



Securing the lifelines
of sustainable society

Sustainability Review 2016

Eltel contributes to building a sustainable future

Megatrends such as climate change, digitalisation, urbanisation and the need for security drive Eltel's operating environment, providing both opportunities and challenges. These influence the energy, communication and transportation infrastructures that are deployed and maintained to serve our daily needs. Eltel addresses these megatrends by aiming to build a better and more sustainable world for everyone and for generations to come.



Securing the lifelines of a sustainable society

Eltel's commitment and sustainability approach

Being a socially responsible actor is a prerequisite for successful business operations. Stakeholders increasingly value social and environmental themes alongside financial performance. Sustainable operations also offer great opportunities for Eltel and ensure the availability of natural and human resources long-term.

As a pioneer in technical Infranet services, Eltel also wants to demonstrate best prac-

tices in terms of sustainability and respond to stakeholder needs. Eltel is committed to being a good member in societies where we operate. Our business approach is long-term, as are the interests and investments of our customers.

Eltel joined the United Nations Global Compact as a signatory in 2014. We are committed to respecting human rights, aligned with the United Nation's Universal

Declaration of Human Rights, and we made our first disclosure to the Carbon Disclosure Project in 2016.

Eltel has set specific sustainability targets in five different areas: People, Health & Safety, Environment, Society and Supply chain. The targets were last reviewed in 2015 and will be updated in 2017.

Sustainability targets

Eltel has identified its key impact areas and set the following goals for its sustainability work:

People	<ul style="list-style-type: none">• Be the industry's best workplace with the best people in the Infranet field
Health & Safety	<ul style="list-style-type: none">• Zero fatal accidents• Reduce Lost Time Injury Frequency (LTIF) of employees to 7 by 2017• Reduce the number of major injuries to zero in the long term
Environment	<ul style="list-style-type: none">• Reduce the average emissions of cars and vans by a minimum of 4% per annum until 2017
Society	<ul style="list-style-type: none">• Identify and mitigate local risks in all operating areas• Contribute to sustainable development and welfare
Supply chain	<ul style="list-style-type: none">• Categorise subcontractors and suppliers based on risk level• Conduct self-assessments and on-site evaluations accordingly• Include high-risk suppliers in Eltel's incident reporting system by 2018

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Eltel AB

Visiting address:
Adolfsbergsvägen 13, Bromma
POB: 126 23, SE-112 92
Stockholm, Sweden
Phone: +46 8 585 376 00
E-mail: info.sweden@eltelnetworks.com

www.eltelgroup.com/en



Key developments of the year

New climate policies, digitalisation and urbanisation are strongly present in many sectors today. These mega trends act as enablers for a better future but, at the same time, place added pressure on sustainable development. As a provider of technical Infranet services across many regions and cultures, Eltel is facing great opportunities as well as future challenges.

Due to our mission to secure the critical lifelines of society, combined with our commitment to shape future Infranets, we have set ourselves ambitious goals. Eltel's services are a key contributor to the uninterrupted flow of power, communications and people. Due to how the world is interconnected in the present, there is an increasing need for a collaborative effort over entire value chains. For us this begins with the best ways to satisfy the needs of our customers so that they can focus on achieving their own objectives. For Eltel to fulfil this, we need partners for various kinds of services.

In terms of sustainability, Eltel continued its previous course of action in 2016. We are happy to report that there has been good progress in certain target areas we consider important both for us as a company in delivering our mission, as well as for our stakeholders. However, sustainability is also an area where there will always be challenges to tackle. The focus areas of our sustainability work are presented below.

PEOPLE

Our employees are the most important resource that enables Eltel to deliver world-class services. Increased competition constantly calls for an ever-growing need for skills, collaboration and motivation. There is also the need for individuals to adapt to the changing world. We have set ourselves a goal to be the best workplace in our industry. In order to achieve this, we

require leadership and good collaboration between Eltel and all our partners. As the new CEO of Eltel, I view this as a very exciting opportunity to take our company to the next level of performance. The high response rate of our Group-wide employee survey indicates that our personnel would like to contribute to making Eltel a better company for everyone.

HEALTH & SAFETY

In 2015 Eltel set a target to reduce the number of work-related incidents from 11 to 7 by 2017. In 2016 we have achieved a level of 7.5 lost time injuries per one million work hours (LTIF). A lot of good work has been done in many countries and units to make this improvement. However, we cannot rest on our laurels. Given the kind of services we offer we are exposed to safety hazards daily. Unfortunately, this was evidenced by a fatal accident in Estonia in 2016 when one of our very experienced colleagues lost his life at work. This incident brings to light the absolute need to without compromise follow all the good procedures and precautions that Eltel has been highlighting for the past five years through its HSE (Health, Safety and Environment) programme. In 2016 we took an important step to start to integrate the most critical suppliers and subcontractors into our HSE reporting practice.

