

Corporate Governance report

Eltel AB (publ) (hereafter “Eltel” or the “Company”) is a Swedish public limited liability company with its shares admitted to trading on Nasdaq Stockholm. Eltel complies with the guidelines and provisions of its Articles of Association, the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551), the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554), and the rules and regulations of the Nasdaq Stockholm’s Rule Book for Issuers, as well as other applicable Swedish and international laws and regulations. Eltel applies the Swedish Corporate Governance Code (the “Code”), issued by The Swedish Corporate Governance Board (Sw. Kollegiet för svensk bolagsstyrning), available at www.corporategovernanceboard.se.

Eltel’s Audit Committee has reviewed the Corporate Governance Report, and has monitored the issuing of the report and verified that the description of the main features of the internal control and risk management section, as related to the financial reporting process included in the statement, matches the Financial Statements.

ELTEL’S GOVERNANCE STRUCTURE

Eltel’s internal governance is regulated by the Swedish Companies Act and the Code.

SHAREHOLDERS

Ownership structure

As of 31 December 2018, Eltel has approximately 5,400 shareholders and the largest shareholders were the Herlin families through their controlled companies Wipunen Varainhallinta Oy¹, Mariatorp Oy¹ and Riikantorppa Oy¹, Solero Luxco S.á.r.l. (a company controlled by Triton), the Fourth Swedish National Pension Fund (AP4) and Swedbank Robur. As of 31 December 2018, the shareholders referred to above together represented 53.4% of the votes in the company.

Shares and votes

Eltel’s shares are listed on Nasdaq Stockholm. On 31 December 2018 the total number of outstanding shares in Eltel was 156,649,081 shares.

The General Meeting of shareholders

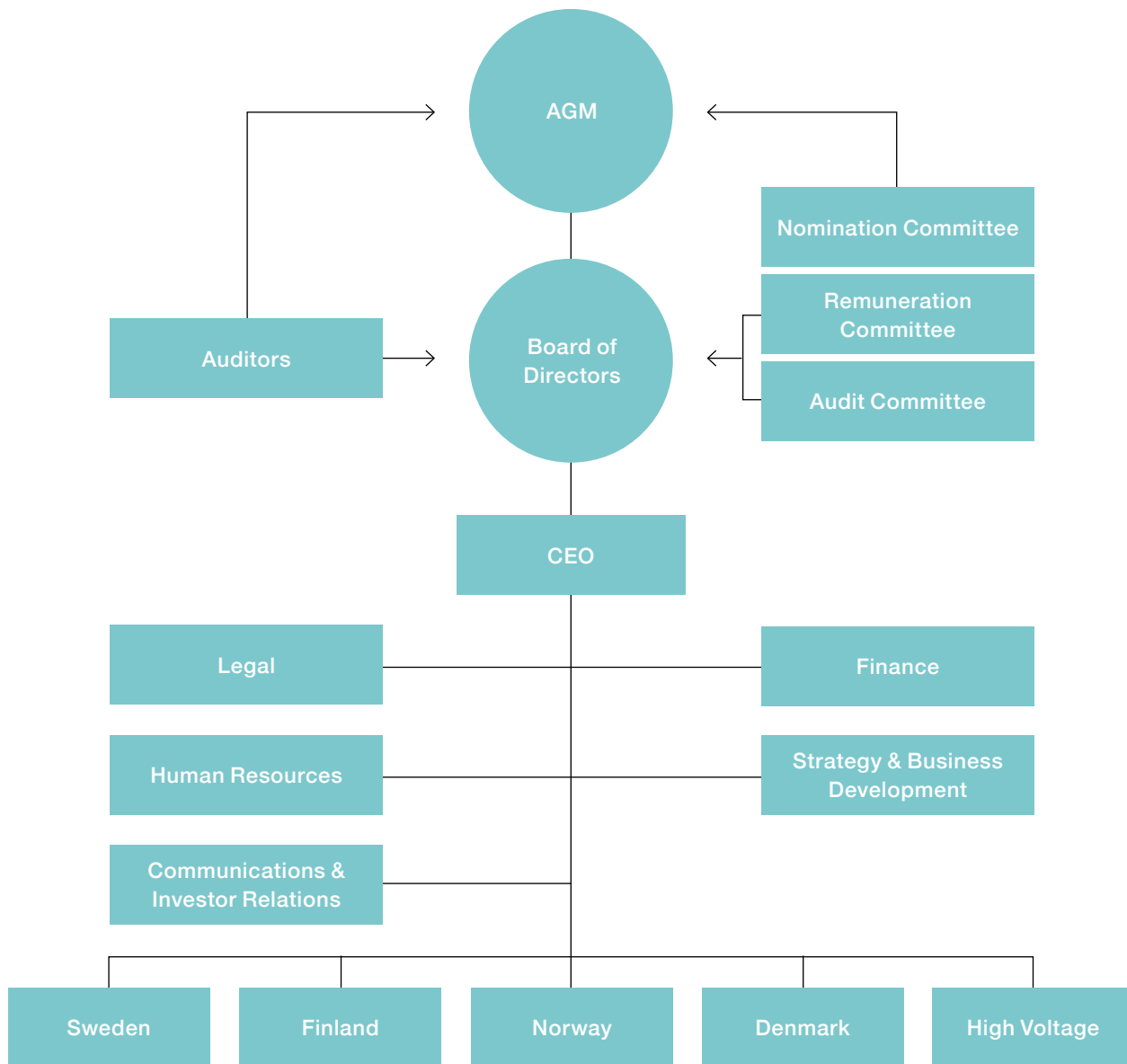
The General Meeting of shareholders is Eltel’s highest decision-making body. In addition to the Annual General Meeting of shareholders, Extraordinary General Meetings of shareholders may be convened at the discretion of the Board of Directors or, if requested by the external auditor or by shareholders holding at least 10% of the shares. At the Annual General Meeting of shareholders, shareholders exercise their voting rights on matters such as:

