

BOARD OF DIRECTORS

The Annual General Meeting (AGM) decides on the remuneration of the members of the Board of Directors.

The Annual General Meeting held on 7 April 2016 decided on the following remunerations for Board service until the next AGM:

Remuneration paid to the Board of Directors	2017 *	2016
Chairman of the Board, annually	48 000	40 000
Members of the Board, annually	32 000	28 000
Attendance allowance	-	-

* Board proposal to the AGM held on 6 April 2017

Of the specified annual amount, 40 per cent will be used to purchase Teleste's shares for Board members, or, alternatively, the shares may be conveyed by using the own shares held by the company and the rest will be paid in cash.

Salaries, remuneration and fringe benefits paid to the Board of Directors in 2016 were as follows:

Board	Eur	Out of which in company shares, pcs	Additional information
Marjo Miettinen	0	0	Board member until 7.4.2016
Timo Miettinen	40 000	1 831	Board member as of 7.4.2016
Pertti Ervi	28 000	1 282	
Jannica Fagerholm	28 000	1 282	
Esa Harju	28 000	1 282	Board member until 23.11.2016
Timo Luukkainen	28 000	1 282	Board member as of 7.4.2016
Kai Telanne	28 000	1 282	
Petteri Walldén	0.00	0	Board member until 7.4.2016

Ownership by Management and members of the governing bodies on 31 December 2016

On the balance sheet date, the CEO and Members of the Board owned 140,091 (187,251) Teleste Corporation shares equal to 0.74% (0.99%) of all shares and votes.

The CEO and the Board members did not have subscription rights based on stock options.

On the balance sheet date, the CEO and the members of the Management Group or entities under their control owned 37,253 (24,748) Teleste Corporation shares equal to 0.20% (0.13%) of all shares and votes.

PRESIDENT AND CEO

The detailed terms of employment of the CEO are specified in a written contract approved by the Board of Directors.

The company's Board of Directors decides on the salary, remuneration and other benefits received by the CEO. Salary, remuneration and fringe benefits paid to Teleste's CEO in 2016 totalled EUR 578,821. In addition, there was an additional pension payment of EUR 79,707 in the financial year.

Salary, remuneration and other benefits paid in 2016 to the CEO of Teleste Corporation:

Remuneration paid to the CEO	2016	2015
Base salary	367 025.40	358 205.40
Fringe benefits	15 620.50	13 878.00
Short-term incentives	196 175.13	100 637.92
Long-term incentives (share based)	0.00	760 421.39
Total	578 821.03	1 233 142.71
CEO additional pension payment	79 707.21	62 728.45

The contractual retirement age of CEO Jukka Rinnevaara is 60 years. Charges resulting from the additional voluntary pension scheme are included in the post-employment benefits. Pension liability of EUR 70,000 related to the additional pension scheme is included in Teleste's balance sheet.

The contract of CEO Rinnevaara specifies that his term of notice is six (6) months in case the CEO decides to withdraw, and eighteen (18) months should the contract be terminated by the company. Upon termination of the CEO's contract by the company, the CEO will be paid a compensation corresponding to eighteen (18) months of service without benefits.

MANAGEMENT GROUP

The Board of Directors decides on the management's incentive and remuneration systems on the basis of the CEO's proposal.

The salary of all Management Group members consists of a base salary and a performance-based bonus. The amount of performance-based bonus depends on the performance of the company and the business area in question, as well as the achievement of other key operative objectives.

The Management Group including the CEO has a group pension plan, according to which the retirement age of Management Group members is 60 years. The planned amount of pension is 60 per cent of the regular annual earnings paid in the four years preceding retirement. Pensions payable under the Employees' Pensions Act (TyEL) are taken into account in the calculation.

Remuneration paid to the Management Group (incl. CEO)	2016	2015
Base salary	1 180 826.72	1 105 443.84
Fringe benefits	92 522.50	93 885.00
Short-term incentives	478 052.13	233 825.92
Long-term incentives (share based)	0.00	2 505 925.75
Total	1 751 401.35	3 939 080.51
Group pension payment	170 068.75	138 499.99

On 31 December 2016, Teleste did not have any running stock option programmes, and the CEO, the members of the Management Group or their controlled entities did not hold any Teleste options or other share-based entitlements.

In 2016, Teleste was not involved in any related party transactions that would have been of material importance for Teleste and deviated from normal business or been carried out on other than ordinary market terms.

TELESTE MANAGEMENT II

Teleste Management II was merged with the parent company on 30 September 2016.

LONG TERM INCENTIVE PROGRAM LTI 2015

On 5 February 2015, Teleste's Board of Directors decided on the establishment of a new long-term share-based incentive programme to be offered to Teleste's key employees (hereafter 'LTI 2015'). The objective of LTI 2015 is to align the key employees' interests with those of Teleste's shareholders by creating a long-term equity interest for the key employees and, consequently, to increase the company's value in the long term and to drive a performance culture, retain key employees and offer the key employees a competitive compensation for excellent performance.

LTI 2015 consists of three annually commencing plans with three main elements: an investment in Teleste shares that is required for a key employee to be included in the LTI 2015 programme; a matching share plan with a three-year vesting period based on the above investment; and a performance matching plan with a three-year performance period.

The commencement of each plan and the inclusion of eligible participants are subject to a specific approval by Teleste's Board of Directors.

The matching share plan includes the investment of an individual participant in Teleste's shares and the delivery of matching shares as a long-term incentive reward against the invested shares. After the three-year vesting period, the key employee receives one matching share for each invested share free of charge.

The performance matching plan includes a three-year performance period. The potential share rewards will be delivered if the performance targets set by the Board of Directors are attained.

The performance criterion applied to the first and second plan alike is the total shareholder return (TSR) of Teleste's share in the three-year performance period. A precondition for an individual key employee's participation in the plan is the above mentioned investment in Teleste shares.

If all the eligible key employees participate in the plan by meeting the investment precondition, the aggregate number of matching shares that may be delivered on the basis of their investment is in maximum approximately 65,000 shares under the plan that commenced in 2015 and 53,600 shares under the plan that commenced in 2016; and the total number of shares that may be delivered under the performance matching plan is in maximum approximately 260,000 shares for the plan that commenced in 2015 and in maximum 214,400 shares for the plan that commenced in 2016. The above figures are gross figures before the deduction of the applicable taxes. The remaining net quantity is delivered to the participants as Teleste's shares.

The Board of Directors approved 37 key employees as eligible to participate in the first three-year plan of LTI 2015 and 42 key employees as eligible to participate in the second three-year plan of LTI 2015.

AUDITING, REVISIONS AND REMUNERATION OF THE AUDITOR

The term of office of Teleste's auditor expires at the closing of the first Annual General Meeting following the election.

On 7 April 2016, Teleste's AGM elected Authorised Public Accountants KPMG Oy Ab for the company's auditor. The principally responsible auditor is Petri Kettunen, APA.

In addition to their statutory duties, the auditors report their observations to Teleste Corporation's Board of Directors and attend at least one Board meeting each year.

In 2016, Teleste Group's auditing expenses totalled EUR 180,000, of which the amount of KPMG was EUR 168,000. In addition, units of KPMG have supplied Teleste Group companies with other consultation worth total EUR 70,000 and other than KPMG auditors for EUR 31,000.

For more detailed information see Financial Statements "related party" section

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