



**TELESTE – REMUNERATION POLICY
FOR THE COMPANY’S GOVERNING BODIES**

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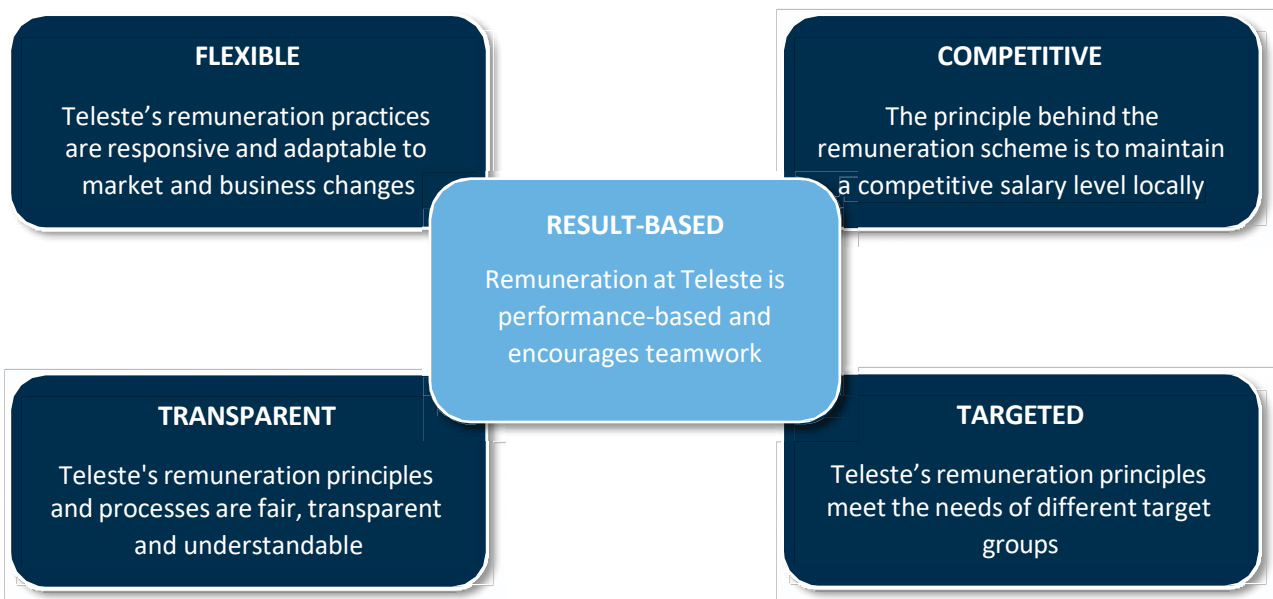
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1. INTRODUCTION

This document describes the remuneration policy as well as the general practices and principles regarding salary and remuneration applicable to the governing bodies of Teleste, namely the Board of Directors and the Managing Director. The purpose of the policy is to increase the transparency of Teleste’s remuneration practices and to demonstrate how these practices contribute to the company’s business strategy and long-term goals.

This remuneration policy is presented to Teleste’s Annual General Meeting of 2024. If the General Meeting approves the remuneration policy, the policy shall be applicable until the company’s General Meeting in 2024, unless the policy is amended or replaced by a new remuneration policy before that. Because Teleste strives to develop and succeed in its various fields of business, both in Finland and internationally, strong performances and achievements are recognized and rewarded. At Teleste, the personnel’s total remuneration is based on the company’s strategic goals. Accordingly, the remuneration of Teleste’s personnel is guided by performance-based remuneration policies, which structure the remuneration model within the organization and ensure that the remuneration of the personnel is in-line with the interests of the company and its shareholders. These principles are also applicable to the Managing Director’s remuneration practices. The Managing Director is a member of the company’s Management Group.

