

# 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.

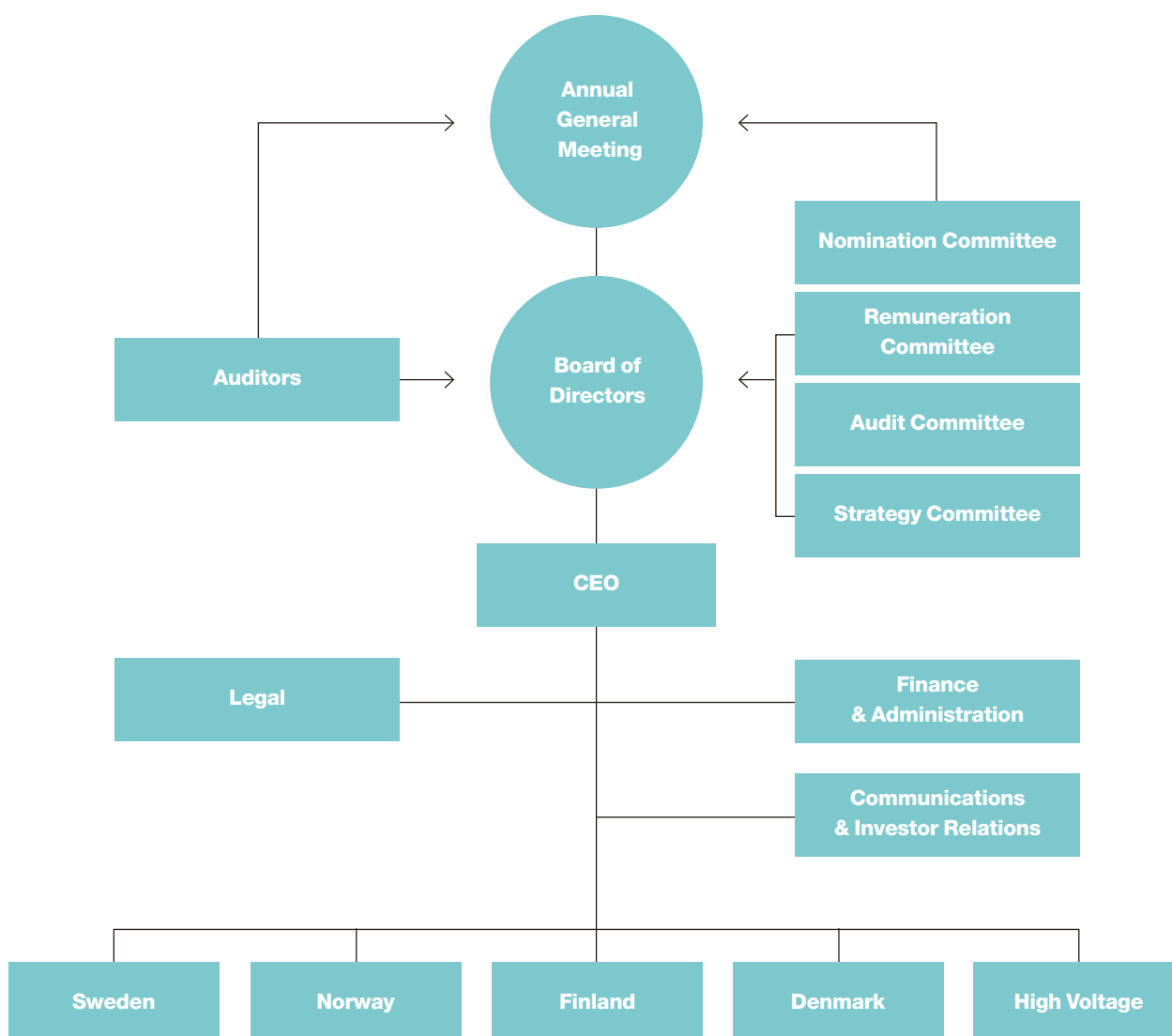
Eltel complies with the guidelines and provisions of its Articles of Association, the Swedish Companies Act (Sw. Aktiebolagslagen (2005:551), the Swedish Annual Accounts Act (Sw. Årsredovisningslagen (1995:1554), and the rules and regulations of Nasdaq Stockholm’s Rule Book for Issuers, as well as other 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](http://www.corporategovernanceboard.se).