ENVIRONMENT

Eltel makes an important contribution to smarter grids with a goal to improve energy efficiency and reduce emissions. In 2016



Eltel's mission and business strategy go hand in hand with a more sustainable future.

we started to roll out big smart metering projects in Norway and Denmark. These projects complete the remote reading of electricity consumption in all four Nordic countries. We are proud to have pioneered this in the last ten years, and we plan to continue to be a major partner to our utility customers.

Smart metering is ultimately the necessary solution to achieve an optimal real-time balance between power generation and demand, having a positive climate impact. In the area of renewable energy Eltel

continued with several wind power projects in Finland. Our own footprint is measured by the emissions of Eltel's vehicle fleet. We are on plan to reduce these emissions.

SOCIETY

We have decided to promote our good intentions for society regardless of geography. Our social responsibility is very much defined by our Code of Conduct. Eltel's values and ethical behaviour are the starting point. Naturally, cultural differences still persist where we are present, but we shall unconditionally promote Eltel's Code of Conduct wherever we operate.

Eltel contributes to sustainable development and welfare. We are convinced that this can be achieved by our mission to secure the lifelines of modern society and to shape Infranets for a better tomorrow. It is vital that people in different locations can see decent opportunities in the future. United Nations Global Compact, of which we are also a signatory, defines the very important principles that should be in place at workplaces worldwide.

SUPPLY CHAIN

Integrating suppliers and subcontractors with Eltel's supply chain is one step forward for us. Piloting our new practice of including our suppliers and subcontractors in Finland – in our Code of Conduct in general and in Health & Safety in particular – is an important step for us. The new programme has been well received and we are now continuing the rollout in other countries. The aim will be to report the progress of our partners in the KPIs that are already in use within the organisation.

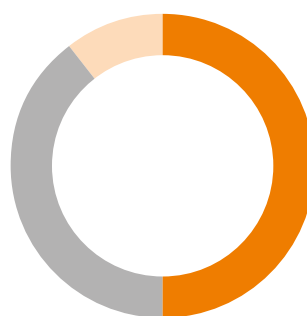
Finally, I am happy to say that Eltel's mission and business operations go hand in hand with a more sustainable future. We have set ourselves very clear priorities. Now we are determined to focus all our efforts on our sustainability work and contribute to a better future for all.

- Håkan Kirstein, CEO and President of Eltel

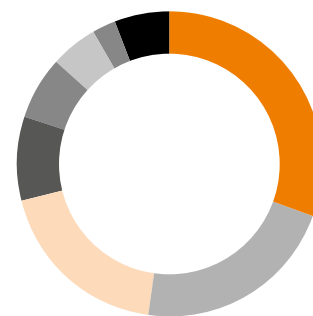
This is Eltel

Eltel is a leading Northern European provider of technical services for critical infrastructure networks – Infranets. Eltel provides a broad and integrated range of solutions, from maintenance and upgrade services to project deliveries mainly in the areas of Power and Communication.

NET SALES BY SEGMENT 2016 NET SALES BY COUNTRY 2016



- Communication 50.0%
- Power 39.7%
- Transport & Security 10.3%



- Sweden 30.8%
- Finland 21.6%
- Norway 18.8%
- Poland 8.9%
- Denmark 6.6%
- Germany 5.1%
- Baltics 2.5%
- Others 5.6%

NET SALES

1,399.8

EUR million
(1,254.9 in 2015)

Operative EBITA

2.1

EUR million
(62.2 in 2015)

Our approach to People

Eltel wants to attract the best talent and offer an inspiring and high-performing working environment with an opportunity for personal development and career advancement.

Eltel has identified specialisation, empowerment and proactivity as the main drivers for our people and organisational culture. Our culture and way of working are supported by the Eltel Way, a unified approach that encompasses all Eltel business units, locations and operations. It outlines how we organise, empower and support our employees to improve processes and guarantee outstanding customer service.

Eltel has a Human Resources Policy, Health, Safety & Environment (HSE) Policy and Code of Conduct in place. These are supported by Group-level instructions such as Eltel's HSE Management System, which contains practical guidance on the enforcement of the HSE policy in line with the OHSAS 18001 international standard. These are updated regularly.

Targets

Be the industry's best workplace with the best people in the Infranet field

CASE

PEOPLE INTEGRATE WITH ELTEL

In May Eltel entered the metering market in Germany by acquiring the market-leading company U-Serv, which provides a portfolio of metering services from meter installations to meter readings for gas, water and electricity. The seller and president of the company, Armin Pirkwieser, saw partnering with Eltel as a win-win situation for the future of his company. "Our market is growing very rapidly and there is new legislation to install modern electricity meters in the next 15 years. Combining our local experience and market presence with Eltel's resources to implement larger rollouts with an impressive

international footprint is a perfect match for both parties."

