Reporting Period Jan. 1–Dec. 31, 2015

**Bittium**



# Corporate governance

The governance of Bittium Corporation (hereinafter "Company") is determined by the Company's Articles of Association, the laws of Finland (such as the Finnish Companies Act and Securities Market Act) and the Company's Corporate Governance Code. The Company follows with some exceptions the Finnish Corporate Governance Code 2015 prepared by the Finnish Securities Market Association. The Governance Code allows its implementation in phases. The former Finnish Corporate Governance Code from 2010 and the valid Decree of the Ministry of Finance on the Regular Duty of Disclosure of an Issuer of a Security are applied to the statement given from the financial year 2015, i.e. to this Corporate Governance Statement. Both Governance Codes may be viewed, inter alia, at the Finnish Securities Market Association website at [www.cgfinland.fi](http://www.cgfinland.fi).

The Company has departed from two recommendations of the Finnish Governance Code during the year 2015. The first departure concerns the gender composition of the Board. According to the Finnish Governance Code, one element of a diverse composition of the board is to have both genders represented on the board. The Company departed from this recommendation, as the Annual General Meeting held on April 15, 2015 did not elect both genders to the Board of Directors. The proposal adopted by the Annual General Meeting regarding the composition of the Board was made by shareholders who represented approximately 42.2 percent of the shares of the Company. Such shareholders were informed about the content of the then valid recommendation 9 by the Board of Directors of the Company. According to the information received, the shareholders who made the proposal, on the one hand, wanted to emphasize the continuity of the Board composition due to foreseen focus areas in the Board work and did not, on the other hand, in view of the size and nature of the Company's operations, consider it appropriate to increase the number of the Board members from the previous five members. The management of the Company and the composition of the Board are thereby based on strong ownership steering and, thus, the main shareholders have a significant representation in the Company's Board. The Extraordinary General Meeting held on September 14, 2015 elected Ms. Kirsi Komi, Mr. Juha Putkiranta and Mr. Seppo Mäkinen as new members of the Board of Directors. The new members of the Board of Directors replaced Jorma Halonen, Juha Hulkko and Seppo Laine, who had notified their resignation from the Board of Directors when the term of the new members of the Board of Directors commences. Mr. Staffan Simberg and Mr. Erkki Veikkolainen chosen earlier to the Board of Directors continued in their

positions with the new members of the Board of Directors. In the assembly meeting held on November 5, 2015 the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board.

In the assembly meeting held on November 5, 2015, the new Board of Directors elected on September 14, 2015 considered the continuation of the Audit and Financial Committee and concluded that the extent of the Company's business still requires that a group with a more compact composition than the Board of Directors deals with the preparation of matters pertaining to financial reporting and control. The Governance Code recommends that a committee shall have at least three members. In the assembly meeting held on November 5, 2015, the new Board of Directors resolved to elect Staffan Simberg (Chairman of the committee) and Kirsi Komi as members of the Audit and Financial Committee and to invite the former Chairman of the Board of Directors Seppo Laine external advisor of the Board of Directors. The composition of two members and an external advisor was considered to be in compliance with purpose of the recommendation as authorized public accountant Seppo Laine brings continuity and expertise needed in the committee.

This Statement is made separately from the Report by the Board. The Board's Audit and Finance Committee and the Company's auditor have reviewed this Statement.

The statutory governing bodies of the Company are the Shareholders' meeting, Board of Directors, Chief Executive Officer and the Auditor. The Management Group supports the statutory governing bodies of the Company. The Company's domicile is Oulu.

This Statement may be viewed at the Company's website at [www.bittium.com](http://www.bittium.com).

## The Board of Directors

The Board of Directors is responsible for the Company's governance and proper organization of the operations. The Board of Directors comprises three to seven (3-7) members and in addition it may have one to three (1-3) deputy members. The Annual General Meeting shall elect the members of the Board of Directors for a term which expires at the end of the following Annual General Meeting. The number of terms for the members of the Board of Directors is not limited. The Board of Directors selects a Chairman among its members.

The Annual General Meeting held on April 15, 2015 elected five (5) members to the Board of Directors. The following members of the Board of Directors were elected: Jorma Halonen, Juha Hulkko, Seppo Laine, Staffan Simberg and Erkki Veikkolainen. The Board of Directors elected Seppo Laine as the Chairman of the Board of Directors at its assembly meeting on April 15, 2015. The Board had the same composition already from the beginning of the year 2015 until the Annual General Meeting. The Board of Directors decided

in its assembly meeting held on April 15, 2015 to elect Staffan Simberg (Chairman of the Committee), Seppo Laine, Authorized Public Accountant and Erkki Veikkolainen as members of the Audit and Finance Committee. A corporate governance target is that at least half of the members of the Board of Directors are independent from immediate Company interest. In addition, at least two of the Directors representing this majority shall be independent from significant shareholders of the Company. On April 15, 2015 Jorma Halonen, Seppo Laine, Staffan Simberg and Erkki Veikkolainen were considered independent members of the Board as regards both the Company and its significant shareholders. Juha Hulkko was not independent from significant shareholders as his ownership in the Company exceeded 10 percent of the Company's share capital.

The Extraordinary General Meeting held on September 14, 2015 elected Ms. Kirsi Komi, Mr. Juha Putkiranta and Mr. Seppo Mäkinen as new members of the Board of Directors. The new members of the Board of Directors

replaced Jorma Halonen, Juha Hulkko and Seppo Laine, who had notified their resignation from the Board of Directors when the term of the new members of the Board of Directors commences. Mr. Staffan Simberg and Mr. Erkki Veikkolainen chosen earlier to the Board of Directors continued in their positions with the new members of the Board of Directors. The members of the Board of Directors were considered independent members of the Board as regards both the Company and its significant shareholders. In the assembly meeting held on November 5, 2015 the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board. Further, the Board of Directors resolved to elect Staffan Simberg (Chairman of the committee) and Kirsi Komi as members of the Audit and Financial Committee and to invite the former Chairman of the Board of Directors Seppo Laine external advisor of the Board of Directors.



