

**BOARD OF DIRECTORS****Remuneration Statement 2013**

The remuneration of the Members of the Board of Directors is decided on by the Annual General Meeting.

The Annual General Meeting held on 12 April 2013 approved the Board's proposal for the fees paid to the Board of Directors in 2013:

| <b>Fees to the Board of Directors (EUR)</b> | <b>2013</b> | <b>2014 *</b> |
|---|-------------|---------------|
| Chairman of the Board, annually             | 40 000      | 40 000        |
| Members of the Board, annually              | 28 000      | 28 000        |
| Attendance allowance                        | -           | -             |

\* Board proposal to the Annual General Meeting to be held on April 1, 2014.

Out of the annual remuneration to be paid to the Board members, 40 % of the total gross remuneration amount will be used to purchase Teleste's shares in public trading through NASDAQ OMX Helsinki Ltd, or alternatively by using the own shares held by the Company, and the rest will be paid in cash. The shares will be purchased and/or disposed as soon as possible after the Annual General Meeting.

| <b>Fees paid in 2013</b>                         | <b>Fees in €,</b> | <b>out of which in company shares, pcs</b> |
|--|-------------------|--|
| Marjo Miettinen, Chairman                        | 41 000            | 3 912                                      |
| Pertti Ervi, Board member                        | 29 000            | 2 739                                      |
| Pertti Raatikainen, Board member until 12.4.2013 | 1 000             | -  |
| Jannica Fagerholm, Board member as of 12.4.2013  | 28 000            | 2 739                                      |
| Esa Harju, Board member                          | 29 000            | 2 739                                      |
| Kai Telanne, Board member                        | 29 000            | 2 739                                      |
| Petteri Walldén, Board member                    | 28 500            | 2 739                                      |

On the balance sheet date, CEO and the Members of the Board owned 111,079 (71,637) Teleste Corporation shares equaling to 0.59% (0.38%) of all shares and votes at the end of the financial year. The CEO had no granted options (31.12.2012 80 000 pcs).

On the balance sheet date, the ownership including rights of options by the CEO and the Board amounted to 111,079 (151.637) shares, which was equal to 0.59% (0.79%) of all shares and votes at the end of the financial year.

## **PRESIDENT AND CEO**

The Board of Directors of Teleste Corporation decides on the compensation of the President and CEO.

Salary, remuneration and other benefits paid in 2013 to the CEO of Teleste Corporation:

| <b>Fees to the CEO</b> | <b>2013</b>       | <b>2012</b>       |
|------------------------|-------------------|-------------------|
| Salary                 | 345 605,40        | 333 005,40        |
| Fringe benefits        | 13 740,00         | 13 560,00         |
| Paid compensation      | 129 286,79        | 149 128,00        |
| Sharebased benefits    | 44 100,00         | 0,00              |
| <b>Total</b>           | <b>532 732,19</b> | <b>495 693,40</b> |

The contractual age of retirement of CEO Jukka Rinnevaara is 60. The insurance premium of the voluntary retirement insurance policy of the CEO in 2013 amounted to EUR 48 645.85 (EUR 46 503,04 during the year 2012). Pension liability of EUR 70 000 related to this additional pension plan is included in Teleste Corporation's balance sheet.

As to the contract of CEO Rinnevaara, his term of notice has been specified as six (6) months in case the President and CEO decides to withdraw, and eighteen (18) months should the contract be terminated by the company.

If the company terminates his contract, the CEO shall be paid a compensation amounting to 18 months' salary without benefits.

## **MANAGEMENT GROUP**

Based on a proposal by the President and CEO, the Board of Directors decides on the Management Group compensation.

Salary for all Members of the Management Group consists of a fixed basic salary and a results-based bonus. The amount of results-based bonus is determined by the company performance, the business area in question and other key operative objectives.

The Management Group including the CEO have a group pension insurance policy on the basis of which the age of retirement of the Management Group members is 60 years. According to plans this pension amounts to 60% as counted on the basis of paid regular annual earnings gained in the last four years preceding the retirement. Any pensions due by virtue of the Employees' Pensions Act will be taken into account in the basis of calculation.

## **OWNERSHIP BY MANAGEMENT AND MEMBERS OF THE GOVERNING BODIES ON 31 DECEMBER 2013**

### **Share Ownership and Options of the Management Group**

On December 31, 2013, Teleste Corporation's CEO owned 44 436 Teleste Corporation's shares. Other members of the Management Group owned 23 242 Teleste Corporation's shares.

On 31 December, 2013, Teleste had one stock option program running "Stock Options 2007". This stock option plan was issued by decision made by the Annual General Meeting in 2007.

On 31 December, 2013, CEO did not have any Teleste 2007 options. On 31 December, 2013, members of Teleste Corporation's Management Group did not hold any Teleste 2007 options.

For details related to option specifics see Teleste's Annual Report 2013, Notes section: Share-based payments. For holdings and stock options held by the CEO and the Management Group, see Notes section: Related party transactions.

**On 31 December 2013 Teleste Management II Oy (company established for the management incentive system) owned 542,000 shares of the Teleste Corporation.**

### **Teleste Management II Oy**

The Board of Directors of Teleste Corporation decided on December 5th 2012 on two new share-based incentive plans directed to the members of the Teleste Management Group and to key employees. The purpose of the new plans is to combine the objectives of the owners and members of the Management Group and key employees in order to increase the value of the Company, to commit the members of the Management Group and key employees to Teleste Corporation ("Teleste") by encouraging them to acquire and hold Teleste's shares, as well as to offer them competitive reward plans based on long-

term holding the Company's shares. For the purpose of the share ownership, some of the members of the Management Group have established a limited liability company named Teleste Management II Oy ("Teleste Management II"), whose entire capital stock they or corporations over which they exercise control own.

The plan will be valid until summer 2015, at which time the plan is intended to be dissolved in a manner to be determined later. During the validity of the plan, the transfer of the Teleste's shares held by Teleste Management II has been restricted. The share ownership in Teleste Management II by the members of the Management Group will be valid until the plan is dissolved.

Teleste Management II Oy is in possession of 542,000 Teleste Corporation's shares. CEO's holding in the Teleste Management II Oy shares stands at 31.25% while the ownership by other members equals 68.75%.

### **Teleste Management Oy**

The Board of Directors of Teleste Corporation decided on March 2010 on a new incentive plan directed to the members of the Teleste Management Group. The purpose of the plan is to commit the members of the Management Group to Teleste Corporation by encouraging them to acquire and hold Teleste's shares and this way increase Teleste's shareholder value in the long run. For the purpose of the share ownership, the members of the Management Group established a limited company named Teleste Management Oy. On May 7th 2013, the shareholders of Teleste Management Oy and Teleste Corporation agreed on a share swap where the management's ownership became a direct ownership in Teleste Corporation.

### **AUDIT FEES**

On 12 April 2013 the Teleste Annual General Meeting selected KPMG Oy Ab as the company auditor and decided that the auditor's fee will be paid as invoiced. The company's chief auditor is Esa Kailiala, KHT auditor (authorised public accountant).

In 2013, Teleste Group's auditing expenses totaled EUR 204 000 in which the share of KPMG was EUR 140,000. Moreover, auditing units of KPMG have supplied Teleste Group companies with other consultation worth, in total, EUR 90,000 and other than KPMG auditors for EUR 43,000.