Corporate Governance Report 2018

Enea AB is a Swedish public limited company listed on Nasdaq Stockholm, Sweden. The Enea group’s corporate governance is based on Swedish legislation and the rules and recommendations issued by relevant organizations, including the Swedish Corporate Governance Board, Nasdaq Stockholm, the Swedish Securities Council and others. Enea’s governance, management and control are divided between the shareholders at the Annual General Meeting, the Board of Directors and the CEO in compliance with the Swedish Companies Act and the Board of Directors’ Rules of Procedure. The company’s Auditor has completed a statutory review of this report.

Contents

Swedish Code of Corporate Governance 20
Shareholders 20
Annual General Meeting 20
Resolutions of the AGM 2018 20
Nomination Committee 21
Board of Directors 21
Board of Directors’ independence 21
The work of the Board of Directors 22
Audit Committee 23
Remuneration Committee 24
Appraisal of the work of the Board of Directors 24
The CEO and group management 24
Auditors 24
Attendance at board meetings 24
Remuneration of senior executives 24
Internal controls and risk management 25
Internal controls over financial reporting 25
Risk assessment 26
Control activities 26
Information and communication 27
Follow-up 27

Swedish Code of Corporate Governance

The following description of the Corporate Governance Report has been prepared in accordance with the Swedish Code of Corporate Governance “the Code”. During the financial year, Enea complied with the Code.

Shareholders

Enea’s ordinary shares are listed on Nasdaq Stockholm’s Mid Cap list. According to the share register maintained by Euroclear Sweden, Enea had 19,650,231 shares as of 31 December 2018. On the same date, Enea AB’s share capital amounted to 22,209,907. Enea holds 314,760 treasury shares, corresponding to 1.6 percent of total shares. On 31 December 2018, the largest shareholders were Per Lindberg with 26.0 percent and Försäkringsbolaget Avanza Pension, with 12.5 percent of the shares.

Annual General Meeting

The Annual General Meeting, or where applicable, an Extraordinary General Meeting, is Enea’s chief decision-making body. All shareholders are entitled to participate in the Annual General Meeting, either in person by proxy through power of attorney. All shareholders are entitled to request that a matter be addressed by the meeting. Enea AB’s Annual General Meeting was held on 8 May 2018 in Kista, Sweden. The Annual General Meeting’s responsibilities include adopting the Articles of Association, appointing the Board of Directors and Chairman, appointing the company’s Auditors, adopting the Income Statement and Balance Sheet, adopting a resolution on the appropriation of earnings, discharging the Board of Directors and the CEO from liability, resolutions on the Nomination Committee deciding the remuneration principles for the CEO and other senior executives, etc. A two-thirds majority is required to amend the Articles of Association.

Resolutions of the AGM 2018:

- adopting the company’s and the group’s Income Statement and Balance Sheet,
- discharging the Board of Directors and the CEO from liability, remuneration to the Board of Directors and the Auditors,
- guidelines for remuneration to senior executives,
- Board authorization to pass resolutions on acquisitions and transfers of treasury shares in accordance with the Board’s proposal, Appendix 6,
- that no dividend would be paid,
- Board authorization to reach resolutions on new share issues to finance continued company growth and expansion, Appendix 8,
- adopting the Board’s proposal in Appendix 10 regarding i) adoption of the long-term share-based incentive program 2018 and ii) transfer of repurchased shares to members of the incentive program,
- Anders Skarin was re-elected Chairman of the Board. Kjell Duveblad, Mats Lindoff, Torbjörn Nilsson, Asa Sundberg and Gunilla Fransson were re-elected as Board members. Öhrlings PricewaterhouseCoopers were re-elected as Auditor.