## Description of activities

The Board of Directors has defined a working order and evaluates its performance annually. The Board of Directors shall implement the decisions of the General Meeting. The Board of Directors supervises the operations and management. The Board of Directors makes decisions on the Company's guiding principles for operation, strategy and budget. The Board of Directors decides on mergers and acquisitions and other strategic alliances as well as significant investments and significant matters regarding organization and finance. The Board of Directors supervises that the group companies' accounting and financial management is duly organized. The Board of Directors appoints the CEO and possible Deputy for him or her as well as approves the Company's organization structure.

The CEO, CFO and Chief Legal Officer (who acts as secretary of the Board of Directors) attend the meetings of the Board of Directors. Other management attend the meetings when necessary or upon invitation by the Board of Directors. The Chairman of the Board approves the agendas of the meetings of the Board of Directors. The agendas are prepared by the CEO and the Chief Legal Officer.

In 2015, the Board convened 25 times. The Board members attended to the meetings as follows:

January 1, –December 31,

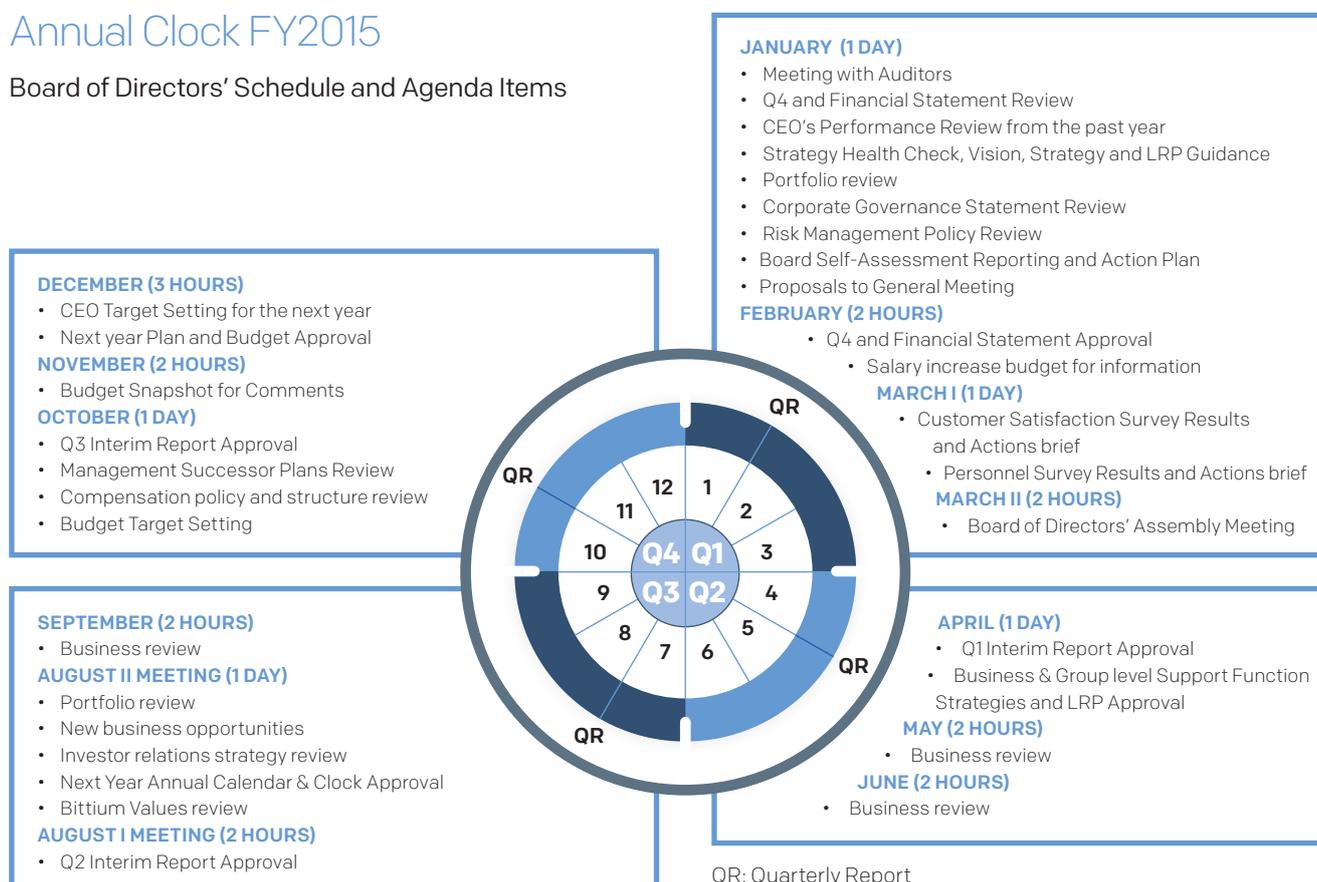
2015	Board	Audit and finance committee
Seppo Laine	23/23	6/6 (External advisor of the Board in the last meeting)
Jorma Halonen	20/23	
Juha Hulkko	22/23	
Staffan Simberg	25/25	6/6
Erkki Veikkolainen	23/25	5/5 (Membership ended in the middle of the year 2015, not member in the last meeting)
Kirsi Komi	2/2	1/1 (Membership started in the middle of the year 2015, member in the last meeting)
Juha Putkiranta	2/2	
Seppo Mäkinen	2/2	

An annual clock, according to which the regular subjects to be handled are determined, is applied in the Board's work. In addition to the regular subjects of the annual clock, the most important subjects of the Board during the year were still profitability improvement of the Group, development of a segment based management system and business portfolio.

