

Eltel UN Global Compact report on period August 2015 – July 2016

CEO statement on Eltel progress to comply with the UNGC ten principles

2015 was a milestone year in Eltel's history. First we were stock listed on Nasdaq Stockholm in February. This triggered a review of several of company policies and establishment of IR (Investor Relations) function in our company. As a result of an IPO we have added new stakeholder interests in form of investors and analysts. Requirement for transparency of our operations has been increased accordingly.

2015 was also the first year when we reported progress on the UN Global Compact 10 Principles in August 2015. Overall we were happy to disclose several positive developments in many of our fields and this development has continued also during the new report period. Eltel awareness has grown during this process and we have increased our commitment to sustainable development, both of which have been described in our Sustainability Review 2015.

The most relevant areas in sustainability for Eltel and our technical Infranet services business were reviewed in 2015 being the following :

- Employee management
- Safety at work
- Subcontractor compliance
- Compliance in Africa
- Contribution to the environment

All of these are well aligned also with the UNGC Principles. Further we reviewed our target setting till the end of 2017 as well as the related programmes for each of the above topics.

In the fall of 2015 Eltel launched a new interactive e-learning programme with focus on Code of Conduct, Authorization Policy and Competition Instruction. The interactive programme was aimed at 2,200 Eltel employees most exposed to these topics. The completion rates varied between 70 and 80 %, which we consider reflects well the importance and seriousness of these topics at Eltel. Eltel continues to perform this programme.

As we all have noticed, stakeholder interest in sustainability and compliance matters are growing all the time and the company gets a number of requests for reporting. In May 2016 Eltel entered CDP disclosure on Climate Change. This will continue to put pressure on companies' behavior and our performance. It goes without saying that Eltel, too, as an international corporation, operative not only in Europe but also in Africa, is exposed to a variety of risks. This means that we have to continue our work in mitigating the risks, at best by eliminating them in advance.

We hope that this report will strengthen the reader's belief that Eltel continues to be on the right track and making an important contribution to a better and more sustainable world.

Axel Hjärne, President and CEO ELTEL AB

1. Disclosure of Eltel's relevant policies

In November 2015 Eltel updated the Code of Conduct policy in the following aspects:

- Principle regarding gifts or hospitality given or received
- Role of business units for implementing Code of Conduct

Communications Policy was updated in June 2016 in accordance with the NASDAQ Stockholm Rulebook for Issuers and the EU Market Abuse Regulation ("MAR"). The substance of the update dealt with insiders and insider information.

The rest of the Group policies and instructions remained unchanged from 2015.



Group Policies and
Instructions_062015

2. Eltel procedures

The structure of Eltel procedures remained unchanged during the reporting period and are described at the following levels:

- Policy over Policies
- Group policies
- Group instructions
- Local/country instructions
- Business Unit Manuals

A new interactive e-learning Course "Code of Conduct" was developed and introduced with emphasis on the high ethical standards and correct procedures when performing business by operating in an economically, environmentally and socially responsible manner. The contents focused on the following topics:

- Code of Conduct (CoC) course
- Code of Conduct test
- Authorization Policy test

The CoC course section gives first an introduction and guidance on Authorization Policy, Code of Conduct and Competition Instruction. After this the participants have to answer 11 test questions about Code of Conduct and seven questions about Eltel Authorization Policy.

The programme was launched in the fall of 2015 and aimed at 2,200 employees at Eltel who are most exposed to the topics above. The programme is updated at six month intervals with invitations to newly recruited personnel at Eltel. The e-learning programme was developed in collaboration with one of the leading experts in Northern Europe and tailored in particular to the real business situations of Eltel. Eltel management and legal experts provide personnel training on Eltel procedures e.g. when acquiring new businesses.

Outcomes

Altogether 70 to 80 % of all invited participants have completed successfully the tests depending on the topic area. Less than 10% of the respondents failed to give correct answers. The result and participant performance is considered good.

One example of personnel training was in Germany after the acquisition of a local metering business company. Eltel's own legal expert made a presentation on the Code of Conduct, Authorization and Competition rules.

3. Activities and plans vis-à-vis UNGC four issue areas

3.1 Human rights

- Principle 1: Support and respect the protection of internationally proclaimed human rights
- Principle 2: Make sure that we are not in complicit in human rights abuses

Eltel's current markets comprise of ten European countries, nine of which are members in the EU and Norway as a non-EU country. Another geographical area where Eltel operates is Africa where the company has 60 years of experience in delivering mainly electrification projects in approx. 15 countries. The company partners mainly with Nordic government controlled guarantee institutions, which means that both the countries and projects are carefully selected before any business engagements are undertaken. The customers of electrification projects in Africa are without exception government owned power companies. The projects in Africa are managed by experienced Nordic and/or European executives and project execution is done by local well-established and known subcontractors.