- Approving the financial statements
- Deciding on the distribution of dividends
- Discharging the company’s Board of Directors and CEO from liability for the financial year
- Electing the company’s Board of Directors and auditors and deciding on their remuneration
- Other matters as stipulated in the Swedish Companies’ Act, the Articles of Association or the Code, as applicable.

All General Meetings are convened by notice in the Swedish Official Gazette (Sw. Post- och Inrikes Tidningar) and by publishing the notice to the meeting on Eltel’s website. At the time of the notice, an announcement with information that the notice has been issued is published in Svenska Dagbladet. Eltel also publishes invitations to its General Meetings as regulatory press releases.

¹) Companies that have made public that they have agreed on a long-term unified conduct regarding the management of Eltel through coordinated use of their voting rights.

ELTEL'S GOVERNANCE STRUCTURE



All shareholders who have been entered in the share register and have informed the Company of their attendance within the time limit stated in the notice of the meeting are entitled to participate at Eltel's General Meetings and vote according to the number of shares held. Shareholders are also entitled to be represented by a proxy at the meeting.

Annual General Meeting 2018

Eltel's Annual General Meeting was held on 9 May 2018. Shareholders representing 106,929,902 shares, representing 68.2% of the

total number of shares and votes in the Company participated in person or by proxy. Matters addressed at the meeting included the following:

- Resolution regarding adoption of the profit and loss statement and the balance sheet and the consolidated profit and loss statement and consolidated balance sheet and resolution regarding appropriation of the company's profit according to the adopted balance sheet
- Resolution regarding discharge from liability for the members of the Board of Directors and the CEO

- Re-election of Ulf Mattsson, Håkan Dahlström, Gunilla Fransson, Ulf Lundahl, Markku Moilanen, Mikael Moll and Hans von Uthmann as members of the Board and election of Joakim Olsson as new member of the Board
- Election of KPMG AB as new auditor (whereby it was announced that Mats Kåvik will be auditor-in-charge)
- Guidelines for remuneration to senior executives
- Resolution regarding authorisation to transfer the company's own shares in Eltel's long-term incentive programme (LTIP 2015); and approval of change of performance targets in Eltel's long-term incentive programme (LTIP 2016)
- Authorisation for the Board of Directors to resolve to issue new shares and authorisation for the Board of Directors to resolve on repurchase and transfer of the company's own shares.

The minutes of the Meeting and other related documents can be found on Eltel's website: www.eltelgroup.com/en/annual-general-meeting/.

Extraordinary General Meeting 2018

On 17 September 2018 an Extraordinary General Meeting of the shareholders was held. Shareholders representing 107,586,299 shares representing 68.7% of the total number of shares and votes in the Company participated in person or by proxy. Matters addressed at the meeting included the following:

- Election of Roland Sundén and Mikael Aro as new members of the Board in the Company for the time up until and including the next Annual General Meeting (whereby it was noted that Mikael Moll had declared his seat on the Board available)
- Resolution to approve the terms for the long-term incentive programme LTIP 2018 (including authorisation for the Board to resolve on a directed issue of class C shares and authorisation for the Board to repurchase class C shares).