The Annual General Meeting decides on the compensation of the members of the Board of Directors and the compensations can be publicly reviewed from the Company's website.

## Annual Clock FY2015

### Board of Directors' Schedule and Agenda Items



Bittium  
Corporation  
Board of Directors



From left to right:  
Staffan Simberg, Juha  
Putkiranta, Kirsi Komi,  
Seppo Mäkinen and  
Erkki Veikkolainen.

Chairman of the Board  
of Bittium Corporation  
**Erkki Veikkolainen**  
b. 1952, M.Sc. (EE), eMBA

Full-time occupation:  
Mevita Invest Oy, CEO

Positions of trust:

- Bittium Corporation (prev. Elektrobit Corporation), Member of the Board 2008-2015, Chairman of the Board 2015-.
- Elcoflex (Suzhou) Co. Ltd, Member of the Board 2007-.
- Elcoflex Oy, Member of the Board 2015-, Chairman of the Board 2006-2015.
- Maustaja Oy, Member of the Board 2006-.
- Aplicom Oy, Member of the Board 2005-.
- Mecanova Oy, Member of the Board 2005-.

Previous work history:

- Bittium Technologies Ltd. (prev. Elektrobit Technologies Ltd.), Member of the Board 2011-2015.
- Elektrobit Corporation, Executive Vice President, Contract R&D and Test Business Units 2002-2003.
- Elektrobit Technologies Ltd., Managing Director 2001-2003.
- Elektrobit Ltd., Vice President, Business Development 1998-2001.
- Nokia Mobile Phones, various positions 1985-1998, latest Vice President.

Holdings Dec.31, 2015: Holds 1 500 000 shares in Bittium Corporation.

Independent as regards both the Company and its significant shareholders.

Member of the Board of Bittium Corporation

**Kirsi Komi**

b. 1963, LL.M. Master of Laws

Full-time occupation: Professional Board Member

Positions of trust:

- Bittium Oyj, Member of the Board, Member of the Audit and Financial Committee 2015-.
- Veikkaus Oyj, Chairman of the Board 2016-.
- Directors' Institute of Finland, Member of the Board 2015-.
- Guggenheim Helsinki Supporting Foundation, Board Member 2015-.
- Martela Oyj, Member of the Board, Member of the Remuneration Committee 2013-.
- Finnvera Oyj, Member of the Board, Chairman of the Audit Committee 2013-.
- Citycon Oyj, Member of the Board, Member of the Audit & Governance Committee and the Nomination & Remuneration Committee 2011-.
- Patria Oyj, Vice Chairman of the Board, Chairman of the Audit Committee 2011-.
- Docrates Oy, Chairman of the Board & investor 2011-.
- Finnish Red Cross, Blood Service, Chairman of the Board 2011-, Member of the Board 2010-2011.
- Metsä Board Oyj, Member of the Board, Member of the Audit Committee 2010-.

Previous work history:

- Nokia Siemens Networks, General Counsel, Member of the Executive Board 2007-2010.
- Nokia Corporation, Networks Business Group, Vice President (legal), Member of NET Leadership Team and other NET/nokia senior management forums 1997-2007.
- Nokia Corporation, Networks Business Group, Senior Legal Counsel & Head of European Practise Group 1998.
- Nokia Corporation, Networks Business Group, Vice President, Contracts 1995-1996.
- Nokia Corporation, Networks Business Group, Legal Counsel 1992-1995, 1997.

Holdings Dec.31, 2015: –

Independent as regards both the Company and its significant shareholders.



Member of the Board of Bittium Corporation

### Seppo Mäkinen

b. 1952, M.Sc. Physical Chemistry

Full-time occupation: Professional Board Member

#### Positions of trust:

- Bittium Corporation, Member of the Board 2015-
- Neurotar Oy, Member of the Board 2015-
- MedGroup Oy, Member of the Board 2013-
- Valirx Plc, Member of the Board 2013-
- Ginolis Oy, Member of the Board 2011-, Chairman of the Board 2011-2014.

#### Previous work history:

- Taikon Advisor, Managing Partner 2010-
- Merieux Développement, Regional Partner, Nordics 2010-
- Ventac Partners, Partner 2012-2016.
- Magnasense Technologies Oy, Member of the Board 2011-2015.
- Arcdia International Oy, Member of the Board 2011-2014.
- Balonco, Senior Advisor, owner 2012-2013.
- Mediracer Ltd., Chairman of the Board 2010-2013.
- RSP Systems, Member of the Board 2010-2011.
- Bio Fund Management Oy, Managing Partner 1997-2010.
- Sitra, Director in Life Science 1987-1997.
- Millipore/ Waters, Sales & Marketing 1983-1987.
- State Institute of Agricultural Chemistry, Chemist 1980-1983.
- Served as a Chairman or Member of the Board in Egalet A/S, SpinX Inc., Chempaq, Profos AG, Ilochip A/S, Exiqon A/S, KSH-Productor Oy, Merlin Diagnostika GmbH, Primex ASA, Rumen Oy, Millimed Inc., BioPorto A/S, Wallac, Kone Instruments, Rados Technologies, MAP Medical Technologies, Pharming NV, Bio-Orbit, Labmaster Oy, Viable Bioproducts and Fluilogic Oy.

Holdings Dec.31, 2015: –

Independent as regards both the Company and its significant shareholders.

