

Corporate Governance report

Eltel AB (publ) (hereafter referred to as “Eltel” or the “Company”) is a Swedish public limited liability company with its shares admitted to trading on Nasdaq Stockholm.

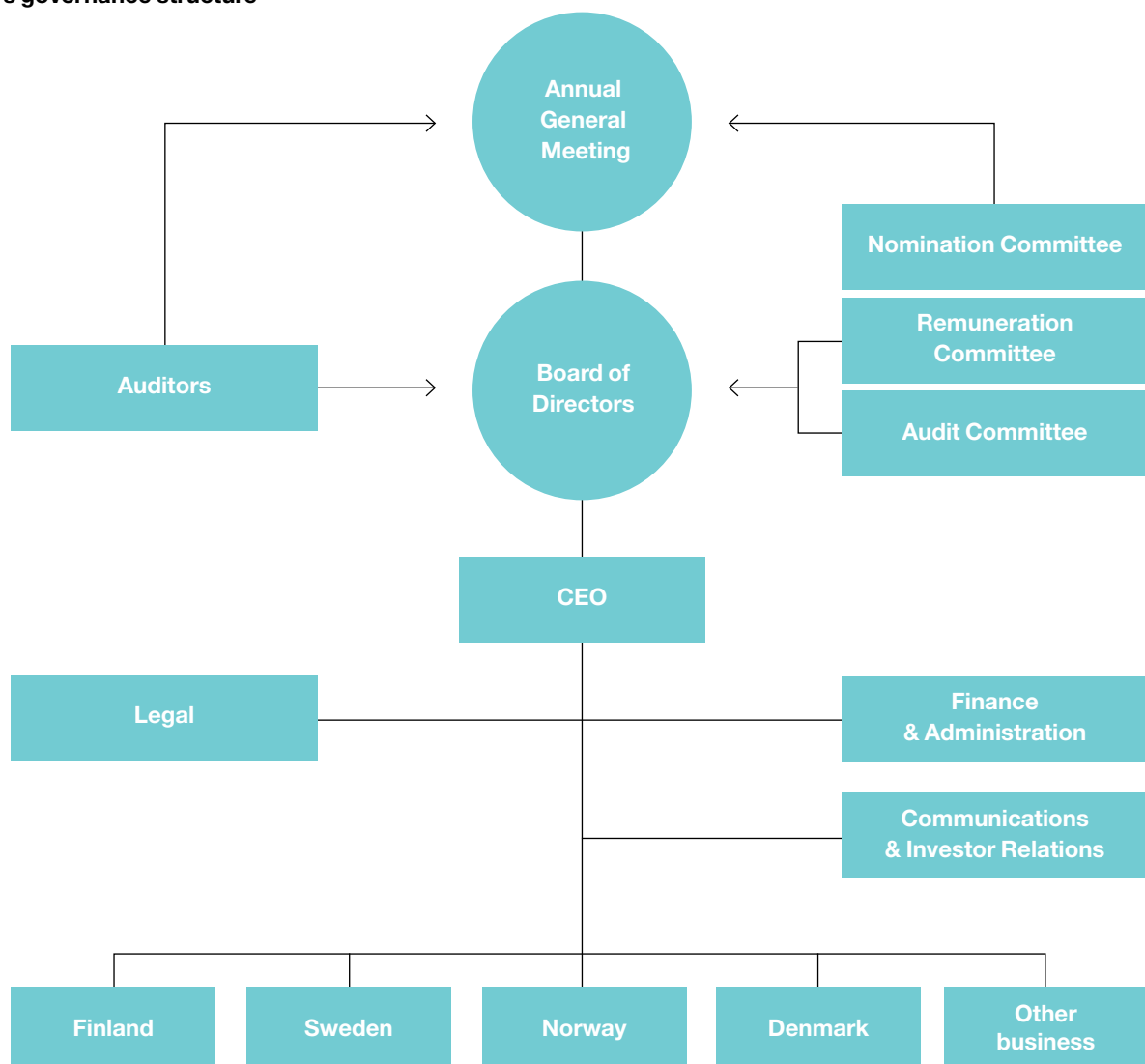
Eltel complies with the guidelines and provisions of its Articles of Association, the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551), the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554), the rules and regulations of Nasdaq Stockholm’s Rule Book for Issuers, as well as other 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 this Corporate Governance Report (the “Report”) and has verified that the description of the main features of the internal control and risk management section, as related to the financial reporting process, is consistent with the financial statements, as set out in Eltel’s Annual Report 2019.