The role of key individuals that act as bridges between the acquiring and acquired units is critical to successful integration. Valter Pasanen, a Smart Metering business controller and an employee of both Finnish and German descent, was trained and sent from Finland to the newly acquired company in Germany to help with the transformation.

"My experience is that the flat hierarchies of both Eltel and the very entrepreneurial U-Serv have



essentially facilitated the integration and made it easier to share our know-how and best practices. Of course, while systems and some practices are different between these two companies, I am confident that we will make a good progress in this effort."

LEADERSHIP

Eltel wants to promote the company culture among all employees and throughout all units across all countries. This calls for good leadership and communication, for which Eltel is making important investments.

The importance of good leadership was highlighted in Eltel's Annual Top Management Meeting 2016, where 160 participants from ten countries focused on the theme "Lead People – Manage Business."

Key messages included:

- The ability to engage people to work more efficiently.
- Good leadership significantly influences performance.
- Organisational health and wellbeing propels productivity.
- The importance of the ability to adapt to changes.

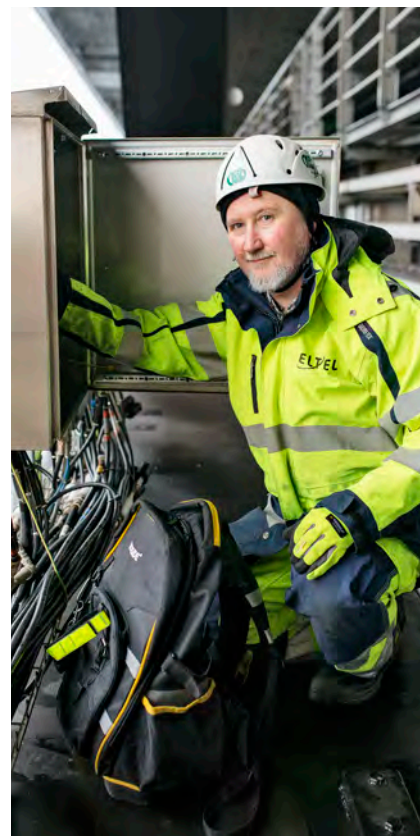
EMPLOYEE SATISFACTION AND ENGAGEMENT

Eltel conducted a group-wide Employee Engagement Survey in December 2016. The response rate was high at 74%, engaging some 6,400 individuals. To move the process forward, the results are shared with all managers for analysis, the findings are discussed with personnel and actions will be agreed upon during spring of 2017. The findings of the survey and actions to be taken are an important lever for developing the entire organisation with a positive long-term impact on the future of Eltel.

In addition, new recruits have strengthened Human Resources, Health & Safety (H&S), and internal communications. Both communications activity and quality have improved, and open discussions between top management and all functions and local units take place regularly. A wider Eltel perspective is promoted by the activation of internal communications horizontally and between all organisational levels.

DEVELOPING ORGANISATIONAL CAPABILITIES

Responsiveness to continuously evolving needs to develop workplace processes and organisational capability to succeed is becoming ever more critical. Eltel Group's



focus has very much been on talent management and successor planning to ensure continued future development. More than 150 key employees have been assessed in 2016 using this process. In addition, more than 50 critical positions have been evaluated. This will accelerate the development of key individuals and boost their contribution to the future performance. As part of the ongoing Eltel Group Shared Services development, the performance appraisals for all employees will be standardised. This will further improve the creation of individual development plans and more focused individual target setting.

DIVERSITY

Eltel recruits and appoints the best candidates for every position the company offers. No act of discrimination should take place that would conflict with diversity and inclusion.

At the end of year 2016, three out of eight members are female, and one out of two deputy members is female on the Eltel board.

Eltel's Infranet sector is still dominated largely by males, particularly in production. However, in support functions like financial administration, HR management, legal, communications and marketing, there is a very good gender balance.

In 2016, there were no non-compliances reported with respect to diversity and discrimination via Eltel's reporting channels.

WAYS OF WORKING

Eltel is continuously working to implement more efficient working methods and processes. Eltel has, for example, introduced new ways of work-time scheduling and rotation. These practices add to flexibility, are beneficial for employees and enhance service delivery efficiency.

In 2016, an important change programme was initiated to transfer local transactional shared services from individual countries to a Group-common Shared Services Centre established in Poland. The bulk of these services are transactional, such as

invoice handling and payroll management. The ultimate goal is to improve efficiency of these services by utilising common digital platforms, and centralising the production of transactional services in one location. Finland was the first country to implement this in November 2016. The rollout of the system platform and transfer of the services will continue country by country in 2017-2018. This will enhance the One Eltel way of working and benefits of higher efficiency and lower cost over time.