In its Code of Conduct Policy, updated in November 2015, Eltel is committed to respect internationally proclaimed human rights and is committed to not being directly or indirectly involved in human right abuses. Eltel informs its customers and other interest groups like suppliers and subcontractors of its Code of Conduct and encourages such parties to apply the principles expressed in the policy. All policies and instructions are communicated on Eltel's internal websites and Code of Conduct for subcontractors and suppliers is published on the external website.

A number of Eltel customers request the company to report on its performance in the aforementioned policies and targets. It is foreseeable that this will become more common in the years to come.

Employment conditions are one of the topics included also in the new e-learning programme.

Eltel has a European Works Council agreement with its selected employee representatives to discuss transnational issues. As a service company good employee relations and continuous attention to make a positive contribution in the Infranet industry, and society more widely, are very important for a sustained success of the business and company in general.

The quarterly practice of “Legal company reviews” started in 2014 is continued. The scope of the review covers reports of 40 legal subsidiaries on potential legal disputes or claims.

Eltel will continue the inclusion of its subcontractors and suppliers to its sustainability reporting. A group wide programme is in establishment including a plan how the partners will be integrated with the Eltel reporting system.

Outcomes

Eltel notices that no cases in violation of the Human Rights principles have been issued against Eltel during the 12 months from August 2015 to July 2016.

Implementation of the supplier and subcontractor reporting has been postponed till 2017 due to the extensive work load needed to review and analyze a large number of partners.

3.2 Labour Standards

- Principle 3: The freedom of association and the effective recognition of the right to collective bargaining
- Principle 4: The elimination of all forms of forced and compulsory labour
- Principle 5: The effective abolition of child labour
- Principle 6: The elimination of discrimination in employment and occupation

In the Code of Conduct Policy Eltel is committed to promoting decent and fair working conditions for all of its employees, directors and officers as well as among its subcontractors, suppliers and other contracting parties in all countries in which Eltel performs its business.

Eltel’s culture and way of working is manifested in The Eltel Way, which includes regulations and policies as well as the highlighted values and internal culture that enable us to boost transparency and ethical behavior. An important value at Eltel is empowerment of its employees. This is based on clear roles and responsibilities defined for all employees and job positions. A variety of professional certificates are obligatory in the works that Eltel performs.

Eltel’s quarterly legal company review pays attention to the compliance with the labour standards by UNGC. A more active dialogue with subcontractors and suppliers is taking place. As an international company Eltel sees that it can make a positive impact in countries where the standards or working cultures are not at the same level as e.g. in the Nordic countries.

Some of the tasks performed by the company are physically demanding. Health and physical ability of employees are checked by plan depending on the job tasks and local regulations. Eltel offers equal job opportunities for both genders.

Eltel is committed to comply with the OHSAS 18001 standard and several entities maintain also such a certificate. HSE Management System is described in the Group level instruction. Employees are regularly trained in safe working practices. Customers and authorities make regular audits in Eltel subsidiaries in the area of Health & Safety. Suppliers and subcontractors are to comply with Eltel Code of Conduct rules.

Outcomes

No cases have been reported by or against the company during the 12 months from August 2015 to July 2016.

Due to the industry nature, the gender composition is heavily dominated by male employees at Eltel.

One of the main challenges in Health & Safety is to ensure that our employees have right attitudes, use required personal protection equipment and work by the correct procedures. Eltel performance in this respect varies from country to country. The Group has set a target to reduce the Lost Time Injuries per one million work hours from 11 to 9 in 2016 and further to 7 in 2017. Action plans are agreed and implemented in all countries to achieve the targets.

3.3 Environment

- Principle 7: Support a precautionary approach to environmental challenges
- Principle 8: Undertake initiatives to promote environmental responsibility
- Principle 9: Encourage the development and diffusion of environmentally friendly technologies

In terms of Environment Eltel sees the following areas of primary interests:

- implementation of environment friendly technologies
- environmental assessments in connection of project/site planning
- Eltel's own CO2 footprint

Eltel's engagement with environment is defined in the Health, Safety & Environment policy. Detailed HS&E principles are discussed in the HSE Management System, which is a Group level instruction for all Eltel subsidiaries and units.

As a technical Infranet services provider in Power, Communication and Transport & Safety, Eltel is optimally positioned to utilize many of the innovations that digitalization and other new technologies provide. One of the company's core businesses is Power that is deploying new transmission infrastructures to connect renewable energy sources (RES) to markets. Eltel has worked for decades in the automation of power networks in the high and medium voltage area and the progress is now shifting towards the distribution networks. Most of the smart grid developments takes place here also meeting the challenges of micro generation of solar and wind power. Besides the environmental goals with RES, another goal is to improve the energy efficiency that actually reduces the power consumption.

