

An aerial photograph of a mountainous landscape. The foreground shows a rocky, light-colored slope. Below it is a dense forest with trees in various shades of green, yellow, and orange, suggesting autumn. In the background, there are rolling hills and mountains under a blue sky with scattered white clouds.

Corporate Governance  
Statement Reporting Period  
Jan. 1–Dec. 31, 2016

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**Bittium**



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# 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 may be viewed, inter alia, at the Finnish Securities Market Association website at [www.cgfinland.fi](http://www.cgfinland.fi).

In the assembly meeting held on April 19, 2016, the new Board of Directors elected on the same day 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 April 19, 2016, the new Board of Directors resolved to re-elect Staffan Simberg (Chairman of the committee) and Kirsi Komi as members of the Audit and Financial Committee and to invite authorized public accountant 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. Later in 2016, the Audit and Financial Committee was renamed as Audit Committee.

This Statement is made separately from the Report by the Board. The Board's Audit 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).

In 2016, the Board convened 17 times.  
The Board members attended to the meetings as follows:

January 1–December 31, 2016	Board	Audit Committee
Staffan Simberg	16/17	5/6
Erkki Veikkolainen	17/17	
Kirsi Komi	16/17	6/6
Juha Putkiranta	16/17	
Seppo Mäkinen	17/17	
Seppo Laine (external advisor of the Board)		6/6

## 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 Board conducts an annual evaluation of the independence of its members in accordance with recommendation 10. A member of the Board is required to submit to the Company the information necessary to conduct the evaluation of independence. A Board member is also required to notify the Company of any changes in information relating to independence.

The Annual General Meeting held on April 19, 2016 decided that the Board of Directors shall comprise five (5) members. Ms. Kirsi Komi, Mr. Seppo Mäkinen, Mr. Juha Putkiranta, Mr. Staffan Simberg and Mr. Erkki Veikkolainen were elected members of the Board of Directors. The members of the Board of Directors were considered inde-

pendent members of the Board as regards both the Company and its significant shareholders. In the assembly meeting held on April 19, 2016 the Board of Directors elected Erkki Veikkolainen as the Chairman of the Board. Further, the Board of Directors resolved to keep the Audit and Financial Committee, and elected Mr. Staffan Simberg (Chairman of the committee) and Ms. Kirsi Komi as members of the Audit and Financial Committee and authorized public accountant Seppo Laine was invited to the Audit and Financial Committee as external advisor of the Board of Directors. Later in 2016, the Audit and Financial Committee was renamed as Audit Committee.

## 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 attends 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.

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 seeking for both organic and inorganic growth, focusing R&D costs, and re-evaluation of 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 in the Company's website at [www.bittium.com](http://www.bittium.com).

## Diversity Principles

In the Company, diversity is seen as an essential part of corporate responsibility and as a factor in success, that enables achievement of strategic targets and continuous improvement of customer intimacy.

In planning the composition of the Board of Directors, the requirements of the Company's business operations, the phase of development and the competence requirements of the Board committees are taken into account. In appointing members of the Board the target is to ensure that the Board as a whole supports the development of the Company's current and future business operations. Diversity plays a part in supporting this goal.

Diversity is considered from different perspectives. From the Company's point of

view it is important to have Board members with diverse backgrounds in terms of competence, training, and experience of differing business operations, of varying stages of business development, and of leadership as well as diverse personal characteristics. Experience of international business environments and different cultures in addition to consideration of age and gender will support the diversity of the Board. The objective is that both genders are represented in the Board and the Company aims to good and balanced distribution of genders.

To fulfill the diversity principles, the principles are taken into account in the process to find and assess member candidates and representatives of both genders are looked for to the process. The status of diversity and progress of the goal mentioned above is monitored in the self-assessment discussions of the Board.

A person elected as a Board member of the Company must have the competence required for the position and be able to devote a sufficient amount of time for the duties required. In forming the composition of the Board long-term needs and successor planning will be taken into account.

According to the Articles of Association, 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 composition of the Board and the number of members shall be such that they enable the Board to perform its duties efficiently. The members of the Board are appointed annually at the Company's Annual General Meeting.