Eltel’s Audit Committee has reviewed the Corporate Governance Report, 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, matches the Financial Statements.

## 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 2019, Eltel had 4,152 shareholders and the largest shareholders were the Herlin families through their controlled companies Wipunen Varainhallinta Oy<sup>1)</sup>, Mariatorp Oy<sup>1)</sup> and Riikantorppa Oy<sup>1)</sup>, 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 2019, the shareholders referred to above together represented 57.5% of the votes in the company.

### Shares and votes

Eltel's share has been listed on Nasdaq Stockholm since 2015. The Eltel share is quoted on the OMX Stockholm Mid Cap, under the trading symbol "ELTEL". At the end of the financial period 2019, 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 January 2019, Eltel issued a total of 850,000 redeemable and convertible class C shares, representing 0.5% of the share capital, based on the authorisation given to the Board by the Extraordinary General Meeting on 17 September 2018. The purpose of the issue of class C shares is to use the shares in Eltel's long-term incentive programme LTIP 2018. In connection with the issue, the shares have been repurchased by Eltel. The price paid for the shares corresponded to the share's quota value, in total EUR 0.9 million. Eltel holds the shares at 31 December 2019 and will hold the shares until it is time to deliver shares to the participants of LTIP 2018. Prior to delivery of the shares to participants, the class C shares will be converted to ordinary shares. On 31 December 2019, 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 2019

Eltel's Annual General Meeting was held on 7 May 2019. Shareholders representing 105,167,774 shares, constituting 66.8% 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, Hans von Uthmann, Joakim Olsson, Mikael Aro and Roland Sundén as members of the Board
- 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/](http://www.eltelgroup.com/en/annual-general-meeting/).

### Annual General Meeting 2020 and Annual Report 2019

Eltel's Annual General Meeting 2020 will be held on 4 May 2020 at Scandic Alvik, Gustavslundsvägen 153, 167 51 Bromma, Sweden.

The Annual Report 2019 will be made available on the Group website from week 14, 2020, [www.eltelgroup.com](http://www.eltelgroup.com) and at Eltel AB headquarters, Adolfsbergsvägen 13, Bromma, Sweden from week 16, 2020.

<sup>1)</sup> 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 Board members.

### Nomination Committee for the AGM 2020

For the 2020 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 three occasions and also held separate sessions to interview individual members of the Board.

The Nomination Committee's complete proposals for the 2020 Annual General Meeting of shareholders is published in the notice convening the 2020 Annual General Meeting of shareholders.

### 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 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 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	139,450	Yes	Yes
Mikael Aro	Member	1965	2018	50,000	37,100	No	Yes
Håkan Dahlström	Member	1962	2017	75,597	41,200	Yes	Yes
Gunilla Fransson	Member	1960	2016	–	43,000	Yes	Yes
Ulf Lundahl	Member	1952	2014	–	41,200	Yes	Yes
Markku Moilanen	Member	1961	2017	–	37,100	Yes	Yes
Joakim Olsson	Member	1965	2018	–	41,200	No	Yes
Roland Sundén	Member	1963	2018	50,000	37,100	Yes	Yes
Hans von Uthmann	Member	1958	2017	10,000	41,200	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

Information about the Board of Directors' other assignments can be found on pages 46–47.

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 members of the Board of Directors to be elected at the General Meeting shall comprise three to ten members with no more than three deputies. In accordance with 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, for example, the Board of Directors' roles and responsibilities, the Board of Directors' ways of working and the division of tasks 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 2019

Eltel's Board of Directors comprises nine ordinary members and two employee representatives as ordinary members. There are also two deputies to the employee representatives:

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

The members of the Board of Directors are presented in greater detail in the section "Board of Directors" on pages 48–49.

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

#### Board matters during 2019

In 2019, the main focus of the Board was to ensure the implementation of the Company's Operational Excellence strategy, that divestments and the right-sizing of operations were executed according to plan and other activities for strengthening the balance sheet and lowering the net debt.

In 2019, the Board of Directors held 16 meetings. For details of Board member participation in Board meetings, please see table below.

