

Communication On Progress (COP), UN Global Compact, Eltel Group 2019

Reporting period: 2019-01-01 – 2019-12-31

Table of contents

1. Preface	2
2. Audit on public sustainability report.....	2
3. Actions	3
a. Human Rights	3
b. Labour standards	4
c. Environment	5
d. Anti-corruption	6
4. KPI Outcome for reporting period	7
5. Eltel's sustainability plan for 2018-2020	8

1. Preface

Eltel shall always act as a good corporate citizen. To us, this means more than complying with the laws and regulations of the countries in which we operate. It is about always improving and developing for the good of society. This goes hand in hand with operating a long-term sustainable and profitable business.

More sustainable operations are also aligned with our Operational Excellence strategy, for example by improving efficiency and cost savings through reduced fuel use, less accidents, first time resolution and lower sick leave among our employees.

Our sustainability plan for 2018–2020 is based on the following priorities:

- Health & Safety
- People & Society
- Environment
- Supply Chain
- Business ethics

The scope of our activities and the reporting of results are step by step more diversified. Eltel deliver the non-financial reporting that is set out in the EU directive 2014/95/EU, in all major aspects. This directive obliges large public-interest companies with more than 500 employees, including listed companies, to disclose certain non-financial information annually. Examples of non-financial information are: environmental protection, social responsibility and treatment of employees, respect for human rights, anti-corruption and bribery and diversity in company boards (age, gender, educational and professional background). Various studies show that social media gives stakeholder groups more influence over companies in sustainability topics, which also must be considered.

Eltel reports according to:

- Carbon Disclosure Project (CDP)
- Nasdaq sustainability reporting

Sustainability is integrated into our day-to-day activities and our business processes. The Board of Directors and Group Management monitor Eltel's compliance with adopted policies and guidelines. Governmental and risk management regarding sustainability issues is disclosed in Eltel's Annual Report 2019.

2. Audit on public sustainability report

Eltel is legally committed to have an audit performed on the sustainability annual report. For 2019 this audit was performed by an authorized public accountant from KPMG, Mats Kåvik. His statement is as follows:

Engagement and responsibility

It is the board of directors who is responsible for the sustainability report for the year 2019 on pages 20-25 and that it is prepared in accordance with the Annual Accounts Act.

The scope of the examination

Our examination has been conducted in accordance with FAR:s auditing standard RevR 12 *The auditor's opinion regarding the statutory sustainability report*. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion

A statutory sustainability report has been prepared.

This COP compiles outcome for 2019 and the data and figures are the same as in the annual report (see <https://www.eltelgroup.com/en/eltel-annual-report-2019/>).

3. Actions

a. 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 sets high ethical standards in performing its business by operating in an economically, environmentally and socially responsible manner. Eltel is committed to respect internationally acknowledged human rights and is committed to not being directly or indirectly involved in breaches of those rights. Eltel informs customers and other stakeholder groups such as suppliers and subcontractors of its Code of Conduct. Subcontractors and suppliers are requested to confirm their compliance with Eltel Code of Conduct in writing. All policies and instructions are communicated on Eltel's internal websites and Code of Conduct for subcontractors and suppliers is published on the Group's external website.

We have systematically implemented a Group-wide program in recent years to reduce work-related injuries by promoting a more proactive health and safety culture. This has led to a significant reduction in the number of injuries since 2015. Eltel has a comprehensive Health, Safety and Environment Policy, and sub-contractors are integrated into Eltel's health and safety plans. Eltel is committed to comply with the ISO 45001 standards, and all subsidiaries are certified. Customers and authorities make regular visits and audits at Eltel work sites. In 2019 the lost time injuries per million working hours (LTIF) have decreased compared to previous year – from 7.0 in 2018 to 6.2 in 2019.

Apart from policies and equipment, safety is a state of mind. To foster a culture where safety is a primary concern among our employees and subcontractors, managers conduct regular safety walks and we publish internal safety bulletins. All knowledge gained from safety walks and incidents is logged in our safety and quality reporting system, which we launched in 2018. The data is used to identify risks in order to strengthen our structures and our preventive work. In the fall of 2019, a fatal accident occurred when a subcontractor in Poland was doing maintenance work on a high power transmission line. The accident was a stark reminder of how important it is to constantly improve the safety and work environment at our job sites. As a result of the accident, we have further reviewed the procedures with regard to improvement in physical signage as well as

work management, risk analysis and routines. We will follow up on all points to make sure this kind of accident does not happen again.