Annual General Meeting 2019 and Annual Report 2018

Eltel's Annual General Meeting 2019 will be held on 7 May 2019 at Scandic Alvik, Gustavslundsvägen 153, 167 51 Bromma, Sweden.

The Annual Report 2018 will be made available on the Group website as from week 14, 2019. www.eltelgroup.com and at the Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Sweden, as from week 16 2019.

NOMINATION COMMITTEE

According to the instructions for the Nomination Committee, the committee shall consist of a minimum of four members, representing each of the four largest shareholders registered on 31 August the year before the Annual General Meeting.

The Nomination Committee's main duties are to propose candidates for the Board of Directors, the Chairman of the Board, as well as fees and other remuneration to the members of the Board of Directors. The Nomination Committee is also to make proposals on the election and remuneration of the statutory auditor. Shareholders in Eltel are invited to submit proposals to the Nomination Committee.

The Nomination Committee shall pay special attention to the requirements relating to diversity and breadth of qualifications, experience and background, as well as the requirement to strive for gender balance in the Board of Directors.

An annual evaluation of the Board of Directors' work, expertise, composition and independence of its members is initiated by the Chairman of the Board of Directors, partly to assess the preceding year, partly to identify areas for development for the Board of Directors. The evaluation is performed with support from an evaluation form and by discussions as well as by individual interviews of the Board members.

Nomination Committee for the AGM 2019

For the 2019 Annual General Meeting, the Nomination Committee consists of the following members:

- Peter Immonen, the Herlin families (Chairman)
- Erik Malmberg, Solero Luxco S.á.r.l.
- Per Colleen, the Fourth Swedish National Pension Fund
- Marianne Nilsson, Swedbank Robur.

Up to the date of the Annual General Meeting, the Nomination Committee met on four occasions and, in addition, held separate sessions to interview individual members of the Board.

The Nomination Committee's complete proposals for the 2019 Annual General Meeting of shareholders is published in the notice convening the 2019 Annual General Meeting of shareholders.

THE BOARD OF DIRECTORS

The Board of Directors' responsibility is regulated in the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's Articles of Association, directions given by the General Meeting and the Procedure for Eltel's Board of

Directors adopted by the Board of Directors. In addition, the Board of Directors shall comply with the Code and the Nasdaq Stockholm's Rule Book for Issuers, as well as other applicable Swedish and international laws and regulations.

Responsibility of the Board of Directors

The Board of Directors is responsible for the Company's organisation and the administration of the Company's affairs. Furthermore, the Board of Directors shall continuously assess the Group's financial situation, as well as secure that the Company's organisation is formed in a way that the accounting, management of funds and the financial conditions are controlled in a secure manner.

The Board of Directors also has the responsibility to set objectives and strategies, secure efficient systems for follow-up and control of the Company's operations, and secure that satisfactory control exists for the Company's compliance with laws and other regulations applicable to Eltel's operations. Furthermore, the Board of Directors shall secure implementation of appropriate policies and other steering documents for

the Company's behaviour and that any public disclosure of information is made in accordance with laws and established practices (including Nasdaq Stockholm's Rule Book for Issuers). In addition, the assignments of the Board of Directors include appointing, evaluating and, if necessary, dismissing the CEO.

Except for employee representatives, members of the Board of Directors are appointed by the Annual General Meeting for one year at a time for the period until the end of the next Annual General Meeting. According to the Company's Articles of Association, the members of the Board of Directors to be elected by the General Meeting shall consist of three to ten members with no more than three deputies. According to the Swedish Corporate Governance Code, the majority of the Board members shall be independent of the Company and its management.

Eltel's Board of Directors observes a written procedure, adopted by the Board of Directors and reviewed annually. The Procedure for the Board of Directors regulates, among other things, the Board of Directors' roles and responsibilities, the Board of Directors' ways of working and the

Members of the Board of Directors

Name	Position	Year of birth	Election year	Shareholding	Remuneration EUR	Independence from main owners	Independence of the Company
Ulf Mattsson	Chairman	1964	2017	69,000	183,200	Yes	Yes
Mikael Aro ¹	Member	1965	2018	50,000	8,250	No	Yes
Håkan Dahlström	Member	1962	2017	75,597	48,075	Yes	Yes
Gunilla Fransson	Member	1960	2016	–	49,875	Yes	Yes
Ulf Lundahl	Member	1952	2014	–	48,075	Yes	Yes
Markku Moilanen	Member	1961	2017	–	39,875	Yes	Yes
Mikael Moll ²	Member	1982	2017	–	37,775	–	–
Joakim Olsson ³	Member	1965	2018	–	24,033	No	Yes
Roland Sundén ¹	Member	1963	2018	50,000	8,250	Yes	Yes
Hans von Uthmann	Member	1958	2017	10,000	48,075	Yes	Yes
Jonny Andersson	Employee represent.	1978	2015	–	–	Yes	No
Krister Andersson	Deputy employee rep.	1964	2015	–	–	Yes	No
Björn Ekblom	Employee represent.	1976	2015	3,500	–	Yes	No
Ninni Stylin	Deputy employee rep.	1982	2015	–	–	Yes	No

1) From September 2018 onwards.