The complete minutes from the Annual General Meeting, together with the Meeting’s supporting decision-making data, are on the company’s website (www.enea.com), under Investors.
2 Nomination Committee
The Annual General Meeting appoints Nomination Committee members or states how they are to be appointed. Enea’s Nomination Committee will be appointed from two major shareholders and the Chairman of the Board. The Chairman of the Board is tasked with notifying the four largest shareholders in terms of votes at the end of September, requesting them to appoint one member each to the Nomination Committee. If more than two of these shareholders do not wish to appoint a member, the next shareholder in order of size is given the opportunity to appoint a representative. The names of the Nomination Committee’s representatives are published in the company’s Third-quarter Interim Report. The mandate period for the Nomination Committee’s representatives is given the opportunity to appoint a representative. The names of the Nomination Committee’s representatives are published in the company’s Third-quarter Interim Report. The mandate period for the Nomination Committee runs until a new Nomination Committee is appointed.

The Nomination Committee’s complete proposals for the AGM 2019, including its reasoning, are published in the notice convening the AGM 2019, which is available at www.enea.com.

4 Board of Directors
According to the Articles of Association, Enea’s Board of Directors shall consist of five to seven members with a maximum of seven deputies elected by the AGM. Enea’s Board is composed in compliance with article 4.1 in the Swedish Code of Corporate Governance and with the company’s diversity policy. Enea’s diversity policy states that the Board should reflect the breadth, versatility, competence, experience and background required to contribute to Enea’s future progress, and considering the requirement to achieve an even gender division. The Board members represent this, both in terms of their familiarity with, and long-term experience of, sectors where the company operates. The Board satisfies the requirements of Board members’ independence in relation to the company and management, and in relation to the company’s major shareholders. Consideration has also been given to Board members’ ability to allocate the time required for their assignments in the company, which has been confirmed.

In 2018, Enea’s Board of Directors had six members elected by the AGM. The CEO and CFO participate at every Board meeting and reports on the company’s business situation, prospects, financial position and events of material significance. Other company executives also participate in Board meetings and present reports when necessary. The CEO does not participate in the parts of Board meetings that deal with the relationship between the CEO and the company, and the work of the CEO and other senior executives is evaluated at least yearly. The Board members’ shareholdings are provided in the presentation of the Board of Directors, see page 22.

Board of Directors’ independence
According to the Swedish Code of Corporate Governance, a majority of Board members elected by the AGM should be independent of the company and management. A minimum of two of these should also be independent of the company’s major shareholders. All Board members were judged to be independent in respect of the company and group management and in respect of major shareholders. For information on Board members and the CEO, see above and pages 22-23.
The work of the Board of Directors

The Board of Directors’ Rules of Procedure are determined annually at the Board meeting following election immediately in conjunction with the AGM and are revised when required. In addition to the aforementioned duties, the Rules of Procedure also includes the Board’s responsibilities, segregation of duties, setting the Board’s agenda, instructions to the CEO, and management of the Board meeting schedule, notices convening meetings, agenda and minutes.

In addition to the Board meeting following election, the Board of Directors should hold a minimum of five meetings annually. Prior to each Board meeting, documentation relating to the meeting is distributed to the Directors, either in digital format or by mail if required.

The Board manages the company’s affairs in the interests of the company and all shareholders. The Board’s duties include adopting business objectives and strategy, appointing, evaluating and, where necessary, dismissing the CEO, ensuring that effective systems are in place for monitoring and reviewing the company’s operations, ensuring that there is satisfactory control of the company’s compliance with laws and other regulations applicable to the company’s operations, ensuring that the requisite ethical guidelines are adopted regarding the company’s conduct, evaluating strategic and complementary acquisitions continuously and ensuring that the company’s corporate communication features transparency and that it is accurate, relevant and reliable.

In 2018, the Board of Directors addressed matters including the Enea group’s strategy and business operations, the CEO’s progress report, the Remuneration Committee’s Rules of Procedure, remuneration of senior executives, continuously monitored operations & forecasts, interim reports, budgets and the business plan for 2019. The work of the Board of Directors was appraised at year-end.

In 2018, the Board of Directors held ten meetings as well as one meeting following election. In addition to regular Board work, some Board members are also members of Acando.