Health & Safety Highlights 2019

- One fatal accident at a subcontractor to Eltel
- Our Lost Time Injuries Frequency rate was reduced compared to previous year – 6.2
- The number of near-miss reports decreased by 48%
- Absence due to illness including long-term illness increased from 4.9% to 5.4%

Outcome

Eltel notices that no cases in violation of the Human Rights principles have been issued against Eltel during the reporting period. Our performance regarding health & safety is also very good and strengthened in some areas.

b. 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 labor
- Principle 5: The effective abolition of child labor
- Principle 6: The elimination of discrimination in employment and occupation

Eltel's services ensure access to power and communication networks, which are critical in people's everyday lives. The importance of our services has been highlighted by the extreme weather events in recent years. After an extreme weather event, Eltel strives to be the first on the scene to restore the infrastructure and facilitate rescue, by establishing telecommunications to people in the area and electricity for heat in private households for example.

In terms of our people, we aim to attract the right people by providing stimulating employment opportunities and environments. We also work to increase employee engagement as it enhances our operations and ultimately our customer satisfaction. The Eltel Human Resources Policy and the Eltel Code of Conduct provide essential guidance in our work with employees and suppliers.

The most risk-exposed partners report their H&S performance as part of their compliance with the Eltel Code of Conduct. As a company, Eltel is securing the lifelines of modern society by keeping crucial electricity- and telecom networks up and running and by influencing the future development of these platforms. To make this happen, we work in seamless collaboration throughout the value chain, from our customers to our partners.

In the Code of Conduct Policy Eltel is committed to promoting decent and fair working conditions for all of its employees, subcontractors, suppliers and other contracting parties in all countries in which Eltel operates.

Some of the tasks performed by Eltel are physically demanding. Health and physical ability of employees are checked according to plan, depending on the job tasks and local regulations. Eltel is committed to comply with the ISO45001 standard and we also maintain such a certificate. 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.

Eltel offers equal job opportunities for both genders, reflected in the recruitment process and in salary setting among others.

People & Society Highlights 2019

- The safety and quality reporting system fully implemented
- Proactive reporting of potential incidents (up 10%) and safety walks (up 30%) increased significantly

Outcome

No cases have been reported by or against the company during the reporting period. Due to the industry nature, the gender composition is heavily dominated by male employees at Eltel.

The overall performance is increased and the injury frequency is lowered compared to previous years.

c. 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 interest:

- Eltel's greenhouse gas footprint
- implementation of environment friendly technologies by client contracts
- environmental assessments in connection to project/site planning

Eltel is active in an industry that plays an important role in the transition to a low carbon society. As the market leader in the industry we must live up to the expectations of our customers, shareholders and society. Eltel is active in many services that enable society to reduce its environmental footprint. In 2019, we installed wind power plants in the Nordics, as well as charging stations and solar panels. We upgraded networks, so they can manage an increased supply of renewable energy and support electric vehicle charging infrastructure.

Our Health, Safety, Environment and Quality Policy states how we shall minimise the environmental impact of our operations and monitor potential incidents. All units shall maintain local certified management systems based on ISO 14001. In 2019, no major environmental incidents occurred as a result of our operations.

The main source of our environmental impact is our fleet of 3,789 vehicles. By keeping a modern, fuel-efficient fleet we reduce emissions per kilometer. Every time a lease contract is bound to be renewed we consider the possibility to switch to lighter vehicles that consume less fuel, hybrids or electric vehicles. Our ambition is to electrify the fleet as technology develops. Since our vehicles are leased over five year the update of the fleet has to be an ongoing and long-term project. Besides keeping a modern low-emission fleet, we plan jobs in such a way as to ensure that we don't drive more than necessary. GPS systems coupled with technicians who can perform a range of tasks optimize fleet usage. The use of digital tools is one example of how we can plan orders better. Preliminary results show that digital planning of production has reduced our CO2 emissions by 7%.

Another area of focus for our environmental work impact is waste management and the procurement of materials that are as environmentally friendly as possible. We work to minimize the physical impact, disruption and noise from construction sites. We also work together with property owners to avoid any negative impact on gardens or privately-owned land.

Eltel have delivered a progress report to CDP (Carbon Disclosure Project) within the frame of Scope 1. The company is planning to develop ways to monitor the progress of indirect emissions in the future (Scope 2 and 3).

Our work with environmental topics is closely related to our strategic priority 'Optimal use of competence and resources'. This priority promotes the efficient use of resources, which decreases our environmental footprint and cost.

Outcome

Eltel makes a positive and important contribution to a more sustainable environment across the countries where it operates. Eltel continues to be a leading contractor in the Nordics for installation of Smart Metering and is increasing our market share in solar- and wind power installations. Eltel is also a major player in installing charging stations for electric vehicles. The CO₂ emissions are kept very low.

No cases regarding environment have been reported by or against the company during the reporting period.

d. Anti-corruption

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

As a market leader in our industry, we have a responsibility to be a good corporate citizen. Our customers have high ethical requirements and we must meet them in order to remain a market leader. Being a good corporate citizen is a way of attracting and retaining talent. As a listed company, investors, particularly institutional shareholders, monitor how we fulfil our commitment to business ethics.