2) Until September 2018.

3) From May 2018 onwards.

Information about the Board of Directors' other assignments can be found on pages 56–57.

division of work within the Board of Directors. The Board of Directors also adopts an Instruction for the CEO of Eltel, as well as an Instruction for financial reporting.

Board of Directors in 2018

Eltel's Board of Directors consists of nine ordinary members and two employee representatives as ordinary members. In addition, there are two deputies to the employee representatives:

- Ulf Mattsson, Chairman
- Gunilla Fransson
- Hans von Uthmann
- Ulf Lundahl
- Håkan Dahlström
- Markku Moilanen
- Joakim Olsson
- Roland Sundén
- Mikael Aro
- Jonny Andersson, employee representative
- Björn Ekblom, employee representative
- Krister Andersson, deputy to employee representative
- Ninni Stylin, deputy to employee representative.

The members of the Board of Directors are presented in greater detail in the section "Board of Directors" on pages 56–57.

The Chairman Ulf Mattsson and the Board members Gunilla Fransson, Hans von Uthmann, Ulf Lundahl, Håkan Dahlström, Markku Moilanen and Roland Sundén are deemed to be independent from the owners and the Company. Joakim Olsson and Mikael Aro are deemed to be independent from the Company but dependent of significant shareholders due to their positions in relation to Solero Luxco S.á.r.l.

Board matters during 2018

During 2018, the main focus for the Board was to secure the roll-out of a country-based organisation, the implementation of a new strategy for the Company and that divestments and right-sizing of operations were executed in accordance with plan.

During 2018, the Board of Directors held 18 meetings. For details on Board member participation in Board meetings, please see table below.

Board Member participation 2018

	17 Jan	29 Jan	21 Feb	26 Mar	11 Apr	3 May	9 May	18 May	20 Jun	4 Jul	8 Aug	13 Aug	3 Sep	17 Sep	1 Okt	25 Okt	6 Nov	14 Dec
Ulf Mattsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Gunilla Fransson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Mikael Moll	●	●	●	●	●	●	●	●	●	●	●	●	●	-	-	-	-	-
Håkan Dahlström	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	○
Ulf Lundahl	○	●	●	●	○	●	●	●	●	●	●	●	●	●	●	●	●	●
Markku Moilanen	●	○	●	●	●	●	○	●	○	●	●	●	●	●	○	○	●	●
Hans von Uthmann	●	●	●	●	●	●	●	●	●	●	●	●	●	○	●	●	●	●
Joakim Olsson	-	-	-	-	-	-	●	●	●	●	●	●	●	●	●	●	●	●
Roland Sundén	-	-	-	-	-	-	-	-	-	-	-	-	-	●	●	●	●	●
Mikael Aro	-	-	-	-	-	-	-	-	-	-	-	-	-	●	●	●	●	●
Björn Ekblom	●	●	●	●	●	●	●	●	●	●	○	●	●	○	●	●	○	●
Jonny Anderson	●	●	●	●	●	●	●	●	○	●	○	○	●	●	●	○	○	●
Krister Andersson	●	●	●	●	●	●	○	●	●	○	●	○	○	●	●	●	●	●
Ninni Stylin	○	○	○	●	○	●	●	●	○	○	●	●	○	●	●	○	○	●

● Present ○ Absent

Evaluation of the Board's performance

To ensure the quality of the work of the Board and to identify possible needs for further expertise and experience, the work of the Board and its members is evaluated annually. In 2018, the evaluations, which were led by the Chairman of the Board, were carried out by way of each Board member responding to an online questionnaire. The compiled results were presented to the Board at the final Board meeting of the year. The Chairman of the Board also presented the results of the evaluations at a meeting with the Nomination Committee.

Board committees

The Board annually appoints an Audit Committee and a Remuneration Committee in its constituent meeting following the Annual General Meeting. The Board may also appoint other committees if considered necessary. The Board appoints the members of these committees and their chairmen by taking into consideration the expertise and experience required for the duties. The members of each committee are appointed for the same term of office as the Board itself.