# Annual Clock FY2016

## Board of Directors' Schedule and Agenda Items

**DECEMBER (3 HOURS)**

- CEO target setting for the next year
- Next year plan and budget approval

**NOVEMBER (2 HOURS)**

- Budget snapshot for comments

**OCTOBER (1 DAY)**

- Q3 Interim Report approval
- Management successor plans review
- Compensation policy and structure review
- Budget target setting

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**SEPTEMBER (2 HOURS)**

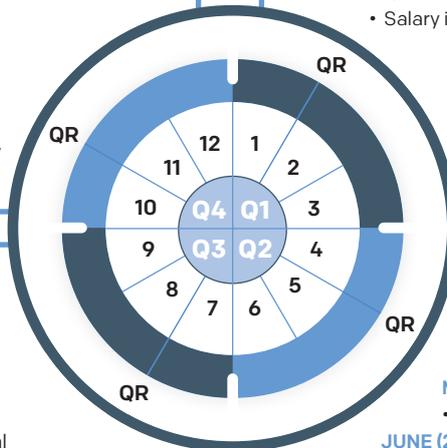
- Business review

**AUGUST II MEETING (1 DAY)**

- Portfolio review
- New business opportunities
- Investor relations strategy review
- Next year annual calendar & clock approval
- Bittium values review

**AUGUST I MEETING (2 HOURS)**

- Q2 Interim Report approval



**JANUARY (1 DAY)**

- Meeting with auditors
- Q4 and Financial Statement review
- CEO's performance review from the past year
- Strategy health check, vision, strategy and LRP guidance
- Portfolio review
- Corporate Governance Statement review
- Risk management policy review
- Board self-assessment reporting and action plan
- Proposals to General Meeting

**FEBRUARY (2 HOURS)**

- Q4 and financial statement approval
- Salary increase budget for information

**MARCH I (1 DAY)**

- Customer satisfaction survey results and actions brief
- Personnel survey results and actions brief

**MARCH II (2 HOURS)**

- Board of Directors' assembly meeting

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**APRIL (1 DAY)**

- Q1 Interim Report approval
- Business & group level support function strategies and LRP approval