Smart grids and smart metering systems play an important role here. Eltel has started to implement smart metering in Finland and Sweden already in 2006 and has installed by today approx. 3.5 million smart meters in the Nordic region. In the fall of 2015 Eltel signed new contracts to implement approx. 1 million meters in Norway and approx. 0.5 million meters in Denmark. After these countries complete their rollouts by 2019, all the four Nordic countries have implemented smart metering, much ahead of the rest of Europe. Eltel's role has been elementary here with a 50% share of all the rollouts.

As a solution, smart metering opens a communication gateway between the utility and consumer of electricity. The consumer can monitor and optimize his/her electricity consumption, which helps also the utility to optimize their power generation and supply. Another great advantage is that the consumption data can be read remote eliminating unnecessary meter reading travel to and from sites. This leads to lower emissions and positive climate impact. As the micro generation is on increase, the role of the communication gateway is even more important in monitoring the generation and consumption data.

In May 2016 Eltel has entered the German metering market by two acquisitions of companies that are already active in metering. A new law in Germany stipulates that all electricity meters must be changed during 2017-2032, totally 42 million meters. 13% of these are decided to be smart, meaning remote reading feature of electricity consumption and thus avoiding a physical site visit. The technology will enable a later addition of smart reading functionality.

Eltel implements wind power projects and e-traffic solutions like installing charging stations for electric vehicles. Urbanization is a big driver in our world and providing environmentally friendly forms of travel have a role to play. One step was the electrification of railways and the journey continues with deployment of other new technologies to make the travel safer with a lower impact on the environment. Eltel's Rail and Road business and Aviation work actively in these areas.

Eltel has implemented electrification projects in Africa during 60 years contributing to transportation of electricity from generation plants to consumers and thus reducing the need for aggregators using fossil fuels or burning wood. All of these examples contribute positively to achievement of the global decarbonizing goals.

In March 2016 Eltel participated in the global Energy Transformation Dialogue in Berlin organized by the Federal Government of German Republic. Once again Eltel was a unique attendant of its sector in the event.

As part of its project/site planning Eltel is often engaged in environmental assessments. This is often a case for example when a new power line is being built cross the landscape. In these cases Eltel works closely with customer, authorities and private citizens.

The most important area where Eltel can contribute to its own footprint is the sizeable vehicle fleet that the company uses to implement its customer orders. In 2015 Eltel extended the reporting of emissions of its cars and vans fleet from Nordic countries to all Europe. The company also set a new target to reduce the average CO2 emissions per car and van by a minimum of 4% annually.

Eltel policy is to ensure compliance with the international standard ISO 14001 as well as with local legislation. The Group instruction includes a section "Hazards and Effects Management Process" for critical operations and installations. Eltel business units (BU) update the risk reports monthly/quarterly depending on the nature of risk and Group Management Team reviews the risk report bi-annually. Eltel audit committee and main board discuss the risk report once per year.

Outcomes

Eltel makes a positive and important contribution to a more sustainable environment across the countries where it operates. With Norway starting the implementation of Smart Metering as the last Nordic country and the largest Danish electricity utility starting their rollout, Eltel will have implemented approx. 5 million Smart Meters, i.e. 50% of total in the Nordics, by 2019.

After market entry into Germany, Eltel is participating in the “gas adjustment” projects and meter changes, the purpose of which is to support security of supply while there is a major change in the source of supply. Eltel participates actively in promotion of more sustainable investments in Germany.

In May 2016 Eltel has responded to CDP disclosure on Climate Change.

In 2015 the average reduction of CO2 emissions of Eltel’s cars and vans were reduced by 4.7% from 2014, which exceeds the set target of annual reduction of min. 4%.

No cases regarding environment have been reported by or against the company during the 12 months from August 2015 to July 2016.

4. Anti-Corruption

- Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery

In the Code of Conduct policy Eltel defines the anti-corruption measures and implementation throughout the organization. The areas cover the following: appropriate behavior, third party conduct, monitoring and whistle-blowing, managing bribery risks and due diligence, due diligence on associated persons, hospitality and gifts, and training.

Eltel’s area of the highest potential risk for corruption is in the African countries. Some of the measures that limit the risks are careful selection of countries of operation, customers’ public procurement practices, customers’ own and improving control mechanisms and control of money transactions during the project by financiers/guarantee institutions. Eltel has a comprehensive set of tools in its own control including authorization policy, accounting and financial controls and regular financial and management reporting throughout all organizational levels.

Outcomes

Anti-Corruption/bribery education was one of the three key Code of Conduct items in Eltel’s interactive e-learning course in the fall of 2015 and continued in 2016. The course was targeted at 2,200 Eltel employees and will be updated regularly.

No cases have been reported by or against the company during the 12 months from August 2015 to July 2016.

5. Eltel Sustainability Review 2015

Eltel has published Sustainability Review 2015. New emphasis was placed on more clear target setting and communication. In addition to the review document also a Power Point presentation was published. See both below.



Eltel Sustainability Review 2015.pdf



Eltel sustainability review 2015 PPT.ppt