#### Evaluation of the Board's performance

To ensure the quality of the work of the Board and to identify the possible need for further expertise and experience, the work of the Board and its members is evaluated annually. In 2019, evaluations, 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

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

The Board may also appoint other committees if deemed necessary. On 1 July 2019, the Board appointed a Strategy Committee. The Board 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 itself.

#### Board meeting participation 2019

	29 Jan	4 Feb	13 Feb	4 Mar	27 Mar	3 Apr	15 Apr	25 Apr	7 May	19 Jun	23 Jul	27 Sep	21 Oct	6 Nov	25 Nov	17 Dec
Ulf Mattsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Mikael Aro	●	●	–	●	●	●	●	●	●	●	●	●	●	●	●	–
Håkan Dahlström	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Gunilla Fransson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ulf Lundahl	●	●	●	●	–	●	●	●	●	●	●	●	●	●	●	●
Markku Moilanen	●	●	●	●	●	●	●	●	–	●	●	–	●	●	●	●
Joakim Olsson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Roland Sundén	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Hans von Uthmann	●	●	–	●	●	●	●	●	●	●	●	●	●	●	●	●
Jonny Andersson	–	–	●	●	●	●	●	–	–	–	–	–	●	●	●	–
Krister Andersson	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Björn Ekblom	●	●	●	●	●	●	●	●	●	●	–	●	●	●	●	–
Ninni Stylin	–	–	●	●	●	–	●	●	–	●	–	●	●	●	●	–

### 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 2019

The Audit Committee comprises three members: Gunilla Fransson (Chairman), Hans von Uthmann (until 1 July 2019), Markku Moilanen (from July 2019) and Joakim Olsson. The Audit Committee held eight meetings in 2019 at which Eltel's external auditor and representatives of the Company's management were present and five additional meetings devoted to customer tender approvals.

### 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 2019

The Remuneration Committee comprises three members: Ulf Mattsson (Chairman until 1 July 2019), Hans von Uthmann (Chairman from 1 July 2019), Ulf Lundahl and Håkan Dahlström.

The Remuneration Committee held five meetings in 2019.

### Remuneration Committee participation

	28 Jan	12 Apr	18 Apr	3 Jun	25 Nov
Ulf Mattsson <sup>1)</sup>	●	●	●	●	–
Hans von Uthmann <sup>2)</sup>	–	–	–	–	●
Håkan Dahlström	●	●	●	●	●
Ulf Lundahl	●	●	●	●	●

<sup>1)</sup> Until 1 July 2019.

<sup>2)</sup> From 1 July 2019.

### The Strategy Committee

The main responsibilities of the Strategy Committee are to:

- Support the CEO and management in developing the company's strategy
- Evaluate and monitor the company's strategic initiatives.

### The Strategy Committee in 2019

The Strategy Committee comprises three members: Ulf Mattsson (Chairman), Mikael Aro and Roland Sundén.

### Audit Committee participation

	13 Feb	26 Feb	25 Apr	11 Jun	23 Jul	2 Sep	6 Nov	16 Dec
Gunilla Fransson	●	●	●	●	●	●	●	●
Markku Moilanen <sup>1)</sup>	–	–	–	–	●	●	●	●
Hans von Uthmann <sup>2)</sup>	●	●	●	●	–	–	–	–
Joakim Olsson	●	●	●	●	●	●	●	●

<sup>1)</sup> From 1 July 2019.

<sup>2)</sup> Until 1 July 2019.

**Strategy Committee participation**

	27 Sep	16 Oct
Ulf Mattsson	●	●
Mikael Aro	●	●
Roland Sundén	●	●

**Remuneration principles at Eltel**

Eltel's overall objective is to offer a competitive and market-based level of remuneration comprising both fixed and variable salary, pension and other remuneration components. The remuneration shall be determined in relation to areas of responsibility, duties, expertise and performance. The fixed salary component equals and compensates for the 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 to do so.