Member of the Board of Bittium Corporation

### Juha Putkiranta

b. 1957, M.Sc. Engineering

Full-time occupation: Saafricon Oy, CEO

#### Positions of trust:

- Bittium Corporation, Member of the Board 2015-
- Nordcloud Oy, Member of the Board 2015-
- Meontrust Oy, Advisor of the Board 2013-
- Tuotantotalouden kiltä, Prodekon negotiation board member 2008-

#### Previous work history:

- Saafricon Oy, CEO and owner 2015-
- Microsoft Corporation, Corporate Vice President, Company Integration, 2014.
- Nokia Oyj, Executive Vice President, Operations 2013-2014.
- Nokia Oyj, Senior Vice President, Head of Nokia Supply Chain 2008-2012.
- Nokia Oyj, Senior Vice President, Head of Multimedia Product marketing and R&D 2006-2007.
- Nokia Oyj, Senior Vice President, Head of Imaging Business Unit 2003-2005.
- Nokia Oyj, Senior Vice President, Head of Cellular Telephones Unit 2000-2003.
- Symbian Ltd, Member of the Board 1998-2001.
- Nokia Oyj, Vice President, Corporate Planning and Business Development 1997-2000.
- Hewlett-Packard Corporation, Director of Marketing Europe and Africa, electronic measurement solutions 1992-1997.
- Siar Oy, consultant 1986-1987.
- Nokia Oyj, various project, sales and marketing management positions, information solutions unit 1979-1986.

Holdings Dec.31, 2015: Holds 10 000 shares in Bittium Corporation.

Independent as regards both the Company and its significant shareholders.

Member of the Board of Bittium Corporation

### Staffan Simberg

b. 1949, MBA

Full-time occupation: Professional Board Member, Management Consultant

#### Positions of trust:

- Bittium Corporation (prev. Elektrobot Corporation), Member of the Board 2008- and Chairman of the Audit and Financial Committee 2010-
- Oriola-KD Corporation, Member of the Board and Audit Committee 2015-
- Endomines AB (publ), Member of the Board and Audit Committee 2011-, Chairman of the Board 2012-
- Simberg & Partners Oy, Chairman of the Board 1994-
- NEZ-Invest AB, Chairman of the Board 1994-

#### Previous work history:

- Bittium Technologies Ltd. (prev. Elektrobot Technologies Ltd.), Member of the Board 2011-2015.
- Nordic Vehicle Conversion AB, Member of the Board 2011-2015.
- Silva Group AB, Member of the Board 2011-2015.
- Valmet Automotive Group, Advisor of the Board of Directors 2014.
- Metso Group, Industrial Advisor 2011.
- Cargotec Oy, Industrial Advisor 2009, 2012.
- Metso Panelboard, Chairman 2008-2009.
- Landis & Gyr AG, Member of the Advisory Board 2007-2013.
- Emermet Group, Managing Director 2005-2007.
- Siar-Bossard, Associated Partner 1992-1994.
- Leading positions at Nokia 1978-1991.

Holdings Dec. 31, 2015: Corporation controlled by Simberg holds 50,000 shares in Bittium Corporation.

Independent as regards both the Company and its significant shareholders.

## The board committees

The proper function of the corporate governance of a company requires that Board work be organized as efficiently as possible. For this reason the Company has established an Audit and Financial Committee.

The Directors on the committee can concentrate on the matters delegated to the committee more extensively than the entire Board of Directors. The purpose of the committee is to enhance the efficient preparation of matters within the competence of the Board, increase transparency and ensure the quality and efficiency of the decision making of the Board.

The committee assists the Board by preparing matters falling within the competence of the Board. The Board remains responsible for the duties assigned to the committee. The committee has no autonomous decision-making power, and thus the Board makes the decisions within its competence collectively.

A committee shall regularly report on its work to the Board. The reports shall include at least a summary of the matters addressed and measures taken by the committee.

The central duties and operating principles of the Audit and Financial Committee are described below. The Annual General Meeting decides on the compensation of the members of the Board committee and such compensations can be publicly reviewed from Company's website at [www.bittium.com](http://www.bittium.com).

### Audit and financial committee

The Audit and Financial Committee has the following duties:

- to monitor the reporting process of financial statements;
- to supervise the financial reporting process;

- to monitor the efficiency of the Company's internal control, internal audit, if applicable, and risk management systems;
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the Company's corporate governance statement;
- to monitor the statutory audit of the financial statements and consolidated financial statements;
- to evaluate the independence of the statutory auditor or audit firm and particularly the provision of related services; and
- to prepare the proposal for resolution on the election of the auditor.

The Chairman and the members of the Audit and Financial Committee are appointed by the Board of Directors of the Company. At least one committee member must be a financial expert who has significant knowledge and experience in accounting and accounting principles applicable to the Company. The Board of Directors decided in its assembly meeting held on April 15, 2015 to elect Staffan Simberg (Chairman of the Committee), Seppo Laine, Authorized Public Accountant and Erkki Veikkolainen as members of the Audit and Finance Committee. The Board of Directors decided in its assembly meeting held on November 5, 2015 to elect Staffan Simberg (Chairman of the Committee) and Kirsi Komi as members of the Audit and Finance Committee. All members of the committee are independent from immediate interest of both the Company and its significant shareholders and they have long term experience in business management. The Board of Directors decided further in its same meeting to invite the former Chairman of the Board Mr. Seppo Laine as external advisor of the Board of Directors.

In addition to committee members, other regular participants to the committee meetings are CEO and CFO of the Company and optionally external auditors. Further, the committee members may meet the external auditors without the operative management being present in such meetings. In 2015, the Audit and Financial Committee convened six (6) times to ordinary meetings. The Committee has evaluated, prepared and reviewed, inter alia, the following subject matters during the financial period of January 1, 2015 - December 31, 2015:

- Financial Statements of 2014;
- Interim Reports of 2015;
- Annual audit plan for 2015;
- Observations based on auditing during the financial period;
- Observation by the internal control;
- Cash flow monitoring and evaluation of sufficiency of financing;
- Budget target setting and budgeting process;
- Dividend payment;
- M&A related issues and their effects on the result, balance sheet and financing status of the Group;
- Group legal structure related questions; and
- Impairment testing of the subsidiary shares and goodwill.