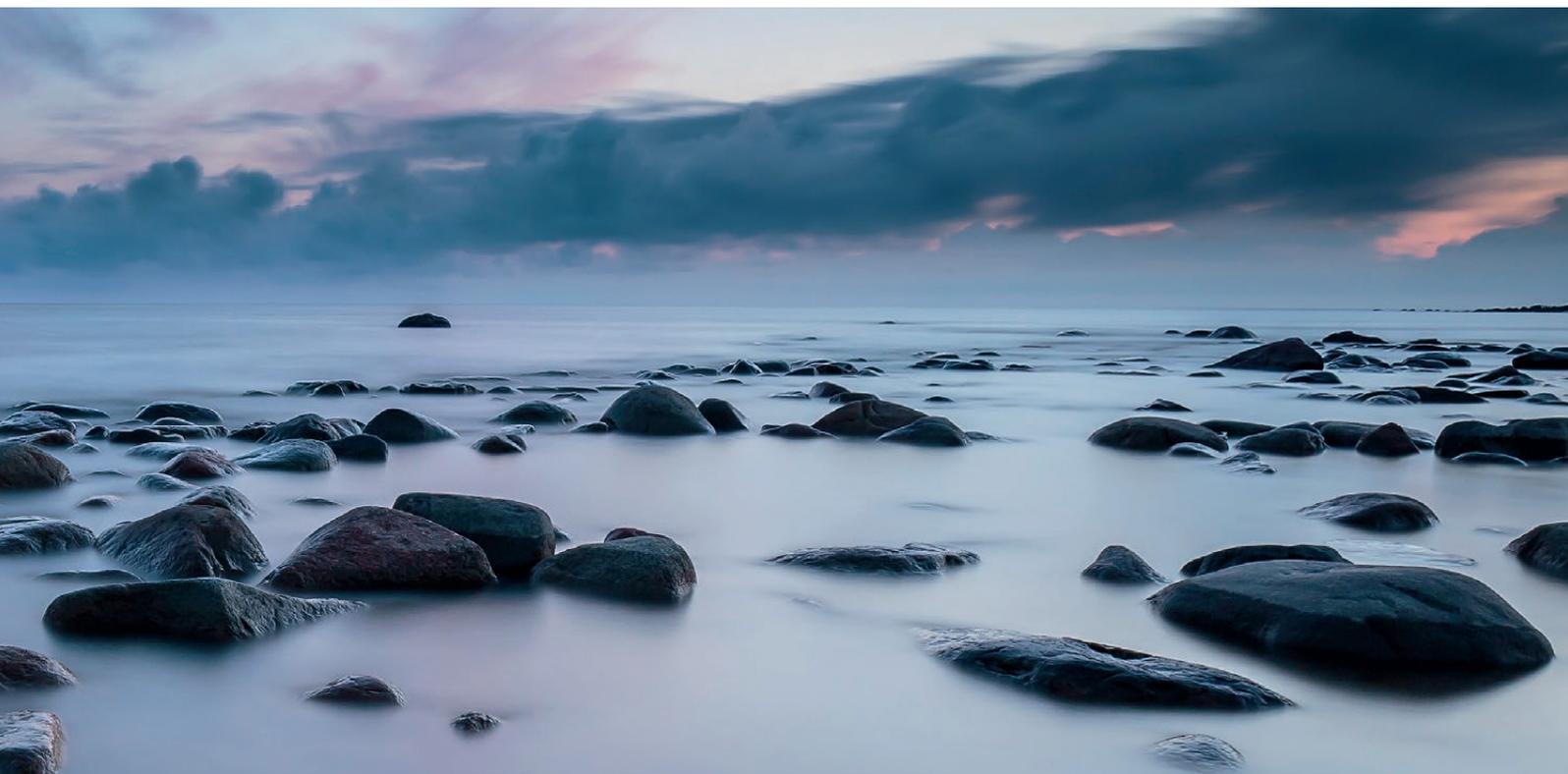
**MAY (2 HOURS)**

- Business review

**JUNE (2 HOURS)**

- Business review

QR: Quarterly Report



# Bittium Corporation

## The Board of Directors

### 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, 2016:

Holds 1,502,400 shares in Bittium Corporation.

Independent as regards both the Company and its significant shareholders.

### 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–.
- Citycon Oyj, Member of the Board, Member of the Audit & Governance Committee and the Nomination & Remuneration Committee 2011–.
- Directors' Institute of Finland, Member of the Board 2015–.
- Docrates Oy, Chairman of the Board, 2011–.
- Finnvera Oyj, Member of the Board, Chairman of the Audit Committee 2013–.
- Martela Oyj, Member of the Board, Member of the Remuneration Committee 2013–.
- Metsä Board Oyj, Member of the Board, Member of the Audit Committee 2010–.
- Finnish Red Cross, Blood Service, Chairman of the Board 2011–, Member of the Board 2010–2011.

#### Previous work history:

- Veikkaus Oy, Chairman of the Board 2016.
- Patria Oyj, Vice Chairman of the Board, Chairman of the Audit Committee 2011–2016.
- 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, 2016:

Holds 2,118 shares in Bittium Corporation. Independent as regards both the Company and its significant shareholders.

### Seppo Mäkinen

b. 1952, M.Sc. Physical Chemistry  
Full-time occupation: Professional Board Member

#### Positions of trust:

- Bittium Corporation, Member of the Board 2015–
- Evondos Oy, Member of the Board 2016–.
- CBRA Genomics S.A., Member of the Board 2016–.
- 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 2010–2016.
- Merieux Développement, Regional Partner, Nordics 2010–2016.
- 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, Founding/ 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, Lab-master Oy, Viable Bioproducts and Fluilogic Oy.

#### Holdings Dec. 31, 2016:

Holds 1,371 shares in Bittium Corporation. Independent as regards both the Company and its significant shareholders.



## Juha Putkiranta

b. 1957, M.Sc. Engineering  
Full-time occupation: Saafricon Oy, CEO

### Positions of trust:

- Bittium Corporation, Member of the Board 2015–.
- Variantum Oy, Chairman of the Board 2016–.
- Nordcloud Oy, Member of the Board 2015–.
- Aspocomp Oyj, Member of the Board 2016–.

### 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, 2016:

Holds 11,371 shares in Bittium Corporation. Independent as regards both the Company and its significant shareholders.

## Staffan Simberg

b. 1949, MBA  
Full-time occupation: Professional Board Member, Management Consultant

### Positions of trust:

- Bittium Corporation (prev. Elektrobit 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. Elektrobit 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 Oyj, Industrial Advisor 2009, 2012.
- Metso Panelboard, Chairman 2008–2009.
- Landis & Gyr AG, Member of the Advisory Board 2007–2013.
- Enermet Group, Managing Director 2005–2007.
- Siar-Bossard, Associated Partner 1992–1994.
- Leading positions at Nokia 1978–1991.