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 to comparable executives. The GMT comprises members from several different countries and the pension terms of the members of GMT reflect the 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 determined by the Board of Directors. The short-term (one-year) variable salary maximum outcome component varies between 10% and 80% of the fixed annual salary. The CEO has an 80% variable salary maximum outcome component and the remaining members of GMT have a 60% variable salary maximum outcome 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 variable salary component for non-GMT members ranges from 10% to 40% of the fixed annual salary maximum outcome depending on the employee's position. The annual bonus schemes cover around 60% of employees. In addition, approximately 20% of employees are included in monthly production bonus schemes based on individual and team performance.

**Retention bonus**

In 2018, 15 senior managers and key employees were offered a retention bonus scheme. The purpose of the retention bonus scheme is 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 results for 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. The performance of the Group in 2018 and 2019 did not meet the required EBITDA results for pay-out of any retention bonus.

In February 2020, 11 senior managers and key employees were offered a retention bonus scheme amounting to 50% of maximum STI potential for the relevant employee to be guaranteed for the years 2020 and 2021, respectively. The guarantee amount is calculated as the difference between 50% of the max STI potential for 2020 and 2021 and the accumulated actual bonus payouts for 2020 and 2021. The retention bonus scheme requires that the employee has not given notice and still is employed on 31 December 2021.

**Eltel's long-term incentives**

Senior executives may be offered long-term incentive schemes on market-based terms. The aim of share-based incentive schemes is to achieve an increase in and spread of share ownership/exposure among senior executives and to achieve a greater alignment of interests between 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, align management with the shareholders' interests and increase motivation and solidarity with the Company. Decisions regarding share-based incentive schemes shall always be resolved at the Annual General Meeting.

**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 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 is 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 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 EUR 1 million.

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 relevant participant's base salary level for the relevant 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), the Remuneration Committee (defined as "the Committee" in the 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.

In 2019, the LTIP 2016 participants were allotted matching shares in accordance with the 2016 LTIP rules, in total, an allotment of matching shares comprising 84,262 shares to the 35 remaining participants.

#### **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 creating individual, long-term ownership of Eltel shares among the participants. The term of LTIP 2018 is three years.

The programme was directed at the executive management in the Eltel Group, a total of eight persons. The participants are based in Sweden and other countries in which the Eltel

Group operates. 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 an 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 relevant participant's base salary level for the relevant year. In order to be eligible to participate in LTIP 2018, the participants 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, the Board of Directors in January 2019, based on authorisation given at the Extraordinary General Meeting held on 17 September 2018, resolved 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 share's 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 2022.

#### **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 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 2019**

The Annual General Meeting in 2019 elected KPMG AB as Eltel's external auditor for a one-year mandate, with Mats Kåvik as auditor-in-charge. In 2019, total fees paid to the external auditors, KPMG AB, amounted to EUR 0.9 million, of which non-auditing services totalled EUR 0.1 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 2019). 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 members:

- Casimir Lindholm, President and CEO
- Salla Miettinen-Lähde, CFO
- Henrik Sundell, General Counsel
- Elin Otter, Director, Communications and Investor Relations
- 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 for 2019 on pages 50–51.

## 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 to 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 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 key 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 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 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 2019***

Eltel's significant priority areas for 2019 included the following:

Implementation of the Operational Excellence strategy, which focuses on delivering on our customer promises, streamlining our operations and improving productivity.

In 2019, Eltel transitioned to focus on the Nordic markets in which it has a market-leading position. A Nordic focus with lower risk and fewer capital-intensive projects will enable the company to continue to develop, grow and invest in the company to ensure long-term sustainable value creation for both the company and its shareholders.

During the year, Eltel completed its reorganisation, which was initiated in 2018, around its country-based operations with a leaner management structure on both Group and Country Unit level. Eltel's Country Units have a great deal of autonomy with their own management teams, as well as profit and loss responsibility. The units are supported by cost-efficient, Group-wide support functions.

Eltel divested its Communication business in Poland, which contributed to strengthen the balance sheet. The divestment created value for Eltel and its shareholders by strengthening the balance sheet and the Nordic focus.

***Internal control 2019***

Eltel's Internal Control Function has been in place for two years and has focused on working to improve internal control through different activities set out in an Annual Plan, which is confirmed by the Audit Committee annually. The Internal Control function is responsible, for example, for 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 control and also obtained third-party support to conduct internal audits. The outcome of the Internal Control 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 management***

Please see Board of Director's report page 34–35.