

TELESTE



Remuneration
Statement 2019

REMUNERATION OF BOARD MEMBERS

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

The Annual General Meeting held on 4 April 2019 decided on the following remunerations for Board service until the next AGM:

Remuneration paid to the BOD	2019	2018
Chairman of the Board, annually	64 000	64 000
Member of the Board, annually	32 000	32 000
Attendance allowance	See below	-

Out of the annual remuneration to be paid to the Board members, 40 per cent of the total gross remuneration amount will be used to purchase Teleste Corporation's shares for the Board members through trading on regulated market organized by Nasdaq Helsinki Ltd, and the rest will be paid in cash. If committees of the Board of Directors are established for the Company, the following meeting fees will be paid: chairman EUR 600 and each member EUR 400 per meeting of the committee.

On 4 April 2019, Teleste's Board of Directors established an audit committee. The audit committee convenes at least four times a year. The audit committee consists of Jannica Fagerholm (Chair), Pertti Ervi and Kai Telanne (members).

Salaries, remuneration and fringe benefits paid to the Board of Directors in 2019 were as follows:

Board	EUR	Out of which in company shares	Additional information
Pertti Ervi	65 600	4 332	
Jannica Fagerholm	34 400	2 166	
Timo Luukkainen	32 000	2 166	
Vesa Korpimies	33 200	2 166	
Heikki Mäkijärvi	32 000	2 166	
Kai Telanne	32 400	2 166	
Jussi Himanen	32 000	2 166	Member of the Board as of 4 April 2019

Ownership by management and members of the governing bodies on 31 December 2019

On the balance sheet date, the CEO and Members of the Board owned 182 853 (167,397) Teleste Corporation shares equal to 0.96% (0.88%) 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 members of the Management Group or entities under their control excluding the CEO owned 52,948 (43,063) Teleste Corporation shares equal to 0.28% (0.23%) of all shares and votes.

PRESIDENT AND CEO

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 2019 totalled EUR 534,516.02. In addition, there was an additional pension payment of EUR 97,405 and capital redemption payment of EUR 76 987 in the financial year.

Salary, remuneration and other fringe benefits paid in 2019 to the CEO of Teleste Corporation:

Remuneration paid to the CEO	2019	2018
Base salary	377 559.00	367 277.40
Fringe benefits	14 226.96	13 988.00
Short-term incentives	109 295.00	21 107.80
Long-term incentives (share based)	33 435.06	87 622.80
Total	534 516.02	489 996.00
Additional pension payment	97 405	94 231.00

The contractual retirement age of CEO Jukka Rinnevaara is 60 years. CEO's contract includes defined contribution supplementary pension. The CEO's pension plan is arranged through group pension insurance and a capital redemption policy. The payment level of the group pension is 25 per cent of basic pay, excluding bonuses. Payment under the capital redemption policy is subject to the same adjustment procedure as the CEO's basic pay excluding bonuses.

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 fixed basic 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 and payment is based on the annual pay of the insured person, excluding bonuses. The payment is 25 per cent of the above pay.

Remuneration paid to the Management Group, incl. CEO	2019	2018
Base salary	1 426 928,01	1 158 360.60
Fringe benefits	51 859,67	46 631.00
Short-term incentives	306 760,16	99 158.80
Long-term incentives, share based	86 314,95	294 172.93
Total	1 871 862,79	1 598 323.33
Group pension payment	302 532,00	297 910.00

On 31 December 2019, 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 2019, 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.

SHARE-BASED INCENTIVE PROGRAMME 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 were 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 all three plans 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 was the above mentioned investment in Teleste shares. The Board of Directors approved 37 key employees as eligible to participate in the first LTI 2015 programme on 2015-2017, 42 key employees to participate on 2016-2018 and 40 key employees to participate on 2017-2019.

There were no performance matching shares delivered to the participant under the 2016-2018 plan ending in April 2019, as the performance criterions were not met. The gross quantity of matching shares delivered was 35,438. A net quantity of 17,294 shares were delivered to the key employees entitled to reward through a directed share issue on 5 April 2019.

The maximum gross quantities of shares delivered under the 2017–2019 plan started in 2017 are 36,101 matching shares and 144,404 performance matching shares. Applicable taxes are deducted from the gross quantities, and the remaining net quantity is delivered to the participants as Teleste shares.

SHARE-BASED INCENTIVE PROGRAMME LTI 2018

On 7 February 2018, 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 2018'). The objective of LTI 2018 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 2018 consists of three annually commencing plans with the following main elements: an investment in Teleste shares as a precondition for the key employee's participation in the individual plan, a matching share plan with a three-year vesting period based on the individual investment and a performance share plan with a three-year performance period.

The first plans within the programme are the matching share plan 2018–2020 and 2019-2021 and the performance share plan 2018–2020 and 2019-2021. The commencement of each new plan, its eligible participants and the matching ratio and performance targets applied to the individual plan is subject to a separate approval of Teleste's Board of Directors in each case. The matching share plan 2018–2020 and 2019-2021 comprises the individual key employee's investment in Teleste's shares and the delivery of a specific number of matching shares without consideration as a share reward based on the share investment after the three-year vesting period. The matching shares are delivered according to a fixed matching ratio determined by the Board of Directors for each individual plan. The matching ratio applied to the matching share plan 2018–2020 and 2019-2021 is one matching share for each two shares invested. The maximum

aggregate gross quantity of matching shares that may be delivered on the basis of the matching share plan 2018–2020 is approximately 15,113 shares. The maximum aggregate gross quantity of matching shares that may be delivered on the basis of the matching share plan 2019–2021 is approximately 18,775 shares. Both performance share plans 2018–2020 and 2019–2021 comprise of a three-year performance period. The potential share rewards will be delivered if the performance targets set by the Board of Directors are achieved.

The performance measure applied in the performance share plans are the total shareholder return (TSR) of Teleste share. The above investment in Teleste’s shares is the requirement for an individual key employee to be included in the plan. If all the eligible key employees participate in the plan by fulfilling the investment precondition and the performance targets set for this performance share plan are fully achieved, the maximum number of shares that may be delivered under the performance share plan 2018–2020 is approximately 262,200 shares (gross before the deduction of the applicable taxes). For the performance share plan 2019–2021 maximum number of shares is approximately 291,120 (gross before the deduction of the applicable taxes). The Board of Directors approved 35 key employees as eligible to participate in the plans beginning in 2018 and 33 key employees as eligible to participate in the plans beginning in 2019.

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 4 April 2019, Teleste’s AGM elected Authorized 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 2019, Teleste Group’s auditing expenses totalled EUR 197,298, of which the amount of KPMG was EUR 164,145. In addition, units of KPMG have supplied Teleste Group companies with other consultation worth total EUR 61,561 and other than KPMG auditors for EUR 35,700.

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