### Holdings Dec. 31, 2016:

Holds 1,371 shares in Bittium Corporation, Corporation controlled by Simberg holds 50,000 shares in Bittium Corporation. Independent as regards both the Company and its significant shareholders.

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

## The Board Committees

The proper function of the corporate governance of a company requires that Board work is organized as efficiently as possible. For this reason, the Company established an Audit and Financial Committee that was renamed as Audit Committee later in 2016.

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 decisionmaking 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, addresses and measures taken by the committee.

The central duties and operating principles of the Audit 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 viewed at the Company's website at [www.bittium.com](http://www.bittium.com).

## Audit Committee

The Audit 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 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 elected in the Annual General Meeting held on April 19, 2016 decided in its assembly meeting held on the same day to elect Mr. Staffan Simberg (Chairman of the Committee) and Ms. Kirsi Komi as members of the Audit 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 authorized public accountant 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 2016, the Audit 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, 2016–December 31, 2016:

- Financial Statements of 2015;
- Interim Reports of 2016;
- Annual audit plan for 2016;
- 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 2017 the Committee's focus areas are:

- Follow up of introducing IFRS 15;
- Auditing the sales offer and agreement processes;
- Practices related to the handling of the Company's purchase invoices and to the formation of payment materials;
- Control of foreign affiliates; and
- Follow up of capitalized R&D costs.



## Hannu Huttunen

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

### Previous work history:

- Elektrobit Technologies Ltd., President, Wireless Business Segment 2010–2015.
- Tekniseri Oy, Member of the Board 2012–2016.
- EXFO Inc., Vice President, Wireless Division (previously NetHawk Oyj) 2010.
- NetHawk Oyj, CEO 2003–2010, 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, 2016:

Holds 10,000 shares in Bittium Corporation.

## Chief Executive Officer (CEO)

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 work pension under the Contracts of Employment Act and other legislation pertaining to pensions and he

does not have supplementary pension. The Finnish employee pension system (TyEL) entitles to work pension that is based on such income during the career that entitles to work pension. During 2016, the old age pension can be taken out at one's own discretion between the ages of 63–68 (flexible retirement age).

## Management Group

The management group supports the CEO in his tasks and consists of the CEO as the chairman, CFO, Chief Legal Officer, Director Corporate Communications and Marketing, Directors responsible for product and service areas and Vice President responsible for Engineering. 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.

The Company told about its updated strategy in the end of November 2016. Until December 1, 2016, the Company's management group included also Senior Vice President, Sales; Vice President, Defense; Vice President, Business Development; and Senior Vice President, Operations. The tasks belonging to Senior Vice President, Sales and to Vice President, Business Development belonged from December 1, 2016 to the tasks of Vice Presidents responsible for product and service areas, the tasks of Vice President, Defense to the tasks of Senior Vice President responsible for Defense & Security product and service area, and the Operations tasks to the tasks of Vice President, Engineering.



## Karoliina Fyrstén

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

### Previous work history:

- 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, 2016:

Holds 1,600 shares in Bittium Corporation.

## 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, 2016:

Holds 7,000 shares in Bittium Corporation.

## Kari Jokela

Chief Legal Officer, 2014–  
b. 1969, LL.M., trained on the bench, Mag.Jur. (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 Oy, Attorneys at Law Helsinki, Attorney, 1998–2000.

### Holdings Dec. 31, 2016:

Holds 1,100 shares in Bittium Corporation.



## 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, 2016:

Holds 3,000 shares in Bittium Corporation.



## Klaus Mäntysaari

Senior Vice President, Connectivity Solutions, 2016–, Head of Technology Development 2016–  
b. 1966, M.Sc.