During 2016 the Committee's focus areas are:

- Assessment of material handling processes and development needs for related financial reporting;
- Assessment of off-balance sheet liability processes and risks;
- Assessment of product and service project offer and agreement processes; and
- Follow-up cash management and spend.

## Chief Executive Officer

The CEO is in charge of the operative management of the Company in accordance with the Finnish Companies Act, the Articles of Association as well as the instructions and orders given by the Board of Directors. The CEO is responsible for the preparation of the Board meetings and implementation of any decisions made therein. Further, the CEO is responsible for ensuring that the Company's accounting methods comply with the applicable law and that the financial matters are being handled in a reliable manner. The CEO prepares strategy, long-term planning, investments, mergers and acquisitions, financing and makes decisions thereof to the extent that such decisions are not tasks of the Board of the Directors. The CEO is responsible for financial planning, the Company's communications and investor relations.

The Board of Directors defines and approves the essential terms of the service of the CEO, including the CEO's remuneration, in the form of a written agreement. The

CEO's service contract is effective until further notice and can be terminated by the Company with twelve (12) and the CEO with six (6) months' written notice.

The CEO is entitled to a pension under the Contracts of Employment Act and other legislation pertaining to pensions. The Finnish employee pension system (TyEL) allows for an oldage pension based on years of service and the income accumulated during those years, including the base salary, bonuses (excluding any option rights and shares subscribed on their basis) and taxable fringe benefits. The old age pension can be taken out at one's own discretion between the ages of 63–68 (flexible retirement age).

After having sold its Automotive business to Continental AG the Company merged its corporate functions and Wireless Business Segment's functions on August 7, 2015. Until this, the Company's CEO was Mr. Jukka Harju.



### Hannu Huttunen

Chief Executive Officer, 2015–  
b. 1966, M.Sc. (Econ.)

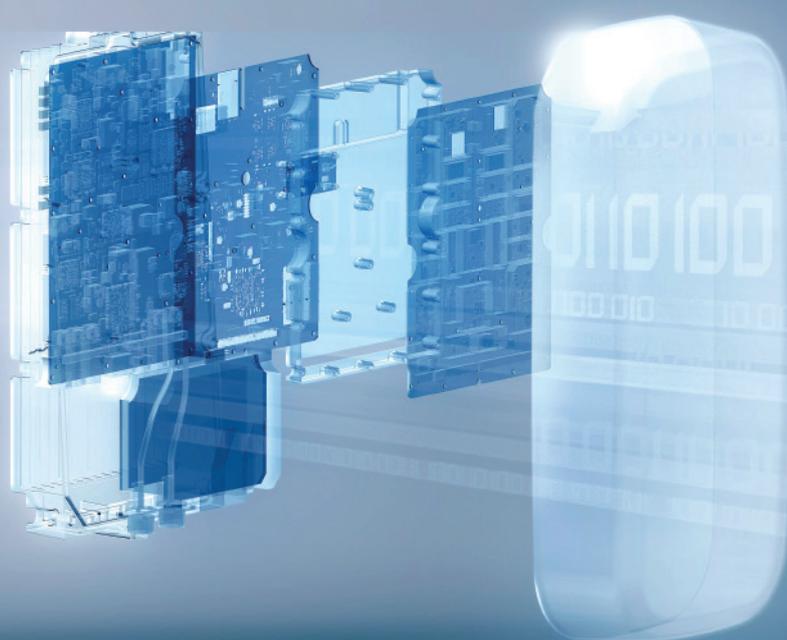
#### Positions of trust:

- Tekniseri Oy, Member of the Board 2012–.

#### Previous work history:

- Elektrobit Technologies Ltd., President, Wireless Business Segment 2010–2015.
- EXFO Inc., Vice President, Wireless Division (previously NetHawk Oyj) 2010.
- NetHawk Oyj, CEO 2003–2010.
- NetHawk Oy, Executive Vice President 2002–2003.
- Nokia Mobile Phones Oy, Vice President, IP Convergence 2002, Vice President Special Products Business 1998–2002, NMT450 Business unit leader 1995–1998.

Holdings Dec.31, 2015: –



## Management group

The management group supports the CEO in his tasks and consists of the CEO as the chairman, CFO, CLO, Senior Vice President Sales, Director Corporate Communications and Marketing, Directors responsible for product and service areas, Vice President responsible for Engineering and Senior Vice President responsible for Operations. The management group supports the CEO in operative management, implementation and follow-up of the CEO's competence area, in particular as regards the operative business, the management and

development of the business portfolio, asset management and taxation, internal audit, Corporate Governance of the Company, investor and marketing communications and risk management.

After having sold its Automotive business to Continental AG the Company merged its corporate functions and Wireless Business Segment's functions on August 7, 2015. Until this, the management group consisted of CEO Jukka Harju, CFO Veli-Pekka Paloranta and CLO Kari Jokela.



### Pekka Kunnari

Chief Financial Officer, 2015–.  
b. 1967, M.Sc. (Econ.), LL.M.

#### Previous work history:

- Elektrobit Technologies Ltd., Vice President, Finance 2011–2015.
- Elektrobit Corporation, Director, Finance 2005–2011.
- Elektrobit Inc, Group Controller 2004–2005.
- Elektrobit Group Corporation, Group Controller 2003-2004.
- Elektrobit Ltd., Business Controller 2001-2003.
- RPC Rapid Prototyping Center Oy, Finance Manager 2000-2001.
- Tilintarkastajien Ltd., - Ernst & Young, Auditor 1998-2000.
- Tuottotieto Ltd., Business Consultant 1994-1998.