Teleste’s principles of remuneration

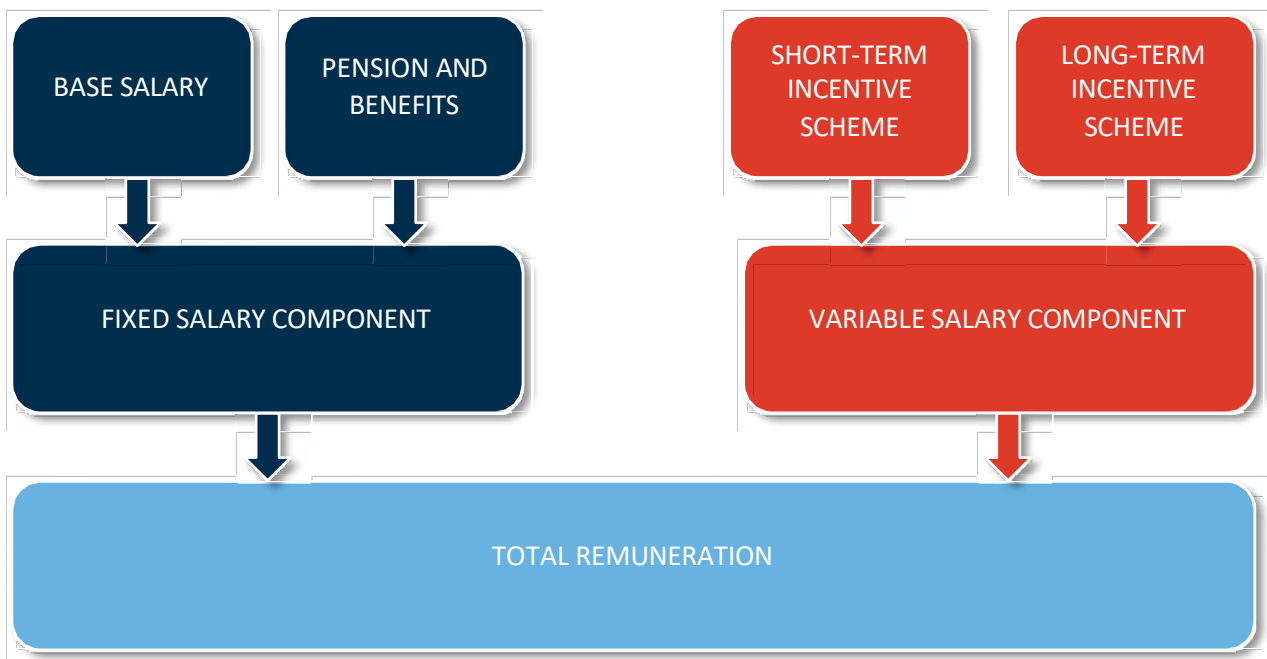


Teleste believes in the consistency of remuneration practices. The key objective of the remuneration scheme is to encourage the company’s management to increase shareholder value by aligning the management's interests with the interests of Teleste’s shareholders. The management is rewarded for concrete achievements in executing the company’s financial performance and strategy as described in this policy.

The Board of Directors decides on the company’s remuneration scheme’s basis and on other strategic matters concerning the personnel. The purpose of Teleste’s remuneration principles is to make the company an attracting employer and to engage and motivate the personnel through remuneration solutions that entitle to remuneration based on achievement of strategic and operational results.

At Teleste, the management’s remuneration consists of fixed and variable salary components. The objective is to achieve a good balance between the various forms of remuneration. In respect of total remuneration, the objective is to keep it at a competitive level in comparison to the market. The fixed salary component is supported by short-term and long-term incentive schemes the objective of which is to support the company’s performance and to reward in accordance with that. The performance targets of the variable salary component are linked to the strategy and operative and financial objectives of the company. Teleste offers its personnel various benefits that support welfare locally.