### Positions of trust:

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

### Previous work history:

- Bittium Wireless Oy, Vice President, Telecom, 2015–2016.
- Elektrobit Wireless Communications Ltd., Vice President, Telecom, Wireless Business Segment, 2014–2015.
- Elektrobit, Vice President, Service Business Area, Wireless Segment, 2011–2014.
- Elektrobit, Director, Sales & Marketing Development, Wireless Solutions Business Unit, 2008–2011.
- Elektrobit, Director, Sales & Account Management & Marketing, Mobile Terminal Solutions Business Unit, 2008.
- Elektrobit, Director, Sales & Account Management, Mobile Terminal Solutions Business Unit, 2007–2008.
- Elektrobit, Head of Customer Operations, Contract R&D Business Unit, 2006–2007.
- Elektrobit, Director, Global Nokia Key Account Management, Contract R&D Business Unit, 2005–2006.
- Elektrobit, Key Account Manager, Nokia Terminals, Contract R&D Business Unit, 2004–2005.
- Nokia, Senior Manager, Vodafone Account, Nokia Multimedia, IP Convergence Business Program, 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 Dec. 31, 2016:

Holds 2,000 shares in Bittium Corporation.



## Arto Pietilä

Senior Vice President, Medical Technologies, 2016–  
b. 1958, M.Sc. (Applied Electronics)

### Previous work history:

- Bittium Wireless Oy, Senior Vice President, Operations, 2015–2016.
- 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 Ltd., Managing Director, 2004–2006.
- Elektrobit Ltd., Managing Director, 2002–2004.
- Elektrobit Ltd., 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, 2016:

Holds 80,000 shares in Bittium Corporation.



## Jari Sankala

Senior Vice President,  
Defense & Security, 2016–  
b. 1966, M.Sc. (Electrical Engineering,  
Digital Communications)

### Previous work history:

- Bittium Corporation, Senior Vice President, Sales, 2015–2016.
- 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, 2016:

Holds 27,500 shares in Bittium Corporation.

## Sami Kotkajuuri

Vice President, Business Development,  
2016–2017, Member of the Management  
Group until December 1, 2016.  
b. 1967, M.Sc. (Computer Technologies)

### Previous work history:

- Elektrobit Wireless Communications Ltd., Vice President, Connectivity Solutions, Wireless Business Segment, 2014–2016.
- 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.
- Nokia Telecommunications, Head of Product Management, Mobile Switching, 1998–1999.
- Nokia Telecommunications, Head of Operation & Maintenance R&D, 1997–1998.

### Holdings Dec. 31, 2016: –

## Harri Romppainen

Vice President, Defense, 2015–, Member of the  
Management Group until December 1, 2016.  
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 Automation, Research Engineer, 1997–1998.

### Holdings Dec. 31, 2016:

Holds 4,000 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 General Meeting 2016 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 remuneration to the auditor shall be paid against the auditor's reasonable invoice.

The auditor's fees in 2016 amounted to EUR 206,000 (EUR 438,000 in 2015. Of these, EUR 83,000 was attributable to continuing operations and 355,000 to discontinuing operations). Of the aggregate fees, EUR 55,000 was attributable to auditing (EUR 96,000 in 2015), EUR 40,000 to tax advice (EUR 73,000 in 2015) and EUR 110,000 to other services (EUR 268,000 in 2015).