Holdings Dec.31, 2015: –

### Kari Jokela

Chief Legal Officer, 2014–.  
b. 1969, LL.M., trained on the bench, Mag.lur.(Saarbrücken)

#### Previous work history:

- Elektrobit Technologies Ltd, Senior Legal Counsel, 2012-2014.
- Elektrobit Corporation, Senior Legal Counsel, 2010-2012.
- Elektrobit Automotive GmbH, Senior Legal Counsel, 2008-2010.
- Elektrobit Corporation, Senior Legal Counsel, 2008.
- Polar Electro Ltd., Group Legal Counsel, 2000-2007.
- Asianajotoimisto Gilbert, Segall and Young Ltd., Attorneys at Law Helsinki, attorney, 1998-2000.

Holdings Dec.31, 2015: Holds 100 shares in Bittium Corporation.

### Jari Sankala

Senior Vice President, Sales, 2015–.  
b. 1966, M.Sc. (Electrical Engineering, Digital Communications)

#### Previous work history:

- Elektrobit Wireless Communications Ltd, Senior Vice President, Sales & Marketing, Wireless Business Segment, 2014-2015.
- Elektrobit Wireless Communications Ltd, Executive Vice President, Defence and Security, 2011-2014.
- NetHawk Group, Executive Vice President of Sales & Marketing, 2005-2011.
- NetHawk Germany, Managing Director, 2001-2005.
- Siemens AG, Sales Director Northern Europe, Mobile Networks, Germany, 1996-2001.

Holdings Dec.31, 2015: –



### Karoliina Fyrstén

Director, Investor Relations, Corporate Communications and Marketing, 2015–. b. 1977, M.A. International Business Communications

#### Previous work history:

- Elektrobit Corporation, Corporate Communications Manager, 2015.
- Elektrobit Automotive GmbH, Corporate Communications Manager, 2013–2015.
- Elektrobit Corporation, Corporate Communications Manager, 2009–2013.
- Elektrobit Corporation, Internal Communications, 2006–2008.
- Elektrobit Group Plc, Communications, 2002–2006.
- JOT Automation Group Plc, Investor Relations and Communications, 2001–2002.

Holdings Dec.31, 2015: Holds 100 shares in Bittium Corporation.



### Harri Romppainen

Vice President, Defense, 2015–. b. 1972, M.Sc. (Eng.), eMBA

#### Positions of trust:

- Association of Finnish Defence and Aerospace Industries (AFDA), Member of the Board, 2016–.

#### Previous work history:

- Elektrobit Wireless Communications Ltd., Vice President, Defense, Wireless Business Segment, 2014–2015.
- Elektrobit Wireless Communications Ltd., Senior Product Manager, 2011–2014.
- Elektrobit Wireless Communications Ltd., Sales Manager, 2009–2010.
- Elektrobit Wireless Communications Ltd., Product Manager, 2007–2008.
- Elektrobit, Site Manager, 2005–2007.
- Elektrobit, Project Manager, 2002–2005.
- Elektrobit, R&D Engineering, 1998–2001.
- Valmet Automotive, Research Engineer, 1997–1998.

Holdings Dec.31, 2015: –



### Klaus Mäntysaari

Vice President, Telecom, 2015–. b. 1966, M.Sc.

#### Positions of trust:

- Health Innovation Academy Oy, Deputy Member of the Board, 2014–.

#### Previous work history:

- Elektrobit Wireless Communications Ltd., Vice President, Telecom, Wireless Business Segment, 2014–2015.
- Elektrobit Wireless Communications Ltd., Vice President, Service Business Area, Wireless Segment, 2011–2014.
- Elektrobit Wireless Communications Ltd., Director, Sales & Marketing Development, Wireless Solutions Business Unit, 2008–2011.
- Elektrobit Wireless Communications Ltd., Director, Sales & Account Management & Marketing, Mobile Terminal Solutions Business Unit, 2008–2008.
- Elektrobit Wireless Communications Ltd., Director, Sales & Account Management, Mobile Terminal Solutions Business Unit, 2007–2008.
- Elektrobit Wireless Communications Ltd., Head of Customer Operations, Contract R&D Business Unit, 2006–2007.
- Elektrobit Ltd., Director, Global Nokia Key Account Management, Contract R&D Business Unit, 2005–2006.
- Elektrobit Ltd., Key Account Manager, Nokia Terminals, Contract R&D Business Unit, 2004–2005.
- Nokia, Senior Manager, Vodafone Account, Nokia Multimedia, IP Convergence Business Program, 2004–2004.
- Nokia, Senior Marketing Manager, Nokia Multimedia, IP Convergence Business Program, 2002–2004.
- Nokia, General Manager, Nokia Mobile Phones, Special Products, 2000–2002.
- Nokia, Marketing Manager, Nokia Mobile Phones, Special Products, 1998–2000.

Holdings : of interested parties  
Dec.31, 2015: Holds 2200 shares in Bittium Corporation.



### Sami Kotkajuuri

Vice President, IoT Solutions, 2015–.  
b. 1967, M.Sc. (Computer Technologies)

#### Previous work history:

- Elektrobit Wireless Communications Ltd., Vice President, Connectivity Solutions, Wireless Business Segment, 2014-2015.
- Elektrobit Wireless Communications Ltd., Director, Product Management and R&D, Services and Special Terminals Product, 2013-2014.
- Elektrobit Wireless Communications Ltd., R&D Director, Service Business Area, 2010-2013.
- Elektrobit Wireless Communications Ltd., Director, Terminal Service Business Line, 2006-2009.
- Nokia Mobile Phones, Director, Operational Development, 2005-2006.
- Nokia Mobile Phones, Director, Program Portfolio Management, 2001-2005.
- Nokia Mobile Phones, Head of Mobile Messaging Technology, 2000-2000.
- Nokia Telecommunications, Head of Product Management, Mobile Switching, 1998-1999.
- Nokia Telecommunications, Head of Operation & Maintenance R&D, 1997-1998.