Our approach

Working with business ethics involves complying with all applicable laws and regulations, as well as our internal policies and agreements with customers and suppliers. We must abide by what is commonly understood as ethical behaviour by our shareholders, customers, employees and subcontractors, and external stakeholders, including the media. By meeting these stakeholder expectations, we will be sure that we remain relevant as a partner, employer and investment opportunity. Eltel is a signatory to the United Nations Global Compact and its 10 principles on human rights, labour rights, environment and anti-corruption. The UN principles are incorporated into our internal policies.

Fair Play

In 2019, we rolled out an e-learning programme called Fair Play. Fair Play presents the fundamentals of our Code of Conduct and other governing policies, including business ethics, whistleblowing, anti-corruption, risk assessment and data protection. The programme is mandatory

for all Eltel employees.

Whistleblowing procedure

We work hard to ensure that nothing unethical or inappropriate takes place. However, if something unethical or inappropriate does take place, we need to have the right procedures in place in order to learn about it as quickly as possible. Our whistleblowing procedure enables employees, partners or customers to report any breach of our Code of Conduct or other policies. Any issue can be reported anonymously via email or phone. It will then come to the attention of Eltel's General Counsel who will report the matter exclusively to the Audit Committee, which is a permanent sub-committee of the Eltel Group's Board of Directors. All issues are investigated confidentially before being reported back to the whistleblower. In 2019 Eltel's Group Compliance function received one whistleblower matter. The matter was investigated in accordance with established procedures and certain irregularities were identified involving one senior manager and three additional employees. The involved individuals have been relieved of their duties and are no longer employees at Eltel.

Eltel policies relevant to business ethics:

- Eltel's Code of Conduct
- Anti-corruption Policy
- Human Resources Policy
- Health, Safety and Environment and Quality Policy
- Insider Policy
- Group Tax Policy
- Information Security Policy
- Whistleblowing Policy
- Risk Management Policy
- Competition Law Instruction

Outcome

No cases have been reported by or against the company during the reporting period.

4. KPI Outcome for reporting period

Key performance indicators	2019	2018	2017
Employees			
Number of employees at year end	6678	7376	7999
Share of male/female at year end	87/13%	88/12%	86/14 %
Health & Safety for Eltel employees			
Absence due to illness, including long term illness	5.2%	4,9 %	4,5 %
Lost time injury frequency (lost time injuries per million work hours)	6.2	7.0	7.0
Number of fatal accidents incl subcontractors	1	0	0
Environment			
Average CO ₂ emissions, cars and vans, g/km	170*	167	171
Total CO ₂ emissions in tonnes	23222	27393	28573

* The figure for average carbon dioxide emissions has increased slightly, despite the fact that the Eltel fleet is greener now than in 2018. This is due to the modification of the measurement standard to the new WLTP European standard which differs from NEDC.

5. Eltel's sustainability plan for 2018-2020

As mentioned, Eltel's sustainability plan for 2018–2020 is based on the following focus areas:

- Health & Safety
- People & Society
- Environment
- Supply Chain
- Business Ethics

Due to the increased demands on non-financial reporting from different stakeholders, Eltel have added the following KPI's to the annual reporting package from 2019 onwards:

- Share of women in Group Management Team, % end-of-year
- Share of women in Board of Directors, % at end-of-year
- Total CO₂ emissions of entire car fleet, kg per total working hours
- Total CO₂ emissions of entire car fleet, kg per annual net sales in million Euro
- Total CO₂ emissions of entire car fleet, tonnes per total number of vehicles

Focus areas and targets for the period 2018-2020:

Priority area	Focus area
Health & Safety	Zero fatality and disability cases Reduce Lost Time Injury Frequency (LTIF) including sub-contractor employees to 6.0 by 2020
People & Society	Be the industry's most attractive workplace in the Infranet field Contribute to sustainable development and welfare
Environment	Reduce the average CO ₂ emissions of cars and vans to 150 g/km in 2020 by annual reduction of minimum 4% Set up reporting of environmental incidents by their severity including subcontractors Promote the positive impact of Eltel's customer solutions with case reports on Smart Metering, Wind Power, Electric Vehicles
Supply Chain	Continue monitoring of strategic partners' HSE performance and compliance with Eltel's Code of Conduct Policy

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KPI compilation:

Focus area	KPI	2020 Target
Health & Safety		
	Absence due to illness, including long-term illness, Eltel employees, %	4.0
	Lost time injuries per million working hours (LTIFR): Eltel and subcontractor employees Number of fatal accidents: Eltel and subcontractor employees	6.0 0
Environment		
	Annual 4% reduction of average CO ₂ emission cars and vans, g/km at year-end	150

6. Views to the future

In 2020 a brand new sustainability plan will be developed for Eltel Group. The new plan will be dealing more focused on Eltel's carbon footprint and will aim for a long term zero carbon footprint for Eltel. In next years COP, the plan can be presented.