The Audit Committee

The main responsibilities of the Audit Committee are to:

- Monitor the Company's financial reporting
- Monitor the effectiveness of the Company's internal control, internal audit, and risk management

- Keep itself informed regarding the audit of the Annual Report and Group accounts
- Review and monitor the impartiality and independence of the auditor, paying particular attention to if the auditor provides the Company with services other than auditing services
- Assist in the preparation of proposals to the resolutions to the General Meeting regarding the election of auditor
- Exercise its delegation of authority to advise and review matters such as customer tenders and financial matters.

As part of the tasks above, the Chairman of the Audit Committee shall support the senior management with matters related to financial reporting, and information disclosure and have ongoing contact with the auditor in these topics.

In addition, the Audit Committee Chairman shall support the CEO, the CFO and Group Communications in matters relating to information disclosures, financial reporting and media contacts, especially in the event of crisis situations.

The Audit Committee in 2018

The Audit Committee consists of three members: Gunilla Fransson (Chairman), Hans von Uthmann, Mikael Moll (until September) and Joakim Olsson (from May).

The Audit Committee held seven meetings in 2018 at which Eltel's external auditor and representatives of the Company's management were present and six additional meetings devoted to customer tender approvals.

Audit Committee participation

	30 Jan ¹	13 Feb ¹	19 Feb	26 Apr	17 May ¹	30 May	4 Jun ¹	25 Jun ¹	6 Aug	4 Sep	2 Oct ¹	5 Nov	11 Dec
Gunilla Fransson	●	○	●	●	●	●	●	○	●	●	●	●	●
Hans von Uthmann	●	●	●	●	●	●	○	●	●	●	●	●	●
Mikael Moll	●	●	●	●	●	●	●	●	●	●	–	–	–
Joakim Olsson	–	–	–	–	●	●	●	●	●	●	●	●	●

● Present ○ Absent

1) AC Tender Approval meetings.

The Remuneration Committee

The main responsibilities of the Remuneration Committee are to:

- Prepare the Board of Directors' decisions on issues concerning remuneration principles, remunerations and other terms of employment for the senior management
- Monitor and evaluate, both ongoing and terminated during the year, programmes for variable remuneration for the senior management
- Monitor and evaluate the application of the guidelines for remuneration to senior management that the Annual General Meeting is legally obliged to decide on, as well as the current remuneration structures and levels in the Company
- Assess and plan the succession of the senior management of Eltel.

The Remuneration Committee in 2018

The Remuneration Committee consists of three members: Ulf Mattsson (Chairman), Ulf Lundahl and Håkan Dahlström.

The Remuneration Committee held three meetings in 2018.

Remuneration Committee participation

	26 Mar	10 Aug	28 Nov
Ulf Mattsson	●	●	●
Ulf Lundahl	●	●	●
Håkan Dahlström	●	●	●

● Present ○ Absent

Remuneration principles at Eltel

Eltel's overall objective is to offer a competitive and market-based level of remuneration consisting of both fixed and variable salary, pension and other remuneration components. Remuneration to senior executives shall motivate senior management to do its utmost in the best interests of Eltel's shareholders. Remuneration shall be determined in relation to area of responsibility, duties, expertise and performance. The fixed salary component equals and compensates for engaged work of management at a high professional level, creating value for Eltel. In addition, senior executives may be offered long-term incentive schemes on market-based terms. The Board has the right to deviate from the guidelines in individual cases if there are particular grounds for such deviation.

The pension terms of the CEO and other senior executives in the Group Management Team

("GMT") should be market-based in relation to terms that generally apply for comparable executives. The GMT consists of members from several different countries and the pension terms of the members of GMT reflect applicable laws and established practices.

Eltel's short-term incentives

The short-term variable salary component is based on predetermined and measurable financial and individual targets. The criteria are recommended by the Remuneration Committee and ultimately decided by the Board of Directors. The short-term (one year) variable salary component varies between 10% and 80% of fixed annual salary. The CEO has an 80% variable salary component and the remaining members of GMT have a 60% variable salary component.

The short-term incentive programme at Eltel covers all managerial levels from team level to the GMT as well as key managers in Group shared services and functions. The range of variable salary component for other than GMT members ranges from 10% to 40% of the fixed annual salary depending on the job position of an employee. The annual bonus schemes cover some 80% of all employees. In addition, approximately 20% of the employees are included in monthly production bonus schemes that are based on individual and team performance.