INTEGRATION OF ACQUIRED COMPANIES

In 2016 the Group continued acquisitions in Germany, expanding its operations in the German metering market. Coupled with the acquisition of a power engineering company Edi.Son Energietechnik in 2015, Eltel's personnel in Germany has doubled. A successful integration process of acquired operations is crucial in securing the continuation of development of these operations.

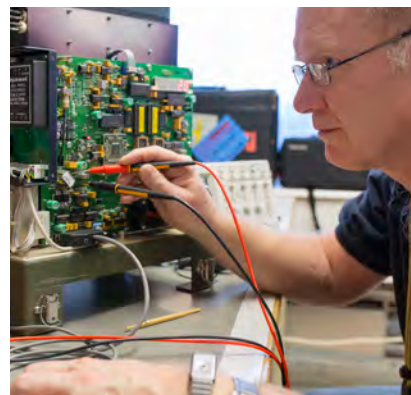
FUTURE PLANS

As the business environment is in a state of continuous change and the needs of our employees must be properly addressed, it is important that we constantly improve our management and leadership skills. People development, including project management training and leadership development, is an important focus area. These efforts will help our employees make a positive contribution to Eltel's performance and to realise their personal potential in future careers. As the working environment and our own processes constantly evolve, it is also crucial that roles and responsibilities are regularly reviewed. Openness to change is a necessity in today's world. Clear target setting and regular follow up of progress, as well as planning how to develop performance, are important to sustain improvement in a highly competitive environment.

For wellbeing, it is important to have an open atmosphere where people can work successfully in teams and as individuals. Sharing best practices across borders, supporting others and receiving support are key factors for continued success. Leadership plays an important role in terms

of good performance and job satisfaction and will also be in focus for Eltel in 2017. Eltel has a great mission in "Securing the lifelines of modern society." We have been the pioneer in developing and providing Infranet services and we will continue on this path.

A wider Eltel perspective is promoted by the activation of internal communications horizontally and between all organisational levels.



Our approach to Health & Safety

Health & Safety is of extreme importance to Eltel. Operating at height, working with electricity and lifting heavy items are some of the most common hazards at the workplace. We aim to manage Health & Safety risks proactively and are continuously developing our working methods to eliminate hazardous situations in the field. Absence due to illness is at a stable level at Eltel and represents a good average in our industry.

Eltel has defined its approach to Health & Safety target setting, management, communications and training, risk mitigation and reporting through its Group-level Health, Safety & Environment (HSE) policy as well as an HSE Management System Instruction with details on management processes, KPIs and reporting. Several Eltel subsidiaries are OHSAS18001 certified, and the remaining have aligned their HSE management system with the standard.

HSE TRAINING

One of the responsibilities of our HSE organisation is sharing and learning of best practices and to ensure that correct competencies are in place. The licence to

operate technical Infranet services requires considerable regular training for all staff, such as electrical work safety training, working at height, hot work and driving, among others.

In 2016 we also provided accident investigation training for our HSE community, to help understand the root causes of serious near misses and accidents and result in faster communication with stakeholders.

PREVENTIVE APPROACH

For several years, the most important Health & Safety theme at Eltel has been about changing the culture from reactive to proactive. In 2016, in addition to normal

Targets:

- Zero fatal accidents
- Reduce Lost Time Injury Frequency (LTIF) of employees to 7 by 2017
- Reduce the number of major injuries to zero in the long term

CASE

FATAL INCIDENT IN OUR FIELD OPERATIONS

Failure to follow agreed work procedures led to a fatal accident in Estonia in November 2016. The incident involved one of Eltel's electricians who was working on a 10-kV power line.

After an in-depth investigation, several root causes were identified, such

as inadequate communication and non-compliance to some basic electricity safety controls.

To prevent similar accidents in future, Eltel will strive towards proactive safety culture in all its operations by means of increased awareness, enhanced training

processes and close monitoring of unsafe situations or potential hazard reporting. Furthermore, it is essential that all employees take an active part in work safety development.



business development activities and risk assessments, we focused on increasing the number of near-miss and potential incident reports, which is proving to lead to a reduction in lost time injuries. The amount of near-miss and potential incident reports has grown tremendously in the past four years, by 2.7 times to 4,081 reports in 2016 compared to 2015. The number of safety walks increased by 70% from 2015 but has further potential for improvement. Reporting and sharing information about and experiences with safety walks, near misses and injuries in safety bulletins is an important way of increasing awareness of safety hazards on our journey towards zero injuries.