Holdings Dec.31, 2015: –



### Jari-Pekka Innanen

Vice President, Engineering, 2015–.  
b. 1968, M.Sc. (ME)

#### Previous work history:

- Elektrobit Wireless Communications Ltd., Vice President, Engineering, Wireless Business Segment, 2011-2015.
- Elektrobit, Senior Manager, WS Global Resourcing, 2007-2010.
- Elektrobit, Manager, Head of Global HW, 2006-2007.
- Elektrobit, Manager, Mobile Terminal Solutions, Head of HW Competence areas, 2006.
- Elektrobit, Manager, Mechanical Competence Center, 2003-2005.
- Elektrobit, Project Manager, BTS project, 1999-2003.
- Elektrobit, Mechanical Designer, 1998-1999.
- Outokumpu Stainless Steel, Supervisor Cold Rolling Mills, 1994-1997.

Holdings Dec.31, 2015: –



### Arto Pietilä

Senior Vice President, Operations, 2015–.  
b. 1958, M.Sc. (Applied Electronics)

#### Positions of trust:

- Evocons Oy, Member of the Board, 2011-.

#### Previous work history:

- Elektrobit Wireless Communications Ltd., Senior Vice President, Operations, Wireless Business Segment, 2010-2015.
- Elektrobit Wireless Communications Ltd., Senior Vice President, Wireless Solutions Business Unit, 2008-2010.
- Elektrobit Wireless Communications Ltd., Executive Vice President, Mobile Terminal Solutions Business Unit, 2006-2008.
- Elektrobit Wireless Communications Ltd., Executive Vice President, Contract R&D Business Unit, 2004-2006.
- Elektrobit Technologies Oy, Managing Director, 2004-2006.
- Elektrobit Oy, Managing Director, 2002-2004.
- Elektrobit Oy, Vice President, Contract R&D, 2001-2002.
- Polar Electro Oy, President & CEO, 1999-2001.
- Polar Electro Oy, Executive Vice President, 1996-1999.
- Polar Electro Oy, Technical Director, 1992-1996.
- Polar Electro Oy, Product Development Manager, 1986-1992.
- Polar Electro Ky/Oy, SW/HW Design Engineer, 1980-1986.

Holdings Dec.31, 2015: Holds 80 000 shares in Bittium Corporation.

## Election and remuneration of the auditor

The Company shall have one (1) auditor that has qualified as Certified Public Accountant and if the auditor is not an auditing company as defined by the law, one (1) deputy auditor shall be elected. The term of office of the auditor expires at the end of the following Annual General Meeting.

The Annual General Meeting 2015 re-elected Ernst & Young Oy, authorized public accountant firm, auditor of the company. Ernst & Young Oy has notified that Mr. Juhani Rönkkö, CPA, will act as the responsible auditor. The Annual General Meeting decided that the remuneration for the auditors shall be paid against the auditor's reasonable invoice.

The auditor's fees in 2015 amounted to EUR 438,000 (EUR 491,000 in 2014). Of these, EUR 83,000 were attributable to continuing operations and 355,000 to discontinuing operations. Of the aggregate fees, EUR 96,000 were attributable to auditing (EUR 196,000 in 2014), EUR 73,000 to tax advice (EUR 145,000 in 2014) and EUR 268,000 to other services (EUR 150,000 in 2014).

## Main features of internal control and risk management processes related to financial reporting processes

### Risk management

The purpose of risk management is to secure positive development of earnings of the Company and the continuation of the business by implementing risk management cost-effectively and systematically throughout the different businesses.

Risk management is part of the Company's strategic and operative planning, daily decisionmaking process and internal control system. Business objectives, risks and risk management operations are combined through risk management as one chain of events.

### Main principles of organizing risk management

Company adheres to the risk management policy approved by the Board.

Risk management contains all actions, which are connected to setting up targets, identification of risks, measurement, review, handling, reporting, follow-up, monitoring and reacting to risks.

### The aim of risk management of the Company is to:

- systematically and thoroughly identify and assess all major risks, which threaten the achievement of objectives, including risks related to business operations, property, agreements, competence, currencies, financing and strategy;
- optimize business opportunities and secure continuation of business;
- recognize and identify uncertainties and subsequently develop the prediction of risks and measures needed to manage risks;
- take only calculated and assessed risks with respect to e.g. expanding the business, increasing market share and creating new businesses;
- avoid or minimize liability risks;
- ensure the safety of products, solutions and services;
- establish a safe working environment for the employees;
- minimize possibilities for unhealthy occurrences, crimes or misconduct by operating procedures, control and supervision;
- inform interest groups of risks and risk management; and
- be cost-effective in risk management.

### The aim of risk management is not to:

- exclude all risks at their entirety;
- adopt unnecessary control and management procedures; or
- take bureaucratic processes and procedures into use

### Main principles of the risk management process

In connection with the strategy process and annual planning the CEO reviews business risks which could endanger the achievement of strategic or profit targets. Risk assessment reports are produced to support the strategy process. Strategic and operative risks are monitored through monthly reporting by businesses in the Board of the Company. Businesses must produce assessments of risks in their designated areas of responsibilities and provide action plans to manage risks as well as to report on measures taken including the stage and effectiveness of such measures.

### General description of internal control and operational procedures

Internal control is a process applied by the Board of Directors, management and all levels of personnel in the Company to ensure that management has reasonable assurance that

1. operations are effective, efficient and aligned with strategy;
2. financial reporting and management information is reliable, complete and timely made; and
3. the Company is in compliance with applicable laws and regulations as well as the Company's internal policies and ethical values including sustainability.

The first category addresses the basic business objectives, including performance and profitability goals, strategy, implementation of objectives and actions and safeguarding resources. The second category relates to the preparation of reliable published financial statements, including interim reports and condensed financial statements and selected financial data derived from such statements, such as earnings releases, reported publicly. The third deals with complying with those laws and regulations to which the Company is subject to.