Eltel’s governance structure

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

Eltel’s governance structure



Shareholders

Ownership structure

As of 31 December 2020, Eltel had 3,402 shareholders and the largest shareholders were the Herlin families 24.9% (through their controlled companies Wipunen Varainhallinta Oy¹⁾ 12.7%, Heikintorppa Oy¹⁾ 6.3% and Mariatorp Oy¹⁾ 5.9%), Solero Luxco S.á.r.l. 16.4% (a company controlled by Triton), the Fourth Swedish National Pension Fund (AP4) 9.6% and Swedbank Robur 7.0%. As of 31 December 2020, the shareholders referred to above together represented 57.9% of the votes in the company.

Shares and votes

Eltel's shares are listed on Nasdaq Stockholm. The Eltel shares are quoted on the OMX Stockholm Mid Cap, under the trading symbol "ELTEL". At the end of the financial period 2020, there was a total of 156,649,081 ordinary shares in Eltel and the share capital entered in the trade register was EUR 158,838,751. On 31 December 2020, the total number of shares amounts to 157,499,081 divided into 156,649,081 ordinary shares with 1 vote per share and 850,000 C shares with 1/10 vote per share.

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, 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 of 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 the newspaper Svenska Dagbladet. Eltel also publishes invitations to its General Meetings as regulatory press releases.

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 2020

Eltel's Annual General Meeting was held on 4 May 2020. Shareholders representing 110,823,756 shares, constituting 70.4% of the total number of shares and votes in the Company, participated in person or by proxy or by exercising their voting rights by postal voting. 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, Joakim Olsson and Roland Sundén as members of the Board of Directors
- Election of KPMG AB as the auditor (whereby it was announced that Mats Kåvik will be auditor-in-charge)
- Guidelines for the remuneration of senior executives
- Authorisation for the Board of Directors to resolve to issue new shares and authorisation for the Board of Directors to resolve to repurchase and transfer 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/.

Annual General Meeting 2021 and Annual Report 2020

Eltel's Annual General Meeting 2021 will be held on 5 May 2021. Due to the COVID-19 pandemic venue, means of participation and other information regarding the Annual General Meeting 2021 will be announced in due course.

The Annual Report 2020 will be made available on the Group website from week 13, 2021, www.eltelgroup.com and at Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Sweden from week 16, 2021.

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.

Nomination Committee

According to the instructions for the Nomination Committee, the committee shall comprise 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 for 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 and partly to identify areas of development for the Board of Directors. The evaluation is performed with the support of an evaluation form and through discussions, as well as through individual interviews of the members of the Board of Directors.

Nomination Committee for the AGM 2021

For the 2021 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 2021 Annual General Meeting, the Nomination Committee met on three occasions and also held separate sessions to interview individual members of the Board.

The Nomination Committee's complete proposals for the 2021 Annual General Meeting will be published in the notice convening the 2021 Annual General Meeting.

The Board of Directors

The Board of Directors' responsibility is regulated by the Swedish Companies Act, the Swedish Annual Accounts Act, the Company's Articles of Association, directions given by the General Meeting and the Charter for Eltel's Board of Directors adopted by the Board of Directors. In addition, the Board of Directors shall comply with the Code and 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 administration of the Company's affairs. The Board of Directors shall continuously assess the Group's financial situation, as well as ensure that the Company's organisation is structured in such a way that the accounting, management of funds and the financial conditions are securely controlled.

The Board of Directors is also responsible for setting objectives and strategies, ensuring efficient systems for follow-up and control of the Company's operations, identifying how sustainability issues impact risks to and business opportunities for the Company, and that satisfactory controls are in place to ensure the Company's compliance with laws and other regulations applicable to Eltel's operations. Furthermore, the Board of Directors shall ensure the implementation of appropriate policies and other steering documents regarding the Company's conduct 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 tasks of the Board of Directors include appointing, evaluating and, if necessary, dismissing the CEO.