Eltel aims to harmonise and standardise its way of working at all levels of the organisation and business units.

ASSESSMENTS

Aligned with our HSE Management System, all business units shall participate

in our annual HSE assurance process and management reviews. In addition, to comply with ISO standards, numerous external audits must be conducted by certification bodies and other stakeholders, such as authorities and customers.

The quality and transparency of our internal and external assessments and investigations have improved from the past.

SUBCONTRACTOR MANAGEMENT AND REPORTING

Another key target area in Eltel's sustainability initiative focuses on creating better supply chain management. This means committing suppliers and subcontractors to Eltel's Code of Conduct and integrating their actual HSE performance with Eltel reporting.

The most important achievement in this area was the establishment of new subcontractor management practices in Finland. This consisted of the following:

- Training our managers for refreshed subcontractor management instruction.
- Categorisation of subcontractors by their H&S risk exposure.
- Implementing a communication programme.
- Setting a subcontractor H&S scorecard.

Eltel aims to roll out the subcontractor management system using the Finnish pilot in all Eltel countries in 2017.

FUTURE

Our plan is to continue to improve the LTIF performance of our employees by promoting a more proactive H&S culture. To achieve improvement, we intend to implement dynamic risk assessments, pre-job analyses and active training of our staff. Another step is subcontractor management, with the inclusion of subcontractors in Eltel's reporting system. These measures are expected to improve the company's future H&S performance and overall control of Eltel's supply chain.

Our approach to the environment

The overall aim of Eltel is to positively contribute to a sustainable environment and minimise the negative trends of climate change as well as local direct environmental impact. We provide critical and sustainable lifelines for society to enable long term emission reduction for coming generations.

Eltel contributes to sustainable development by implementing environmentally friendly solutions. One of Eltel's core businesses is building of smarter grids and smart metering systems. Smarter grids are a fundamental enabler in managing distributed power generation sources and maintaining the balance between supply and demand.

For Eltel, the most significant carbon footprint derives from its sizeable vehicle fleet. Eltel has an HSE Policy and HSE Management System Instruction covering the entire Group. The company also has ISO 14001 certificates or is compliant with the standard in its units.

SMART GRIDS AND METERING

In 2015, Eltel was contracted to complete the remaining major smart metering rollouts in the Nordic countries. This comprises three projects in Norway and the largest one in Denmark, which altogether account for approximately 1.6 million smart meter installations.

The rollout of smart meters with Hafslund in Norway started in the second half of 2016 and is proceeding well. All of the Nordic smart meter rollouts are expected to be completed by 2019. By then Eltel will have implemented approximately 50% of all the Nordic meter installations.

Eltel has also entered into the German metering business with two acquisitions

in 2016. Germany has approved a new law to replace of all its 44 million electricity meters in 2017–2032. Five million of these are obliged to be smart meters. This German expansion has also enabled Eltel to enter the gas and water metering business. Eltel's extensive know-how in power metering has been well received and the German customers' need for an experienced and competent partner offers great potential for Eltel.

FLEET MANAGEMENT

Eltel continuously works to reduce its CO₂ emissions by introducing lower emission vehicles and by optimising logistics routes. Over the years, GPS solutions, route optimization and mobile workforce management have managed to reduce driving distances by up to 15%.

In 2016, Eltel strengthened its Group fleet management control as part of the establishment of the Global Shared Services function. The Group Fleet Manager is now responsible for coordinating fleet policies, practices and achievements.

Eltel continued the reduction of emissions of its car and van fleet. The total decrease was at 4.3% compared to previous year. The Group target is an annual reduction of 4%. Heavy vehicles (such as trucks and lorries) represent less than 10% of all Eltel fleet and these are not included in the calculation due to unreliable emission data for these. However, Eltel monitors the

Target:
Reduce the average
emissions of cars and vans
by a minimum of 4%
per annum until 2017



total fuel consumption of its entire fleet and reports total emissions. As Eltel's fleet is leased, leasing partners are integrated into the emissions reporting.

ASSESSMENT OF ENVIRONMENTAL IMPACT

Assessments of environmental impact are routine in project planning. These are conducted at the projects' design phase, in collaboration with clients and local environmental authorities. Our joint ambition is to meet all local regulations and ensure that the impact on the environment is minimised and sustainable development is maximised.

In 2016 we managed to complete our projects without any major negative impact to the environment. In addition, considerable attention was paid to proper house-keeping and waste management at our sites.

SUBSTANCE MANAGEMENT

Eltel has limited impact on substances since clients usually specify the component

used for services and for the construction of new infrastructure. However, Eltel has actively aimed to reduce the use of impregnating agents, such as creosote, that are hazardous to the environment and to human health.