## Internal control framework of the company

Bittium's internal control framework consists of:

- the internal control, risk management and corporate governance policies and principles set by the Company's Board of Directors;
- management overseeing the implementation and application of the policies and principles;
- finance function and business controllers monitoring the efficiency and effectiveness of the operations and reliability of the financial and management reporting;
- enterprise risk management process identifying, assessing and mitigating risks threatening the realization of the Company's objectives;
- compliance procedures making sure that all applicable laws, regulations, internal policies and ethical values (including sustainability) are adhered to;
- effective control environment at all organisational levels including control activities tailored for defined processes and creating group minimum requirements for product and service areas as well as for geographical areas;
- shared ethical values and strong internal control culture among all employees; and
- internal audit assignments reviewing the effectiveness of the internal controls as needed

## Risks and controls in core business processes

Risk management procedures are in place for business processes in the form of defined control points:

- Relevant process risks are identified;
- Common control points/ Company's minimum requirement control points are identified;
- Common control points are implemented in business processes;
- Additional control points can be determined as needed at business or functional levels.

Control activities are the policies and procedures that help ensure that management directives are carried out. They help ensure

that necessary actions are taken to address risks to achievement of the Company's objectives. Control activities are set throughout the organization, at all levels and in all functions. They include various range of activities including but not limited to approvals, authorizations, verifications, reviews of operating performance, security of assets and segregation of duties.

### Internal controls over financial reporting

The Company's external financial reporting process, internal control and risk management systems are briefly described in this section. The main focus is on financial accounting and related controls.

### Financial reporting organization

The financial management of the Company is responsible for organizing the accounting, money transactions and other daily financial operations of the companies belonging to it as well as organizing the internal reporting that supports the business.

The tasks of the Company's financial administration consist of, inter alia, monthly consolidation of the Group entity, preparation of interim reports and consolidated financial statements, management and investment of monetary assets of the Group, management of liabilities, protection against exchange risk, and transfer pricing. The finance function of the Company implements operative supervision under the CFO who reports any supervisory findings to the Finance and Audit Committee. The tasks and responsibilities of the accounting function of the parent company and each subsidiary are included in the job descriptions of the teams and employees.

### Financial reporting systems

Consolidated financial statements are prepared by using the chosen consolidation tool. The accounting of the Group's subsidiaries is done by using the local accounting systems from which the actual figures are reported either manually or by automatic transfer to the group consolidation system.

The accounting system in use includes general ledger accounting, accounts payables and accounts receivables. Current assets and payroll accounting is organized through various programs or purchased as an outsourced service. Purchase invoices are circulated through electronic invoice processing system.

Global forecasts and budgets are prepared by using the forecast and reporting program.

### Internal controls

The Company's internal control mechanisms are based on policies, instructions, limited process descriptions, authorization matrix, financial reporting review meetings, and segregation of key accounting duties.

### Compliance procedures

Compliance procedures are in place at all levels of the organization to ensure that that all applicable laws, regulations, internal policies and ethical values including sustainability are adhered to. The management and businesses are responsible for following up developments in legislation and regulations in their respective areas and communicating them to the organization. The members of the Management Group are responsible for setting up adequate compliance controls and compliance related training in their units.

## Roles and Responsibilities Regarding Risk Management and Internal Control

The key roles and responsibilities regarding the Company's internal control and risk management are defined as follows:

### Board of Directors

The Board of Directors is ultimately responsible for the administration and the proper organisation of the operations of the company. According to good corporate governance, the Board also ensures that the company has duly endorsed the corporate values applied to its operations. The Board approves the internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk bearing capacity of the Company and re-evaluates them on a regular basis as part of the strategy and goal setting of the Company. The Board reports to the shareholders of the Company.

### Audit and Financial Committee

Audit and Financial Committee is responsible for the following internal control related duties

- to monitor the reporting process of financial statements;
- to supervise the financial reporting process;
- to monitor the efficiency of the company's internal control, internal audit, if applicable, and risk management systems;
- to review the description of the main features of the internal control and risk management systems pertaining to the financial reporting process, which is included in the company's corporate governance statement; and
- to monitor the statutory audit of the financial statements and consolidated financial statements.

More detailed descriptions how Audit and Financial Committee is fulfilling its monitoring role are defined in Committee's annual plan. The Audit and Financial Committee reports to the Board of Directors of the Company.

### Chief Executive Officer

CEO is in charge of the day-to-day management of the Company in accordance with the instructions and orders given by the Board. CEO sets the ground of the internal control environment by providing leadership and direction to senior managers and reviewing the way they are controlling the business. CEO is in charge of the risk management process of the Company and its continuous development, allocation of resources to the work, review of risk management policies as well as defining the principles of operation and overall process. CEO reports to the Board on risk management as part of the monthly reporting. The CEO and the Management Group, which operates under CEO, are responsible for the management of risks endangering the fulfillment of objectives set to the Company.

### Management Group

The members of the Management Group are responsible for internal control implementation in their responsibility areas. More specific internal control policies and procedures are established within the principles set by the Board and CEO. Additionally, the management of the sub-group and the Group

Management are responsible for implementing risk management practices in planning cycle and daily operations, and ensure the adherence of

- laws;
  - regulations;
  - internal policies; and
  - ethical values
- in their designated responsibility areas.

The CFO:

- ensures a setup of adequate control activities for product and service areas in cooperation with the business management;
- follows the adequacy and effectiveness of control activities; and
- ensures that external reporting is correct, timely and in compliance with regulations.

Finance function does not have a separate internal control function. Group CFO reports any supervisory findings to the Finance and Audit Committee.

Chief Legal Officer ensures that the Group's corporate governance practices comply with the law and that legal matters of the Group are handled appropriately, in particular the contractual risks relating to business operations.

### Internal Audit

The Company has no specific internal audit organization. This is taken into account in the content and scope of the annual audit plan. On the one hand external auditing focuses on specific areas in turn to be audited, and on the other hand, on separately agreed priority areas.

# Bittium

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