The work of the Board of Directors
EXECUTIVE MANAGEMENT TEAM 2018

<table>
<thead>
<tr>
<th>Name</th>
<th>Born in</th>
<th>Employee since</th>
<th>Member of Management since</th>
<th>Position</th>
<th>Education</th>
<th>Previous positions</th>
<th>Personal and related party shareholdings 2018 (2017)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anders Lidbeck</td>
<td>1962</td>
<td>2011</td>
<td>2011</td>
<td>President &amp; CEO</td>
<td>M.Sc. in Business Administration and Economics, University of Lund.</td>
<td>President and CEO of Tellogic, sales and marketing positions at Nokia, ICL and Telia Megacom, including President of ICL Direct in Benelux and Vice President of Sales and Marketing for ICL Industry systems Europe.</td>
<td>0 (0) 14,000 (through endowment insurance) (14,000)</td>
</tr>
<tr>
<td>Björn Westberg</td>
<td>1962</td>
<td>2018</td>
<td>2018</td>
<td>CFO</td>
<td>M.Sc. (Eng.) in Industrial engineering, Linköping University.</td>
<td>CFO of Bonesupport AB, CFO &amp; COO of Receptam AB and CFO of Jeeves.</td>
<td>0 (0) 30,000 (20,000) 872 (5,372) 12,395 (12,395)</td>
</tr>
<tr>
<td>Adrian Leufven</td>
<td>1972</td>
<td>1998</td>
<td>2008</td>
<td>Senior Vice President, OS Business Unit</td>
<td>M.Sc. (Eng.) in mechanical engineering, Royal Institute of Technology, Stockholm.</td>
<td>SVP Operations &amp; Quality at Enea, SVP Software Sales at Enea, SVP Global Delivery at Enea, VP Strategic Outsourcing at Enea, VP Support at Enea, VP Marketing at Enea, Director of Asian Sales at Enea.</td>
<td>0 (0)</td>
</tr>
<tr>
<td>Bogdan Putinica</td>
<td>1977</td>
<td>2007</td>
<td>2011</td>
<td>Senior Vice President, Global Services</td>
<td>International Finance and Banking, Academy of Economic Studies, Bucharest, Romania.</td>
<td>CEO of Enea Romania, Global Sales Director Product Services at Enea Romania and President of IP Devel.</td>
<td>0 (0) 0 (0) 0 (0)</td>
</tr>
<tr>
<td>Daniel Forsgren</td>
<td>1973</td>
<td>2006</td>
<td>2014</td>
<td>Senior Vice President, Product Strategy</td>
<td>M.Sc. (Eng.) in Applied Physics and Electrical Engineering, Linköping Institute of Technology.</td>
<td>SVP Product Management at Enea, Principal Engineer at Enea's CTO office, System Architect at Enea, Software Engineer at Virtutech.</td>
<td>0 (0) 0 (0) 0 (0)</td>
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<tr>
<td>Erik Larsson</td>
<td>1960</td>
<td>2016</td>
<td>2016</td>
<td>Senior Vice President, Marketing &amp; Communication</td>
<td>M.Sc. Engineering Physics, Royal Institute of Technology, Stockholm. MBA, IU Kelley School of Business, USA.</td>
<td>VP of Marketing at Netcentrex (now part of Mavens), VP of Marketing at Intega (now Level 3), Marketing Director at Nortel, consultant at Business Sweden.</td>
<td>0 (0) 0 (0) 0 (0)</td>
</tr>
<tr>
<td>John Gire</td>
<td>1963</td>
<td>2018</td>
<td>2018</td>
<td>CEO, Openwave Mobility</td>
<td>MBA University of Maryland BSBA Georgetown University.</td>
<td>Alcatel-Lucent, Lucent Technologies, Ericsson.</td>
<td>0 (0) 0 (0) 0 (0)</td>
</tr>
<tr>
<td>Jean-Philippe Lion</td>
<td>1966</td>
<td>2018</td>
<td>2018</td>
<td>Senior Vice President, DPI Business Unit</td>
<td>M.Sc., Telecommunication Engineering, Telecom ParisTech, (France) and MBA, INSEAD (France)</td>
<td>VP Sales Engineer &amp; Apac at Qosmos, Local Loop BU General Manager and Business Development Director of SFR, Senior Associate at Booz Allen &amp; Hamilton.</td>
<td>0 (0) 0 (0) 0 (0)</td>
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Håkan Rippe served in Enea’s management as Interim CFO from March to December.
Thibaut Bechetoille served in Enea’s management as SVP of the NFV BU until November 2018.
Anders Stensson was a member of Enea’s management team as CFO until April 2018.