Members of the Board of Directors

Name	Position	Year of birth	Election year	Share holding	Remuneration EUR	Independence from main owners	Independence of the Company
Ulf Mattsson	Chairman	1964	2017	69,000	113,667	Yes	Yes
Mikael Aro ¹⁾	Member	1965	2018	50,000	13,733	No	Yes
Håkan Dahlström	Member	1962	2017	75,597	46,667	Yes	Yes
Gunilla Fransson	Member	1960	2016	–	43,000	Yes	Yes
Ulf Lundahl ¹⁾	Member	1952	2014	–	13,733	Yes	Yes
Markku Moilanen ¹⁾	Member	1961	2017	–	13,733	Yes	Yes
Joakim Olsson	Member	1965	2018	–	41,200	No	Yes
Roland Sundén	Member	1963	2018	50,000	46,667	Yes	Yes
Hans von Uthmann ¹⁾	Member	1958	2017	10,000	13,733	Yes	Yes
Jonny Andersson ⁴⁾	Employee represent.	1978	2015	–	–	Yes	No
Krister Andersson ²⁾	Deputy employee rep.	1964	2015	–	–	Yes	No
Björn Ekblom	Employee represent.	1976	2015	–	–	Yes	No
Ninni Stylin ³⁾	Deputy employee rep.	1982	2015	–	–	Yes	No

¹⁾ Until 4 May 2020. ²⁾ Until 30 April 2020. ³⁾ Until 20 August 2020. ⁴⁾ Until 4 December 2020.

Information about the Board of Directors' other assignments can be found on page 44.

With the exception of employee representatives, members of the Board of Directors are appointed at the Annual General Meeting 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 number of members of the Board of Directors to be elected at the General Meeting shall be no less than three and no more than ten ordinary members and no more than three deputies. In accordance with the Code, the majority of the members of the Board of Directors shall be independent of the Company and its management.

Eltel's Board of Directors has adopted a Charter for its work. The Charter is reviewed annually. The Charter regulates, for example, the Board of Directors' roles and responsibilities, the Board's ways of working and the division of tasks within the Board. The Board of Directors also has adopted an Instruction for the CEO of Eltel, as well as an Instruction for financial reporting.

Board of Directors in 2020

As of 31 December 2020, the Board of Directors comprises five ordinary members and one employee representative as ordinary members:

- Ulf Mattsson, Chairman
- Håkan Dahlström
- Gunilla Fransson
- Joakim Olsson
- Roland Sundén
- Björn Ekblom, employee representative

The members of the Board of Directors are presented in greater detail in the section "Board of Directors" on page 44.

The Chairman Ulf Mattsson and the Board members Håkan Dahlström, Gunilla Fransson and Roland Sundén are deemed to be independent of the owners and the Company. Joakim Olsson is deemed to be independent of the Company but dependent on significant shareholders due to his positions in relation to Solero Luxco S.á.r.l.

Matters for the Board of Directors during 2020

In 2020, the main focus of the Board of Directors was to ensure the implementation of the Company's Operational Excellence strategy, that divestments and the rightsizing of operations were executed according to plan, and that other activities for strengthening the balance sheet and lowering the net debt also took place.

In 2020, the Board of Directors held 15 meetings. For details of Board member participation in Board meetings, please see table below.

Evaluation of the Board of Directors' performance

To ensure the quality of the work of the Board of Directors and to identify the possible need for further expertise and experience, the work of the Board of Directors and its members is evaluated annually. In 2020, evaluations, led by the Chairman of the Board of Directors, were carried out by way of each Board member responding to an online questionnaire. The compiled results were presented to the Board of Directors at the final Board meeting of the year. The Chairman of the Board of Directors also presented the results of the evaluations at a meeting with the Nomination Committee.

Board committees

An Audit Committee and a Remuneration Committee is annually appointed by the Board of Directors in its constituent meeting following the Annual General Meeting.