Proper disposal of hazardous waste and obsolete components that we have removed from existing networks needs to be handled in a correct manner. A certified environmental management system helps to maintain sufficient controls and monitoring of hazardous wastes.

Public awareness and revised industrial and international standards, such as REACH, the European Union scheme to regulate chemicals used in commerce and consumer products, have already had a positive impact on the environment. Over time, we anticipate fewer substance-related risks.

FUTURE

Eltel's plan is to continue to strive for a fleet with lower emissions and to further

reduce our total emissions. In the future, a shift to more electrical vehicles will reduce emissions further. The lease periods of the vehicles in Eltel's fleet vary from three to five years.

Another key area is to continue implementing solutions that improve energy efficiency and facilitate a higher share of renewable energy in the entire energy system. Eltel will continue with the rollout of smart metering systems in the Nordics and in Germany and seek more similar business opportunities.

Eltel's ambition is to meet all local regulations and ensure that the impact on the environment is minimised and sustainable development is maximised.



CASE

ELTEL BUILDS WIND POWER PARKS IN THE NORTH

Eltel's track record in wind power dates back to the beginning of the millennium. The company has provided inspection and maintenance services to Danish utilities, substations as well as to related connections to the grid. Since 2011, Eltel has participated in the building of several wind power parks, both in Sweden and in Finland.

Juha Luusua, President of Eltel Power Distribution, says, "Wind power has become a major contributor to the Finnish generation of renewable energy. Eltel's experience in power grids, substation installations and site infrastructures makes us perfectly positioned for this business. This has helped us to gain several new wind park projects in Finland in the last few years."



Our approach to supply chain management

Eltel's service delivery is dependent on reliable and competent subcontractors and suppliers. We are committed to maintaining fair and decent working conditions throughout our whole value chain. Workplace safety is of utmost importance, and discrimination, human rights abuses and corruption are not tolerated. We are committed to ensure that there is neither modern slavery nor human trafficking in our supply chain or in any part of our business. Eltel's partners must follow the same principles.

Eltel's Code of Conduct obliges our subcontractors and suppliers to apply the principles of the policy. Eltel has established procedures and tools that help ensure that our subcontractors accept and comply with our requirements including employment conditions and safety. Eltel has adopted a risk-based programme for supplier management, and its success can be reviewed at three levels:

1. Willingness of A category subcontractors, the highest risk category, to join the programme.
2. Monitoring compliance via self-assessments and unannounced on-site audits by Eltel.
3. Initiation of corrective actions, using the same KPIs as for Eltel's own organisation and employees.

SUPPLIER REQUIREMENTS

In Finland, we have communicated our HSE rules and Code of Conduct (CoC) to subcontractors regarding exposure to safety hazards at our worksites. Practically all our subcontractors have committed to our initiative to comply with CoC and HSE rules. The aim is to next roll out the programme in all other Eltel countries.

RISK MANAGEMENT

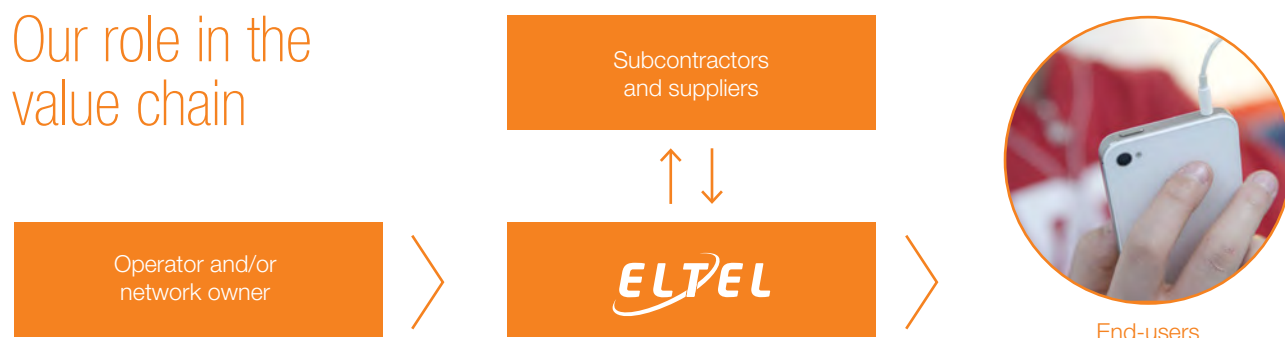
Eltel has evaluated the HSE risk level of all subcontractors in Finland and given them a risk rating of A, B or C, based on the service they provide. High risk services – such as excavation, foundations, working at height, electrical work, lifting and blasting works, among others – mean that a contractor is automatically treated as a high risk partner.