Audit Committee
The Audit Committee consisted of Kjell Duveblad (Chairman), Torbjörn Nilsson and Åsa Sundberg. Enea’s Chief Financial Officer and the company’s Auditor are co-opted to the meetings, which are normally held once quarterly. Minutes are kept at Audit Committee meetings and presented to the Board of Directors. The Audit Committee is responsible for the preparation of the Board of Directors’ quality assurance of the company’s financial reporting, keeping informed of the focus and scope of the audit, discussing coordinating between external Auditors and the company’s internal control functions, evaluating the company’s risk exposure, adopting guidelines for services other than those provided by the company Auditor, evaluating the audit and informing the company’s Nomination Committee of the evaluation, as well as assisting the Nomination Committee with its proposals for Auditors and remuneration.

In 2018, the Audit Committee held four meetings in connection with the quarterly financial statements, and while meeting related to the implementation of GDPR. The main topics addressed included presentations of the company’s Interim Reports, product profitability, goodwill and other intangible assets, accounts receivable, risk management, finance-related issues and internal controls.

The company’s Auditors report their findings to the Board of Directors annually...
in connection with the annual financial statement. In addition, the Board of Directors meets the company Auditor at least yearly—without the presence of group management—to learn about the audit’s focus and scope, and to discuss the coordination between external Auditors and the internal control and evaluation of the company’s risk exposure.

1 Remuneration Committee
The overall responsibilities of the Board of Directors cannot be delegated, although the Board of Directors has established a Remuneration Committee tasked with consulting on issues relating to salaries, other remuneration and other employment terms for the CEO and other members of group management.

In 2018, the Committee comprised Board members Anders Skarin (Chairman) and Gunilla Fransson. The Remuneration Committee is convened as required and reports to the Board of Directors. The Remuneration Committee held five meetings where minutes were taken in 2018.

Appraisal of the work of the Board of Directors
Anders Skarin, Chairman of the Board of Directors, is responsible for preparing a review of the Board of Directors’ work which he presents to the Nomination Committee. The review is completed in two parts, a written review where individual Board members complete a relatively extensive survey. The results are compiled and the anonymous data discussed at a Board meeting. The second part takes the form of an oral review where the Nomination Committee, excluding the Chairman of the Board, interviews two Board members each. The Nomination Committee is then presented with three written reports to use as a basis for appraising the Board of Directors.

3 The CEO and group management
Anders Lidbeck has been Enea’s CEO since 2011. The CEO’s other significant assignments and previous experience are detailed in the presentation of senior executives on page 23. Anders Lidbeck has no significant shareholdings in companies that Enea has a business relationship with.

In 2018, Enea’s group management consisted of Enea’s CEO, CFO and six division and line managers representing the organization’s functions and business areas. For more information about the group management, see page 23. Group management meets monthly to present progress reports on business conditions for each function and business area, and to discuss other current, relevant issues. In addition to these meetings, group management also meets several times a year to discuss strategy and planning, which is then reported to the Board of Directors in September and December. The CEO and CFO produce a business plan for the coming year that is then presented at a Board meeting in December.

4 Auditors
The AGM 2018 re-elected public accounting firm Öhrlings PricewaterhouseCoopers AB, with Authorized Public Accountant Niklas Renström as Auditor in Charge until the end of the next AGM in 2019. Each year, the company’s Auditor presents a report to the Board of Directors based on observations made during the review and assessment of the company’s internal controls. The guidelines for the Board of Directors’ work are based on the Rules of Procedure that regulate the division of responsibilities within the Board of Directors and between the Board of Directors and management.

In 2018, Enea’s Auditors conducted a review of the Annual Financial Statements, whereupon the Auditors presented their Auditors’ Report in the company’s Annual Report 2018. A review was also conducted in connection with the third quarter Interim Report and the company’s Auditors presented their Audit Review in the Interim Report 1 January–30 September 2018. The review of the Third-quarter Interim Report focuses on the company’s internal controls.