The Board of Directors may also appoint other committees if deemed necessary. The Board of Directors appoints the members of the committees and their chairmen by taking account of the expertise and experience required for the duties. The members of each committee are appointed for the same term of office as the Board of Directors itself. The main responsibilities of the committees, as further outlined below, are to prepare matters that are within the Board of Directors' decision power.

Board meeting participation 2020

	29 Jan	13 Feb	23 Mar	26 Mar	1 Apr	20 Apr	28 Apr	4 May	2 Jun	24 Jun	22 Jul	22 Sep	4 Nov	17 Dec
Ulf Mattsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Mikael Aro ¹⁾	•	•	•	•	•	•	•	–	–	–	–	–	–	–
Håkan Dahlström	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Gunilla Fransson	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Ulf Lundahl ¹⁾	•	•	•	•	•	•	–	–	–	–	–	–	–	–
Markku Moilanen ¹⁾	•	•	•	•	•	•	•	–	–	–	–	–	–	–
Joakim Olsson	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Roland Sundén	•	•	•	•	•	•	•	•	•	•	•	•	•	•
Hans von Uthmann ¹⁾	•	•	•	•	•	•	•	–	–	–	–	–	–	–
Jonny Andersson ⁴⁾	•	•	•	•	•	•	–	•	•	–	–	–	–	–
Krister Andersson ²⁾	•	•	•	•	–	–	•	–	–	–	–	–	–	–
Björn Ekblom	•	•	•	•	•	•	•	•	•	•	–	•	•	•
Ninni Stylin ³⁾	•	•	•	•	•	–	•	•	–	–	–	–	–	–

¹⁾ Until 4 May 2020. ²⁾ Until 30 April 2020. ³⁾ Until 20 August 2020. ⁴⁾ Until 4 December 2020.

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 whether 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 an auditor
- Exercise its delegation of authority to advise and review matters such as customer tenders and financial matters.

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

The Audit Committee Chairman shall also support the CEO, the CFO and Group Communications in matters relating to information disclosure, financial reporting and media contacts, particularly in the event of a crisis.

The Audit Committee in 2020

As of 31 December 2020, the Audit Committee comprises all Board members elected at the 2020 Annual General Meeting: Gunilla Fransson (Chairman), Håkan Dahlström, Ulf Mattsson, Joakim Olsson and Roland Sundén.

In 2020, the Audit Committee held six meetings, at which Eltel's external auditor and representatives of the Company's management were present, and five additional meetings devoted to customer tender approvals.

Audit Committee participation

	13 Feb	24 Apr	23 Jun	22 Jul	4 Nov	16 Dec
Gunilla Fransson	●	●	●	●	●	●
Håkan Dahlström ²⁾	–	–	–	●	●	–
Ulf Mattsson ²⁾	–	–	●	●	●	●
Markku Moilanen ¹⁾	●	●	–	–	–	–
Joakim Olsson	●	●	●	●	●	●
Roland Sundén ²⁾	–	–	–	●	●	●

¹⁾ Until 4 May 2020.

²⁾ From 4 May 2020.

The Remuneration Committee

The main responsibilities of the Remuneration Committee are to:

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

The Remuneration Committee in 2020

As of 31 December 2020, the Remuneration Committee comprises three members: Ulf Mattsson (Chairman), Håkan Dahlström and Roland Sundén.

The Remuneration Committee held three meetings in 2020.

Remuneration Committee participation

	5 Feb	2 Sep	9 Dec
Ulf Mattsson ²⁾	–	●	●
Håkan Dahlström	●	●	●
Ulf Lundahl ¹⁾	●	–	–
Roland Sundén ²⁾	●	●	●
Hans von Uthmann ¹⁾	–	–	–

¹⁾ Until 4 May 2020.

²⁾ From 4 May 2020.

Remuneration principles at Eltel

Eltel's guidelines for remuneration to senior executives, as adopted at the Annual General Meeting 2020, are set out in the Board of Directors' Report. Eltel's Remuneration Report for 2020 will be submitted for approval at Eltel's Annual General Meeting 2021.

External Audit

The Annual General Meeting appoints an 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.