As a standard practice of our worksite induction process, we are obliged to

Targets:

- Categorise subcontractors and suppliers based on risk level
- Conduct self-assessments and on-site evaluations accordingly
- Include high-risk suppliers in Eltel's incident reporting system by 2018

Our role in the value chain





communicate our worksite-specific risks to all subcontractors. In 2016, we started to monitor the safety performance of A category subcontractors using Eltel incident management instructions. Results show that subcontractor safety performance is good and non-compliance situations are rare.

For the future, we aim to pay more attention to details in our risk assessments. We aim to find new ways of communicating those risks to our business partners, such as through e-learning tools and by using social media.

MONITORING AND SUPPLIER ASSESSMENTS

Subcontractors are incorporated into Eltel's internal and external work site audit programmes.

Unannounced worksite audits are conducted in accordance with our certified management system. To have a better scope for audits, a self-assessment process for A category subcontractors will be started in 2017.

FUTURE

Eltel will roll out a subcontractor

management process across all remaining Eltel countries by the end of 2017. To reduce manual workload and improve subcontractor monitoring outside Finland, we plan to use the new e-learning tool to monitor subcontractor management implementation.

We plan to extend our control over end-to-end processes to ensure proper compliance at all levels. Moreover, we want to collaborate more closely with our customers long term. We also plan to increase the use of e-learning tools to improve supplier communications and monitoring.

CASE SUBCONTRACTOR MANAGEMENT

In Finland, all our subcontractors were analysed and categorised based on the HSE risk exposure. As a result, we contacted 800 key business partners by sending them a video message from Eltel's CEO with focus on work safety and compliance to our Code of Conduct and UNGC 10 principles. Once we received our partner's confirmation on the compliance

message, we then started to monitor their safety performance. Our way to manage subcontractors will further strengthen this collaboration and make Eltel worksites safer. Our improved ability to control the overall supply chain allows us to ensure proper two-way communication and to improve audit programmes.



Our approach to society

Eltel is committed to acting according to high ethical standards by operating in an economically, environmentally and socially responsible manner, as specified in the company's Code of Conduct. Eltel aims to live up to the expectations set by its stakeholders, to ensure customer trust in the short- and long-term, its attractiveness as a workplace for current and prospective employees, investor satisfaction and availability of capital, as well as positive contribution to society.

As an international and listed company, Eltel has a well-structured corporate responsibility policy and procedures framework. As a signatory of the United Nations Global Compact since 2014, we are committed to respecting human rights, decent working conditions, anti-corruption and fair business practices. We reflect these themes in our own Code of Conduct and report on our UNGC compliance annually.

GLOBAL CODE OF CONDUCT ENFORCEMENT

Eltel's Code of Conduct policy outlines the company's approach regarding ethics and anti-corruption, as well as measures and division of responsibilities to

ensure compliance. With the Code of Conduct, Eltel aims to prevent criminal and/or unethical conduct and promote an enhanced culture of trust, accountability and integrity.

In 2016, Eltel continued its interactive e-learning programme, which was initiated at the end of 2015. The programme comprises the Code of Conduct course and the Authorisation Policy and Competition instruction. The programme was implemented among 1,800 employees in all Eltel countries. Dialogue about these issues and continuous learning is ongoing.

Another equally important activity in 2016 was the start of the implementation of the

Targets:

- Identify and mitigate local risks
- Contribute to sustainable development and welfare

CASE

PROVIDING EMPLOYMENT IN ZAMBIA

The Government of the Republic of Zambia, through state-owned power company ZESCO, engaged Eltel to connect five districts in its North-Western Province to the national grid. The project aims to replace diesel-generated electricity in Chavuma, Mufumbwe, Kabompo, Zambezi and Mwinilunga with hydroelectricity by

constructing a 132kV transmission line network stretching over 900 kilometers, as well as sub-stations in each district.

Eltel contracted local subcontractors with a total cumulative employee strength of approximately 1,200.

With an average family size of eight in Zambia, about 9,600 people have been directly affected by this project. The project also involves more than 70 suppliers, from vehicle service to hardware, among others. All Eltel employees and the subcontractors have been instructed on Eltel's Goal Zero.



subcontractor management programme as a pilot in Finland. The feedback of our partners and customers has been good. No major non-compliances were reported in 2016.

IMPACT IN AFRICA

Eltel is committed to maintaining fair and decent working conditions in all its areas. All suppliers and all major subcontractors in Africa have a Code of Conduct clause in their agreements with Eltel. This includes:

- A follow-up of the subcontractor HSE practice,
- Code of Conduct training,
- Reporting and sharing of information of incidents and accidents, and safety moments during operational meetings.

In 2016, one of the key achievements was that we were able to raise the general awareness of the importance of good HSE management and practice. Eltel is

committed to continuously improving HSE culture in higher risk regions. This requires systematic work and joint effort over time.

