

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 6 April 2017 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	-	-

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 2017 were as follows:

Board	Eur	Out of which in company shares, pcs	Additional information
Timo Miettinen	48 000	2 182	Chairman of the Board until 3 Oct 2017, member after 4 Oct 2017
Pertti Ervi	48 000	1 454	Member of the Board until 3 Oct 2017, Chairman after 4 Oct 2017
Jannica Fagerholm	32 000	1 454	
Timo Luukkainen	32 000	1 454	
Kai Telanne	32 000	1 454	

Ownership by Management and members of the governing bodies on 31 December 2017

On the balance sheet date, the CEO and Members of the Board owned 148,089 (140,091) Teleste Corporation shares equal to 0.78% (0.74%) 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 53,686 (37,253) Teleste Corporation shares equal to 0.28% (0.20%) 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 2017 totalled EUR 464 871. In addition, there was an additional pension payment of EUR 94 985 in the financial year.

Salary, remuneration and other benefits paid in 2017 to the CEO of Teleste Corporation:

Remuneration paid to the CEO	2017	2016
Base salary	367 105.40	367 025.40
Fringe benefits	14 179.00	15 620.50
Short-term incentives	83 586.89	196 175.13
Long-term incentives (share based)	0	0
Total	464 871.29	578 821.03
CEO additional pension payment	94 985.10	79 707.21

The contractual retirement age of CEO Jukka Rinnevaara is 60 years. The CEO's pension plan was changed from a defined benefit plan to a defined contribution plan in December 2017. 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. Payment under the capital redemption policy in 2017 was EUR 71,500. It is not included in the remuneration or additional pension payment reported above.

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. In December 2017, the company terminated the Management Group's defined benefit pension plan. It was replaced with a defined contribution additional 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	2017	2016
Base salary	1 516 127.66	1 180 826,72
Fringe benefits	98 647.68	92 522,50
Short-term incentives	309 196.89	478 052,13
Long-term incentives, sharebased	0	0
Total	1 923 972.23	1 751 401,35
Group pension payment	198 062.60	170 068,75

On 31 December 2017, 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 2017, 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.

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 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.

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, 53,600 shares under the plan that commenced in 2016 and 58,300 shares under the plan that commenced in 2017; 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, in maximum 214,400 shares for the plan that commenced in 2016 and in maximum 233,200 shares for the plan that commenced in 2017. 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, 42 key employees as eligible to participate in the second and 40 key employees as eligible to participate in the third 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 6 April 2017, 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 2017, Teleste Group's auditing expenses totalled EUR 153 773, of which the amount of KPMG was EUR 143 589. In addition, units of KPMG have supplied Teleste Group companies with other consultation worth total EUR 84 932 and other than KPMG auditors for EUR 41 972.

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

15 March 2018