The external auditor also reviews the third quarter interim report the Corporate Governance Report, the Sustainability 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 each year.

External auditor in 2020

The Annual General Meeting in 2020 elected KPMG AB as Eltel's external auditor for a one-year mandate, with Mats Kåvik as auditor-in-charge. In 2020, total fees paid to the external auditors, KPMG AB, amounted to EUR 0.9 million, of which non-auditing services totalled EUR 0.0 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 to 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 (10 times in 2020). 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 comprises the following members¹⁾:

- Casimir Lindholm, President and CEO
- Salla Miettinen-Lähde, CFO
- Henrik Sundell, General Counsel
- Elin Otter, Director, Communications and Investor Relations

- Juha Luusua, Managing Director, Eltel Finland
- Leif Göransson, Managing Director, Eltel Sweden
- Thor-Egel Bråthen, Managing Director, Eltel Norway
- Claus Metzsch Jensen, Managing Director, Eltel Denmark.

Information on the members of the GMT can be found in the Annual Report for 2020 on page 45.

Control systems

Guidelines and manuals

Eltel's internal control system, which comprises all corporate governance including policies, guidelines and procedures, is communicated via management and is organised according to the requirements of the Country Unit and Solution Unit. Eltel's IFRS Accounting Manual contains instructions and guidance on accounting and financial reporting to be applied at all Eltel Group companies. The manual's objective is to provide guidance on Eltel Group accounting principles to be applied in group reporting as well as preparation of the consolidated financial statements.

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 unit, health and safety, communications and investor relations, sustainability, restrictions on insider trading, accounting and controlling.

As part of regular monitoring, Eltel conducts internal audits to verify that the Company complies with the approved governance. Regular reporting, follow-up and escalation procedures have been implemented in which the Audit Committee is ultimately made aware if issues are identified.

The CEO is primarily responsible for implementing the Board of Directors' instructions in the day-to-day work. The CEO regularly reports to the Board based on established procedures. Furthermore, monthly operational business reviews are conducted with the CEO and CFO.

Information and communications

All external communications are carried out in accordance with the relevant regulations and Eltel's Communications Policy.

Eltel has a Group Communications function that focuses on four key communication areas: Investor Relations, internal and external communications, brand and marketing, as well as sustainability.

Follow-up

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

¹⁾ Karin Lagerstedt Woolford, Human Resources Director, left the Company on 29 February 2020. Petter Traaholt, former CFO, left the Company on 29 February 2020 and was replaced on 1 March 2020 by the current CFO, Salla Miettinen-Lähde. Christian Wittneven, Director Solution Unit High Voltage, left the Company on 31 December 2020.

Report, the Audit Committee and the Board of Directors review the financial statements.

Eltel's management conducts a monthly follow-up of earnings, analysing any deviations from the 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 of Directors meets with the auditors once a year to review the internal controls and, in specific cases, to instruct the auditors to perform separate reviews in specific areas. The auditors attend all regular Audit Committee meetings.

Priority areas in 2020

Eltel's significant priority areas for 2020 included the following:

- Improve profitability
- Prioritise core operational improvements
- Upsell on existing customer base
- Restructure non-performing businesses, including potential divestments
- Strengthen the financial position of the company.

Eltel divested its Communication business in Germany and the Aviation & Security business in Sweden, which contributed to reducing net debt. The divestments created value for Eltel and its shareholders by strengthening the balance sheet and the Nordic focus.

Internal control 2020

The Internal Control Function is responsible for the internal control framework, risk management, internal audits and monitoring of Eltel's compliance with governance, which is based on applicable laws and generally accepted accounting principles.

During the year, the function performed internal audits to assess process/control compliance and risk management. The internal audits covered a selection of customer projects, data privacy processes, compensation matters, and the global shared services. The outcome of the internal audits has been followed-up and communicated accordingly. The Internal Control Function has also reported the result of the annual self-assessment activities (related to governance and financial internal controls) to the Audit Committee. The function will continue to focus on risk management within customer projects as part of its internal audit scope as outlined in the 2021 plan.

Risk management

Please see Board of Director's report page 33–34.