

**TELESTE - REMUNERATION REPORT  
FOR THE COMPANY'S GOVERNING BODIES  
2021**

**Table of contents**

<b>1. Introduction</b>	<b>3</b>
<b>2. Fees of the Board of Directors</b>	<b>4</b>
<b>3. Remuneration of the CEO</b>	<b>5</b>

## 1. Introduction

This Remuneration Report follows the guidelines of the Corporate Governance Code 2020. The remuneration paid or due to the Board members and the CEO for the year 2021 is in line with the Remuneration Policy of the Governing Bodies of Teleste approved at the Annual General Meeting (“the AGM”) 2020. The materialized remuneration of the Board members and the CEO in the year 2021 reflects the targets of remuneration principles which Teleste has set with its Remuneration Policy.

The remuneration paid or due to the Board members and the CEO for the year 2021 promotes the long-term financial performance and success of Teleste Oyj (“Teleste” or “the Company”) as described below.

The purpose of the total compensation of the Board members, consisting of annual remuneration and meeting fees, is to be sufficiently competitive to ensure that sufficiently qualified persons can be obtained to perform the responsibilities of the Board of Directors, which include deciding on and monitoring the implementation of the Company's strategy, among other tasks. This enables the Board to set Teleste's strategy and long-term targets and to monitor their implementation. By contributing to the achievement of Teleste's strategic targets, the principles for Board remuneration contribute to Teleste's long-term financial performance and success.

The CEO's remuneration is based on Teleste's remuneration principles. The key objective of the remuneration for the CEO of Teleste is to encourage him in increasing the shareholder value by aligning his interests with the interests of Teleste's shareholders. Both fixed and variable salary components are tied to the market situation, strategy and the Company's success. A comparison of the development of the fees of the Board of Directors and the remuneration of the CEO to the development of the average remuneration of the employees and to the Company's net sales and adjusted EBIT is illustrated and compared in the table below.

The Remuneration Report 2020 was presented to the AGM in 2021 and approved in an advisory advance vote on 7 April 2021. Adoption of the report was supported by 98.25% of the votes cast and objected to by 1.75% of the votes cast. Based on written feedback from shareholders, the reporting of the CEO's short-term incentive programme criteria were specified further in the 2021 report.

### Development of remuneration and financial (EUR) development over the past five years

EUR	2021	2020	2019	2018	2017
<b>Board of Directors<sup>1</sup></b>	247,000	247,000	256,000	224,000	176,000
<b>President and CEO<sup>2</sup></b>	457,530	396,908	534,516	489,996	464,871
<b>Employees' average remuneration<sup>3</sup></b>	46,591	44,808	45,331	44,924	44,842
<b>Financial development:</b>					
Net sales, continuing operations, EUR million	144.0	145.0	235.5	250.3	234.6
Adjusted EBIT, continuing operations, EUR million	5.5	5.1	7.7	9.7	1.8

<sup>1</sup> Values exclude meeting fees.

<sup>2</sup> Values are excluding additional pension payments.

<sup>3</sup> Average employee: total personnel expenses without social and pension costs divided by the average number of personnel during the year.

<sup>4</sup> Teleste divested its services business in Germany in 2020. Sold operations are excluded from continuing operations 2020.

<sup>5</sup> Excluding goodwill impairment and a restructuring provision for the services business in Germany amounting to EUR 9.3 million.



<b>Pertti Ervi</b> <small>(Former Chairman of the Board)</small>	0	0	0	0	0	0	400	<b>400</b>
<b>Total</b>	<b>98,800</b>	<b>148,200</b>	<b>4,800</b>	<b>251,800</b>	<b>98,800</b>	<b>148,200</b>	<b>6,200</b>	<b>253,200</b>

<sup>1</sup> Meeting fees have been entered in the table in the year in which they were paid.

There is no remuneration due to be paid to the Board members based on the year 2021.

### 3. Remuneration of the CEO

The remuneration of the CEO consists of fixed and variable salary components: base salary, fringe benefits, short-term incentives, long-term incentives and additional pension.

#### Remuneration of the CEO paid in 2021 and 2020

EUR	2021	2020
<b>Base salary</b>	398,013	359,441
<b>Fringe benefits</b>	17,557	14,440
<b>Short-term incentives<sup>1</sup></b>	17,256	0
<b>Long-term incentives (share-based)<sup>2</sup></b>	24,704	23,027
<b>Total<sup>3</sup></b>	457,530	396,908
<b>Share of fixed pay of total remuneration</b>	91%	94%
<b>Share of variable pay of total remuneration</b>	9%	6%
<b>Additional pension payment<sup>4</sup></b>	174,392 <sup>4</sup>	174,392 <sup>5</sup>

<sup>1</sup> Amounts have been entered in the table in the year in which they were paid and are based on the performance from the previous year

<sup>2</sup> Paid on 19 March 2021 with a share price of EUR 4.83. Paid on 23 April 2020 with a share price of EUR 3.74.