Model of total remuneration at Teleste



2. DESCRIPTION OF THE DECISION-MAKING PROCESS

The Board of Directors of Teleste has established a Personnel and Remuneration Committee, which prepares matters related to remuneration for the Board's decision. The committee discusses and prepares the remuneration policy and the remuneration report for the Company’s governing bodies, presents the remuneration policy and the remuneration report at the Annual General Meeting and answers questions related to them.

The General Meeting decides on the remuneration of the members of the company’s Board of Directors on the basis of the proposals presented to it.

The company's Board of Directors decides on the remuneration of the Managing Director in accordance with the remuneration policy and approves the remuneration of the Management Group on the basis of the Managing Director's proposal.

The decision-making processes concerning remuneration comply with principles that aim to prevent conflicts of interest between Teleste's governing bodies. The main principle is that the nominating governing body also decides on the nominee body's remuneration. Accordingly, the members of the Board of Directors are appointed by the General Meeting, which also decides on the remuneration of the Board of Directors. The Board of Directors, in turn, selects the Managing Director and decides on his/her remuneration.

The company complies with its own Ethical Code of Conduct, the Companies Act and other relevant applicable legislation, as well as the processes and statutes of the Corporate Governance Code compiled by the Securities Market Association for listed companies, the objective of which is to prevent conflicts of interest in the company's operations.

The objective of the decision-making process described above is to ensure fair and impartial decision-making.

The General Meeting decides on utilizing the company's shares in share and share instrument-based remuneration based on the Board of Directors' proposal. The General Meeting can authorize the Board of Directors to decide on share issues and granting of special rights entitling to shares (e.g., rights to options).

3. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the members of Teleste's Board of Directors should be sufficiently competitive to ensure that sufficiently qualified persons can be obtained to perform the responsibilities of the Board of Directors, which include also deciding on and monitoring the implementation of the company's strategy among other tasks.

The remuneration of the Board of Directors may consist of one or more components such as annual fees and meeting fees. The members of the Board of Directors may be paid an increased fee on the basis of a position as the Chairman or Vice Chairman of the Board of Directors or its committee or based on other additional duty or role given to them. The annual fee may be paid wholly in cash or in part in cash and in shares of the company. The meeting fee may be increased because of the geographical location of the meeting venue or the home country of the Board member.

In addition, reasonable travel expenses shall be reimbursed to the members of the Board of Directors in accordance with the company practice applicable at the time, excluding daily allowance. The members of the Board of Directors are not employed by the company and are not covered by the company's incentive or pension schemes.

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

4. REMUNERATION OF THE MANAGING DIRECTOR

The remuneration of the Managing Director consists of fixed and variable salary components described in more detail below. Both the fixed and the variable salary components are tied to the market situation, strategy and company's success. In respect of the Managing Director's remuneration, a key objective is to encourage him/her in increasing the shareholder value by aligning his/her interests with the interests of Teleste's shareholders. The terms and conditions applicable to the Managing Director are further specified in a written Managing Director agreement approved by the Board of Directors. The Managing Director agreement may include conditions

concerning the applicable notice period and severance payment both of which shall be consistent with prevailing market practices at the time of the agreement.

The Board of Directors monitors the company's short-term and long-term incentive schemes and evaluates whether the underlying objectives are fulfilled and how the realized remuneration supports the execution of Teleste's strategy.

Elements of the Fixed Salary Component

Base salary and fringe benefits: a competitive base salary is paid to the Managing Director. The base salary is reviewed annually in the light of the company's earnings, personal performance and the market situation. In addition, the Managing Director's fringe benefits include, for example, extended health insurance and life insurance as well as company car and phone benefits in accordance with the company policy applicable at the time.

Pension: In addition to the statutory pension scheme, the Managing Director may have a contribution-based additional pension promise. The Managing Director's additional pension promise shall be implemented, for example, through group pension insurance and capitalization pension. The conditions of the additional pension and the retirement age applicable to the Managing Director are determined based on market practice. The Managing Director's retirement age may be lower than the retirement age in the statutory pension system.