Remuneration of senior executives
Remuneration is paid to the Chairman and Board members in accordance with the resolution of the Annual General Meeting. Employee representatives do not receive Directors’ fees.

Principles
In order to hire and retain senior executives, the company offers competitive terms and conditions with remuneration at market levels. Overall remuneration to senior executives comprises basic and variable salary, pension provisions and share-based payment. Basic and variable salary is determined annually on the basis of individual conditions. Variable salary is subject to a pre-determined ceiling. With the exception of the CEO and certain other senior executives, variable salary may not exceed basic salary. Variable salary is based on individual performance in relation to annually set goals, mainly relating to the company’s sales and operating profit, as well as specific goals for

### ATTENDANCE AT BOARD MEETINGS

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<th>Member</th>
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<th>8</th>
<th>9</th>
<th>10</th>
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<tr>
<td>Anders Skarin (Chairman)</td>
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<td>x</td>
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<td>x</td>
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<td>Kjell Duveblad</td>
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<td>Mats Lindoff</td>
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<td>Torbjörn Nilsson</td>
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<td>Åsa Sundberg</td>
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<tr>
<td>Gunilla Fransson</td>
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<tr>
<td>Johan Carlsson</td>
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individual executives. If the goals are met, 50 percent of maximum variable salary is payable, potentially rising to 100 percent if the goals are exceeded. Senior executives are invited to participate in share-based incentive programs authorized by shareholders’ meetings and, accordingly, remuneration may also be share-based provided that the goals and other terms of the share-based incentive program are met. The model for variable salary and determining actual variable salary for senior executives is decided by the Board pursuant to a proposal from the Remuneration Committee. Remuneration to the CEO is decided by the Board of Directors based on a proposal from the Remuneration Committee.

Pensions
The pension terms for the CEO are decided by the Board of Directors following a proposal from the Remuneration Committee and are 35 percent of basic and variable salary. Other senior executives in Sweden are subject to pension agreements within the framework of the ITP plan (Supplementary Pensions for Salaried Employees) with pensionable age of 65 and pension provisions are related to employee salaries. Pension contributions are paid progressively.

Severance pay
On termination of the Chief Executive Officer’s employment, the company will observe a notice period of six months, and the Chief Executive Officer has a notice period of nine months to the company. In addition, severance pay corresponding to 12 months’ basic salary is payable should employment be terminated by the company. If a change of control results in a new majority shareholder, the CEO is entitled to severance pay of six months’ salary. All dismissal and severance pay are deducted from any other income. For other senior executives, a notice period of three to twelve months applies. The Board of Directors reserves the right to depart from the proposed guidelines in and individual cases if there are specific circumstances applying.

Internal controls and risk management
The Board is responsible for internal control and risk management in accordance with the Swedish Companies Act, the Swedish Annual Accounts Act and the Swedish Code of Corporate Governance. The Audit Committee monitors Enea’s internal control, which does not affect the Board of Directors’ responsibilities and work otherwise. The purpose is for operations to be pursued in an expedient and efficient manner, and that external reporting complies with legislation and internal regulations that govern the company. For this work to be successful, the Board works in a structured manner where work is delegated to group management, the Audit Committee and other staff. Enea described the methods for delegating and monitoring this work in the company’s internal policies, such as the Finance Policy and Authorization Policy.

Internal controls over financial reporting
Control environment
Enea’s control environment forms the basis of the company’s internal control over financial reporting, and clear communication of decision paths, authorization and responsibilities throughout the organization is a key component of Enea’s control environment. Enea’s objective is to fulfill the requirements for ongoing work pertaining to internal control and risk management as part of Enea’s compliance with the Swedish Code of Corporate Governance. At Enea, internal control over financial reporting is an integral part of corporate governance. It includes procedures and methods to secure the group’s assets and the accuracy of financial reporting, and this aims to protect shareholders’ investments in the company. The Board monitors the quality of the financial reporting in a number of ways. The Board approves the rules of procedure each year, which include regulating the duties of the Chairman and CEO.