CONTRIBUTION TO LOCAL COMMUNITIES

Eltel's business model involves hiring of local employees and contractors. The transfer of knowledge and technology is an integrated part of our projects, which contributes positively to the local community and its future development.

One of the most rewarding experiences for Eltel has been helping to improve the living conditions and contributing to a better future in Africa. In addition to providing employment and promoting safe working practices, Eltel is engaged in the local communities. For example, Eltel has made school desks out of empty wooden cable reels for schools in Mozambique and cooperated with local authorities in Zambia by helping them conduct inventories of

One of the key achievements was that we were able to raise the general awareness of the importance of good HSE management and practice.

flora and fauna in the national parks near Eltel's worksites.

FUTURE

Eltel plans to continue promoting good practices and ensuring compliance with Eltel's various policies and Code of Conduct, with a special focus on areas with a higher risk profile. Another aim is a wider inclusion of our subcontractors within the Eltel system, especially concerning smaller local subcontractors.

Governance and risk management

At Eltel, sustainability is integrated into our daily operations and business processes. The ultimate responsibility for all operational management lies with the Board of Directors and the CEO, but all employees must comply with the Eltel Code of Conduct in their work.

SUSTAINABILITY MANAGEMENT

The Board of Directors

The Board of Directors approves all group policies and instructions, including, without limitation, the Human Resource Policy, the Health, Safety and Environment Policy, the Risk Management Policy and the Eltel Code of Conduct. The Board is responsible for the Company's organisation and the administration of the Company's affairs. The assignments of the Board of Directors include, inter alia, 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. These assignments also involve the implementation of required ethical guidelines set for the Company's behaviour and that the disclosure of information is made in a transparent, correct, relevant and reliable manner.

Group Management Team

Eltel's President and Chief Executive Officer (CEO) is the person of the highest authority with accountability for sustainability targets and performance, and reports to the Board of Directors. The CEO is responsible for implementing Board instructions of the control environment in day-to-day work. He regularly reports to the Board based on established procedures.

The Group Management Team, led by the Group CEO, 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. This includes deciding on sustainability targets and approving sustainability policies and instructions.

Units and all employees

Sustainability targets are cascaded to the operative and support units: H&S targets to all Business Units (BU) and further to their Area Business Units (ABU); emission targets to the Group Fleet Manager; Code of Conduct to the entire organisation; Supply Chain Management by BUs to the Procurement, H&S and operative business management. The KPIs are defined, targets set accordingly and progress is monitored from monthly (e.g. H&S) to annual level (e.g. vehicle fleet emissions). Training and resourcing are managed by plan.

All officers, managers, directors and employees at Eltel are informed of their compliance roles and are responsible for complying with Eltel's ethical principles, guidelines and related procedures.

GUIDELINES AND MANUALS

Eltel's Group 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 & Safety, communication and investor relations, sustainability, restrictions on insider trading, accounting and controlling. The Board and Group Management Team monitor Eltel's compliance with adopted policies and guidelines.

RISK MANAGEMENT

The Company conducts regular risk assessments to identify material risks. In the 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 is produced and assessed, as for the need for mitigating actions and/or financial provisioning.

Most significant operational and strategic risks are collected on a quarterly basis and assessed and reported to Group management from each Business Unit. Based on these, the Group management assesses the need for mitigating actions and reports the most significant strategic risks and related mitigating actions to the Board of Directors. In addition, the Group Legal Review Forum, consisting of representatives from Group Finance, Legal, HR and Communications, reviews all Eltel legal entities regarding major changes in local operations and e.g. due diligence of subcontractors on a quarterly basis.

Eltel follows the ISO 31000 standard for risk management and has set a Risk Management Policy to define its approach. The



policy includes social and environmental risks and outlines measures for risk identification, assessment, prioritisation, mitigation, monitoring and reporting. Risk assessments, including the evaluation of health, safety and environmental risks, are also a standard part of all projects.

All employees are responsible for managing risks and taking preventive actions in their respective areas. Management should lead by example and keep employees accountable in following company policies and instructions.

More information on governance and risk management can be found in Eltel's Corporate Governance Statement.

Key figures

	2016	2015
Number of employees at year end	9,466	9,568
Under 30 years	18%	20%
Over 50 years	18%	20%
Absence due to illness including long-term illness	4.0%	4.2%
Lost time injuries per million working hours	7.5	10.5
Number of fatal incidents	1	1
Average CO2 emissions cars and vans, g/km end-of-year	178	186
Total fuel consumption of total fleet, l	13,268,185	13,041,650
Total CO2 emissions of entire fleet, tonnes	36,266	35,601*
Total number of cars and vans at year-end	4,928	4,996

*Revised from previous report