## 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 decision making process and internal con-

trol 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

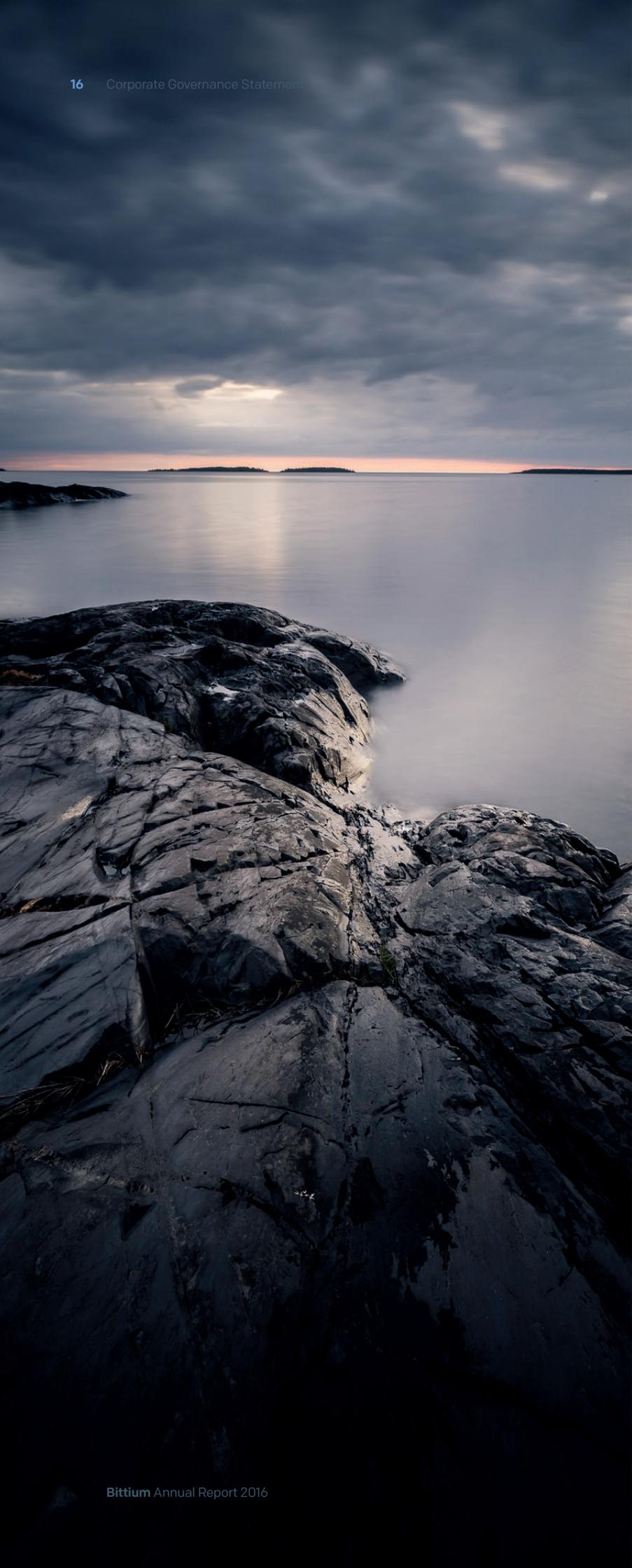
In connection with the strategy process and annual planning the CEO reviews business risks which could endanger the achievement of strategic or profit targets. Risk assessment reports are produced to support the strategy process. Strategic and operative risks are monitored through monthly reporting by 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 (from Jan. 1, 2017 onwards half year financial 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 organizational 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; and
- 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 (Jan. 1, 2017 onwards half-year financial 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 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 organization 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 Committee

Audit 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 Committee is fulfilling its monitoring role are defined in Committee's annual plan. The Audit 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 subgroup 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. CFO reports any supervisory findings to the 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.

## Insider Guidelines

The Company adheres to the Insider Guidelines for Listed Companies prepared by Nasdaq Helsinki Ltd (previously NASDAQ OMX Helsinki Ltd, OMX Nordic Exchange Helsinki Ltd and Helsinki Stock Exchange), the Central Chamber of Commerce and the Confederation of Finnish Industries. The Company has complemented the Guidelines by its internal insider guidelines. The insider and trading guidelines approved by the Company include regulations on insiders, publication and postponement of publication of inside information, prohibited use of inside information, insider registers, duty of notification of managers' and their closely associated persons' transactions, and personnel's own trading with specific financial instruments. The purpose of the guideline is to explain the content of the guideline published by Nasdaq Helsinki Ltd and other regulations and restrictions relating to the matter, and to unify and coordinate the processing of insider and trading matters within Bittium.

The managers of the Company must comply with the EU Market Abuse Regulation's prohibition on dealing in the Company's financial instruments (closed period). In accordance with the Company's Board of Directors' decision, the Company has in addition determined certain time periods during which persons taking part in the preparations of the Company's financial reporting, and other persons who have access to information pertaining to the Company's financial status, are prohibited to trade the Company's financial instruments. The purpose of the trade restrictions is to control trading of the Company's financial instruments, and thereby increase trust to the Company and the operation of the securities market. Trading with the Company's financial instruments is completely prohibited for the aforementioned persons for a period of 30 days before the publication of earnings information of the Company. The most common publications are the release of interim reports and release of the Company's financial statements. The restriction is applicable also to any possible preliminary information regarding the financial statements and interim report.

Persons included in a project-specific insider register are prohibited from all trading and business transactions until the project has expired or has been publicly announced. If the project falls upon another listed company or may affect the price of the financial instruments of another listed company, the project-specific insiders have no right to trade with such company's financial instruments.

The Company voluntarily maintains on its website a list of the financial instruments owned by the Company's managers or by the institutions operating under the authority of the managers. The list is updated on the last day of each month.



# Bittium

Connectivity to be trusted.  
[www.bittium.com](http://www.bittium.com)

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