Elements of the Variable Salary Component

Short-term incentive scheme: The Managing Director 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 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 Managing Director's scheme. The earnings may be based on, for example, the fulfilment of the group's financial business plan and strategic and operative objectives. The Board of Directors evaluates the fulfilment of the objectives at the end of the earnings period. The rewards paid based on the scheme are paid in cash after the earnings period has ended. The reward paid based on the short-term incentive scheme can be a significant part of the Managing Director's total remuneration.

Long-term incentive scheme: The Managing Director 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 to execute the long-term strategy and to increase shareholder value and to reward in accordance with that. The Board of Directors decides on the structure, objectives, target levels and prospects of earning of Teleste's long-term incentive scheme. The long-term incentive scheme may be, for example, a matching share plan or a performance share plan or a combination thereof. The objectives may be based on, for example, the total profit per share or the group's financial or strategic objectives. The reward paid based on the long-term incentive scheme can be a significant part of the Managing Director's total remuneration. The Board of Directors evaluates the fulfilment of the objectives at the end of the earnings period. The reward is paid in shares and in cash after the earnings period has ended. The earnings period of the long-term incentive scheme is in principle three years.

Recommendation regarding shareholding: The Managing Director shall accumulate and, after achieving it, maintain a shareholding in the company equal to his/her fixed annual salary. The Managing Director shall retain the ownership of at least 50% of the net shares he/she has received from the company's share-based incentive schemes, until his/her shareholding in the company has reached the abovementioned level.

Conditions concerning termination: The terms and conditions of termination applicable to the Managing Director shall be agreed in the Managing Director agreement so that they are consistent with the prevailing market practice at the time of the agreement. Issues to be agreed in the Managing Director agreement may include e.g. the notice period and the severance payment.

In the event that the service contract is terminated based on certain separately specified reasons, such as the retirement or permanent disability of the Managing Director, or the termination of the contract by the company, a certain proportional part of the remuneration may be paid in respect of ongoing remuneration schemes at the time, based on the decision by the Board of Directors made in accordance with the conditions of the remuneration scheme. In the event that the service contract is terminated due to resignation, ongoing remuneration schemes will not, in principle, give rise to any payment.

Terms and conditions for deferral and possible recovery of remuneration: The incentive schemes include terms and conditions under which the Board of Directors may postpone, cancel or reduce the payment of or the amount of the variable remuneration in exceptional circumstances, such as a material change in the company's financial position, and recover the remuneration already paid in certain gross misconduct situations.

Remuneration elements agreed on before the presentation this remuneration policy: Notwithstanding this remuneration policy, the Board of Directors of Teleste reserves the right to make any remuneration, benefits and severance payments (including the right to use discretion in the payment and amount thereof) decided, agreed on or committed to by the company before this remuneration policy was presented to the General Meeting.

5. DEVIATIONS FROM THE REMUNERATION POLICY

This remuneration policy may be temporarily deviated from if the deviation takes place to ensure Teleste's long-term interests. In the evaluation may be taken into account, among other things, the company's long-term financial success, competitiveness, ensuring of continuance of undisturbed operation of the business and the development of shareholder value. A temporary deviation is possible when Teleste's core operating conditions have changed in the following situations:

- Change of the Managing Director
- Because of a major change in Teleste's strategy
- In connection with a major transaction, such as a merger or a public takeover bid
- Because of another major change in the group or business structure or a major change concerning the business or competition environment
- Because of other major external changes or major changes in the business conditions
- When required by law or adapting to a major change caused by a legislation
- In the event of a change in taxation to the noticeable disadvantage of the payer and/or recipient of the remuneration payment or when required for adapting to changes in tax regulation or practice.

Deviations from the remuneration policy are prepared and decided on by the Board of Directors. Provided that grounds for a temporary deviation exist, the deviation may apply to any components and ways of remuneration. The temporary deviation shall be described in the next remuneration report presented to the Annual General Meeting.