Retention bonus 2018-2019

In 2018, 15 senior managers and key employees were offered a retention bonus scheme. The purpose of the retention bonus scheme is to increase motivation to excellent performance as well as to retain the most business-critical employees. The scheme is predetermined in time and contains measurable performance criteria aimed at promoting the Company's long-term value creation. The outcome of the bonus is dependent on Eltel's EBITDA result for the financial years 2018 and 2019. The incentive is payable in two instalments, in 2019 and 2020, and requires that the employee has not submitted a notice of termination of employment before 30 June 2019 and 31 December 2019, respectively.

Eltel's long-term incentives

Senior executives may be offered long-term incentive schemes at market-based terms. The motive for share-based incentive schemes is to achieve an increase in and spread of share ownership/exposure among the senior executives and to achieve a greater alignment of interests between the executives and the Company's

shareholders. A long-term personal share ownership commitment among key personnel can be expected to stimulate greater commitment to the Company's long-term development, to align management with shareholders' interests and to increase motivation and solidarity with the Company. Decisions regarding share-based incentive schemes shall always be resolved on by General Meeting.

Long-term incentive programme 2015

In 2018, Eltel's long-term incentive programme 2015 ("LTIP 2015") was vested and the average price of the matching shares was 24.40 SEK. 42 participants received a total of 86,521 matching shares. Due to the insufficient financial performance of the company, no performance shares were allotted to the participants. More information about Eltel's long-term incentive programme 2015 ("LTIP 2015") is available in Eltel's Corporate Governance Report 2017.

Long-term incentive programme 2016

The purpose of Eltel's long-term incentive programme 2016 ("LTIP 2016"), approved by the Extraordinary General Meeting in June 2016, is to increase the attractiveness of Eltel as an employer on the global market, making it easier to retain and recruit qualified key individuals. The term of the LTIP 2016 is three years.

The programme was directed towards 85 key individuals at Eltel including the CEO, members of the Group Management Team and other key employees at Eltel. The participation rate was 87% of the invited individuals. The total value in terms of shares purchased by the participants during the subscription period in August 2016 amounted to approximately EUR 1.0 million and was equivalent to approximately 85% of the maximum investment available for these individuals. Dependent on the fulfilment of certain performance targets linked to Eltel's earnings per share for the financial year 2018, the participant may also be entitled to receive allotment of additional Eltel shares ("Performance Shares"). The participant shall not pay any consideration for the allotted "Matching Shares" and "Performance Shares". "Matching Shares" and "Performance Shares" are Eltel ordinary shares.

At the Annual General Meeting 2018 it was resolved to change the performance targets of the existing LTIP 2016, as follows:

- The performance target for performance shares under LTIP 2016 shall be amended from Eltel's earnings per share for the financial year 2018 to

instead be based on Eltel's EBITDA for the financial year 2019

- The Board of Directors was instructed to establish a new performance target level for LTIP 2016 based on the new performance target
- The new performance target shall be established based on the purpose of providing an effective incentive for the participants in LTIP 2016 to promote increased shareholder value
- The performance shares shall be allocated after the disclosure of the first quarterly report of 2020
- The maximum number of potential performance shares for each category of participants in LTIP 2016 shall be recalculated with the multiple 1.68
- Other terms for LTIP 2016, including the date of allocation of matching shares, shall not be affected by the change of the performance target.

In October 2016, a total amount of 107,658 Eltel AB shares were purchased by the participants in ordinary trading at an average price of SEK 89.00, equal to a total value of approximately one million Euro. On the balance sheet date, the LTIP 2016 comprised a maximum of 192,922 shares in total, corresponding to approximately 0.1% of the total outstanding shares and votes in the Company. The calculation of the maximum amount includes the assumption of fully meeting the set performance targets.

LTIP 2016 is directed towards three categories of participants:

- CEO
- Group Management Team (GMT), maximum ten employees
- individuals reporting directly to the GMT and other key employees, a total of 74 persons.

The maximum number of Savings Shares for each participant is based on an investment in Eltel shares with an amount corresponding to a certain portion of the concerned participant's base salary level for the current year. In order to be eligible to participate in LTIP 2016, the participant must make a minimum investment equal to 25% of the applicable maximum level for Savings Shares investment.

Following the Rights' Issue decided by Eltel's Annual General Meeting on 1 June 2017 (the "Rights' Issue") (and in order to compensate for the dilution effect caused by the Rights' Issue) Remuneration Committee (defined as "the Committee" in the 2015 and 2016 LTI Plan Rules) has recalculated the number of Matching Shares so that the financial position of the Holders as far as practicable is equal to the financial position immediately prior to the Rights' Issue.

Long-term incentive programme 2018

The purpose of Eltel's long-term incentive programme 2018 ("LTIP 2018") is to continue a performance-based, long-term share programme, in order to increase and strengthen the potential for recruiting, retaining and rewarding key individuals and to create an individual long-term ownership of Eltel shares among the participants. The term of the LTIP 2018 is three years.