<sup>3</sup> Values are excluding additional pension payments.

<sup>4</sup> Group pension payment of EUR 32,189 and capital redemption payment of EUR 142,203.

<sup>5</sup> Group pension payment of EUR 97,405 and capital redemption payment of EUR 76,987.

The contractual retirement age of CEO Jukka Rinnevaara is 60 years, which was reached in spring 2021. In spring 2021, the Board of Directors and Jukka Rinnevaara agreed that he would continue in his position until the end of 2021 and hand over the duties of CEO to his successor from 1 January 2022, retiring during 2022 after a transition period.

A contributory additional pension is included in the CEO's contract. 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 base pay, excluding bonuses, until the age of 60. Payment under the capital redemption policy is subject to the same adjustment procedure as the CEO's base pay excluding bonuses. The agreement related to the termination of the position as CEO agreed that the additional pension level will remain at the 2020 level despite reaching the age of 60 before the end of the transition period. The additional pension level was maintained at the 2020 level by increasing the level of the capital redemption accordingly.

#### CEO's variable remuneration earning opportunity and performance measures

The CEO is included in the Company's short-term incentive scheme, which is part of the elements of Teleste's variable salary component. The objective of the short-term incentive scheme is to encourage

the CEO to execute the business plan and to reward in accordance with that. The Board of Directors decides on the structure, objectives, target levels and prospects of earning of the CEO's scheme:

- In 2020, the earnings were based on the Group's EBIT (80% weight) and net sales development in the North American market (20% weight). The Board of Directors evaluates the fulfilment of the targets at the end of the earnings period. The CEO's maximum earning opportunity is 58.3% of annual base salary (seven months base salary) excluding bonuses. In 2020, the minimum performance threshold was exceeded and the CEO's 2020 STI payout is EUR 17,256, or 7.9% of the maximum earning opportunity of the incentive scheme (4.6% of annual base salary).
- In 2021, the earnings were based on the Group's EBIT (80% weight) and net sales development in the North American market (20% weight). The Board of Directors evaluates the fulfilment of the targets at the end of the earnings period. The CEO's maximum earning opportunity is 58.3% of annual base salary (seven months base salary) excluding bonuses. In 2021, the minimum performance threshold was exceeded and the CEO's STI 2021 payout is EUR 13,269 or 6.1% of the maximum earning opportunity of the incentive scheme (3.3% of annual base salary). The STI bonus will be paid in spring 2022.

The CEO is included in the Company's long-term incentive scheme, which is part of the elements of Teleste's variable salary component. The objective of the long-term incentive scheme is to encourage the CEO to execute the long-term strategy and to increase shareholder value and to reward in accordance with that.

- The share-based incentive payment for the CEO during the year 2021 was based on LTI 2018 (plan period 2018-2020). The elements in this programme were the matching share plan (matching ratio 2:1) and the performance share plan. Performance measure for the performance share plan was Absolute Total Shareholder Return in the measurement period of 2018-2020. The maximum combined earning opportunity for these two elements was 119.8% (EUR 456,756) of the CEO's 2018 annual base salary excluding bonuses. The CEO's payout based on a fixed matching element was 6.5% (EUR 24,704) of his 2018 annual base salary. There was no payout based on the performance matching element as the minimum performance threshold was not met.

#### The CEO is included in the following ongoing long-term incentive schemes

	<b>Performance Matching Share Plan 2019-2020</b>	<b>Performance Matching Share Plan 2020-2022</b>	<b>Performance Matching Share Plan 2021-2023</b>
Earning opportunity: fixed matching shares (matching ratio 2:1)	5,450 shares	5,750 shares	3,250 shares
Earning opportunity: performance shares	65,400 shares	69,000 shares	39,000 shares
Max earning opportunity (% of base pay)	115.8%	105.4%	52.1%
Performance measure (for performance shares)	Absolute Total Shareholder Return	Absolute Total Shareholder Return	Absolute Total Shareholder Return
Pay-out year	2022	2023 <sup>1</sup>	2024 <sup>2</sup>

<sup>1</sup> To be paid in full in 2023 in accordance with the rules of the performance matching share plan.

<sup>2</sup> To be paid in 2024 in accordance with the rules of the performance matching share plan, considering the timing of the termination of service (pro rata).

Teleste adheres to a shareholding recommendation for the CEO as described in the Teleste Remuneration Policy.