The programme was directed towards the top management in the Eltel Group, a total of 8 persons. The participants are based in Sweden and other countries where the Eltel Group is active. The participation rate was 87.5% of the invited individuals. The total value in terms of shares purchased by the participants during the subscription period in September 2018 amounted to approximately EUR 0.3 million and was equivalent to approximately 66% of the maximum investment available for these individuals. Dependent on the fulfilment of certain performance targets linked to Eltel's EBITDA for the financial year 2021, the participant may also be entitled to receive allotment of additional Eltel shares ("Performance Shares"). The participant shall not pay any consideration for the allotted "Matching Shares" and "Performance Shares". "Matching Shares" and "Performance Shares" are Eltel ordinary shares.

The maximum number of Savings Shares for each participant is based on an investment in Eltel shares with an amount corresponding to a certain portion of the concerned participant's base salary level for the current year. In order to be eligible to participate in LTIP 2018, the participant must make a minimum investment equal to 25% of the applicable maximum level for the Savings Shares investment.

With the purpose to hedge the undertakings of the Company according to LTIP 2018 and, in terms of liquidity, to hedge payments of social security contributions related to Matching and Performance Shares, the Board of Directors resolved in January 2019, based the authorisation given at the Extraordinary General Meeting held on 17 September 2018 (as described above), on a directed issue of a total of 850,000 C-shares. The price paid for the shares by the subscriber SEB corresponded to the shares quota value. Following registration of the new shares with the Swedish Companies Registration Office, the 850,000 shares were repurchased by the Company. The shares will be converted into ordinary shares prior to allotment under LTIP 2018 in year 2022.

EXTERNAL AUDIT

The Annual General Meeting appoints the external auditor for one year at a time. The external auditor is responsible for auditing the annual financial statements of the Group and Parent Company. In addition, the external auditor reviews the third quarter interim report and the Company's administration. The external auditor attends all regular Audit Committee meetings and reports observations related to internal control, administration of the Company and the review of the third quarter and the annual financial statements. The external auditor attends at least one Board meeting during the year.

External auditor in 2018

The Annual General Meeting 2018 elected KPMG AB as Eltel's external auditor for a one-year mandate, with Mats Kåvik as auditor-in-charge. In 2018, total fees paid to the external auditors, KPMG AB and PricewaterhouseCoopers AB amounted to EUR 0.9 million, of which non-auditing services totalled EUR 0.2 million.

GROUP MANAGEMENT TEAM

Chief Executive Officer

Eltel's President and Chief Executive Officer (CEO) reports to the Board of Directors. As of 1 September 2018 Casimir Lindholm is the President and CEO of the Eltel Group. The CEO's responsibility is governed by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's Articles of Association, directions given by the General Meeting, Eltel's Instructions for the CEO and other directions and guiding principles established by the Board of Directors.

Group Management Team

The Group Management Team ("GMT"), chaired by the CEO, meets a minimum of 10 times annually (14 times in 2018). The GMT considers strategic and operational issues related to the Group and its businesses, as well as investments, Group structure and corporate steering systems, and it supervises the Company's operations. The GMT also delivers the annual business plan, budget and forecast updates to the Board of Directors in accordance with the Company's established planning cycle.

The Group Management Team consists of the following members:

- Casimir Lindholm, President and CEO
- Petter Traaholt, CFO
- Henrik Sundell, General Counsel
- Karin Lagerstedt Woolford, Director, Human Resources
- Elin Otter, Director, Communications and Investor Relations
- Mikael Malmgren, Director, Strategy and Business Development
- Claus Metzsch Jensen, Managing Director, Country Unit Denmark
- Juha Luusua, Managing Director, Country Unit Finland
- Thor-Egel Bråthen, Managing Director, Country Unit Norway
- Leif Göransson, Managing Director, Country Unit Sweden
- Christian Wittneven, Director, Solution Unit High Voltage.

Information on the members of the GMT can be found in the Annual Report 2018 on pages 58–59.

CONTROL SYSTEMS

Guidelines and manuals

Eltel's internal control system, which is comprised of all corporate governance includes policies, guidelines and procedures, is communicated via management and is organised according to Country Unit and Solution Unit needs. Eltel's Group Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied in all Eltel Group companies. The manual's objective is to secure appropriate reliability in Eltel's financial reporting.

Fundamental Eltel policies cover areas such as authorisation, Code of Conduct, internal control and risk management, reporting of suspected violations of laws, ethics or misconduct (whistleblowing) to Eltel's Compliance function, health and safety, communications and investor relations, sustainability, restrictions on insider trading, accounting and controlling.

As part of the regular monitoring, Eltel performs internal audits to monitor that the Company adheres to the approved governance. Regular reporting, follow-up and escalation procedures are in place where ultimately the Audit Committee is made aware if issues are identified.

The CEO is primarily responsible for implementing Board instructions of the control environment in the day-to-day work. The CEO regularly reports

to the Board based on established procedures. Furthermore, monthly operational business reviews are performed with the CEO and CFO.

Follow-up

The Board and GMT monitor Eltel's compliance with adopted policies and guidelines. At each Board meeting the Company's financial position is addressed. The Board's Remuneration and Audit Committees play important roles in terms of, for example, remuneration, financial statements and internal control. Prior to the publication of interim reports and the Annual Report, the Audit Committee and the Board review the financial statements.

Eltel's management conducts a monthly follow-up of earnings, analysing deviations from budget, forecasts and the previous year.

The duties of the external auditor include performing an annual review of the internal controls of the Group and Group subsidiaries. Status and identified deviations are addressed at the Audit Committee meetings or escalated earlier when appropriate.

The Board meets with the auditors once a year to review the internal controls and, in specific cases, to instruct the auditors to perform separate reviews of specific areas. The auditors attend all regular Audit Committee meetings.

Priority areas in 2018

Eltel's significant priority areas for 2018 included the following: a new organisation structure, launch of the Operational Excellence Strategy, implementation of an updated Authorization Policy and completion of the GDPR Project.

In February 2018, Eltel established a Country Unit structure where the profit & loss responsibility is clearly linked to Country Units and Solution Units and thereby providing a clearer link to the way Eltel delivers to the end customer.

During the autumn, Eltel launched its strategy Operational Excellence which refocuses management's agenda to improving our operations and margins on existing business. For more information regarding the strategy see page 10.

The Authorization Policy and relevant steering documents have been updated and communicated throughout Eltel.

The GDPR project based on EU General Data Protection Regulation 2016/679, continued and was completed according to plan by May 2018. To date, relevant GDPR training has been implemented for all employees.

Internal control 2018

In January 2018, an Internal Control function was established within the CFO office, which reports to the Audit Committee. The function is responsible for, among other things, managing the internal control framework, risk management, performing internal audits and continuous monitoring and control of Eltel's compliance with applicable laws and generally accepted accounting principles.

During the year, the function focused on reviewing procedures related to internal control for financial reporting, special projects related to project controlling, and also obtained third-party support to perform internal audits. The outcome of the function's activities has been communicated accordingly. The function will continue to focus its efforts on supporting management with information and good practice information related to internal control for financial reporting.

Risk assessment

Eltel manages risk at each level in the organisation from project teams to top Group financial risks. Risk management is an integral part of each process and different methods are used for evaluating and mitigating risks, and to ensure that the risks to which Eltel is exposed are managed according to established rules, instructions and follow-up procedures. The Group sets out its ways of working with risk in its Risk Management Policy where ultimately risks are regularly communicated to the Audit Committee and ultimately the Board.

The Group conducts regular risk assessments to identify material risks and mitigating action. In terms of risks associated with the financial statements, the main risk is considered to be management estimates and assumptions that impact the valuation of assets, liabilities, income

and expense or other discrepancies. Eltel aims to manage risks and promote accurate accounting, reporting and information disclosures. For example, during monthly business reviews that are performed at each level in the organisation, a report of the most important operational risks in terms of monetary risk are reported and assessed in order to establish any need for mitigating actions and/or financial provisioning. Most significant operational and strategic risks are collected on a monthly basis and assessed and reported to Group management from each business unit. Group management assesses the need for any mitigating actions (and/or financial provisioning) and reports the most significant operational risks and related mitigating actions to the Audit Committee and then the Board of Directors. On an annual basis, the Group Risk Management Team (which is comprised of Group management and Internal Control) provides an Annual risk report which summarises operational and strategic risks while providing executive management commentary for the Audit Committee and the Board of Directors. In addition, the Eltel Group Legal Review Forum, consisting of representatives from Group Finance, Legal, Tax and Internal Control, reviews all Eltel legal entities with respect to legal and financial risks on a quarterly basis and escalates additional matters when appropriate.

Eltel considers the ISO 31000 standard as guidance for risk management and has adopted a Risk Management Policy. The policy outlines the Eltel risk universe, measures for risk identification, assessment, prioritisation, mitigation, monitoring and reporting information.

For more information regarding financial risk management, please refer to note 3, in the Consolidated Financial Statements.