THE WORK OF THE BOARD OF DIRECTORS IN 2018

Business plan, budget, appraisal of management

Business conditions, Year-end Report

Annual Report, preparation for AGM

Strategy, organization

Business conditions, Interim Report

Business conditions, Interim Report

AGM

Business conditions, strategy

Q1 Jan

Feb

Mar

Apr

May

Jun

Jul

Aug

Sep

Oct

Nov

Dec

Q2

Q3

Q4
According to these instructions, the CEO is responsible for the control environment and for reviewing and ensuring the quality of financial reporting, and for ensuring that the Board of Directors receives the reports required to evaluate the group’s financial position on a continuous basis. The instructions to the CEO include matters on which the CEO requires authorization or approval from the Board of Directors.

At the statutory Board meeting following the Annual General Meeting, Enea’s Board of Directors adopts the Rules of Procedure for the Board of Directors, the Audit Committee and the Remuneration Committee. In addition, the instruction to the CEO, approvals list, Finance Policy and instruction for trading in the company’s shares are approved.

Enea’s CEO and group management bear operational responsibility for internal control. Based on the Board of Directors’ guidelines alongside legislation and regulations governing financial reporting, such as the Swedish Companies Act, the Annual Accounts Act and the Swedish Code of Corporate Governance, group management has established the segregation of roles and duties for staff working on financial reporting in the group. The group is divided into units, with each unit manager responsible for meeting objectives and budgets, as well as compliance with governance issues relating to the unit. Enea’s organizational structure is presented on the group’s intranet so that roles and responsibilities are made clear to everyone working on financial information.

Enea has issued instructions, such as approvals and authorization policies for group staff indicating the relevant authorization of various employees to take specific actions.

Enea also presents a number of policies on the intranet, which govern work at Enea and create a basis for internal control, including a Finance Policy, Authorization Policy, IT Policy, Sustainability Policy, Communications Policy and insider policy according to the EU’s Market Abuse Regulation.

The group also has an accounting and reporting manual with instructions on the group’s accounting policies, reporting instructions and a schedule that ensure that consistent and accurate accounting information is provided in a timely manner. These guidelines are followed up and up-dated regularly and presented to employees who work directly or indirectly on financial reporting.

In order to improve internal controls, all important documents such as policies, regulatory documents etc., are available on Enea’s intranet and uploaded to Enea’s document management system. This gives all staff access to relevant documents and policies.

Regular risk assessments are conducted within the scope of Enea’s monthly financial follow-ups by unit managers, group management and the controller, and measures are implemented as required. The preceding review describes how Enea’s organization is structured to manage, review and evaluate the internal control. Furthermore, internal controls also include the company’s planning and budget process, where the risks of operations are reviewed annually. The Audit Committee and the Board of Directors are responsible for analyzing and assessing these risks.

Control activities
Enea’s control structure is designed to manage the risks the Board judges to be significant for the internal control of financial reporting.

The control structure is based on the company’s clear segregation of organizational responsibilities which enables the effective division of responsibilities and ensures that control activities discover and prevent the risk of misstatements in the financial reporting in a timely manner.

Examples of control activities include the control and continuous monitoring of the company’s financial reporting, financial and legal policies, quarterly updates of the...
company’s forecasts, the continuous monitoring and review of specific areas, auditing the Board of Directors’ quarterly reviews of business conditions in terms of planning and budget, financial progress of individual business units and products, major transactions, cash flow, Balance Sheet and prospects.

Enea’s business segments are monitored monthly by the relevant manager and controller, results are compared to previous figures and budgets. Enea’s group management met every second week in 2018 to monitor operations and business progress, the financial performance against budget and preceding periods, to establish forward-looking sales and earnings forecasts, as well as determining necessary measures for ensuring good internal control. The CEO presents an aggregated monthly report to the Board of Directors. When necessary, more detailed follow-ups are conducted, for example, in the form of reviews of subsidiaries by controllers.

Enea’s product operations are ISO-certified since 2006. Certification (ISO 9001:2008) encompasses management, marketing, sales, development and support of software products. Re-certification takes place every three years and interim audits are conducted in intervening years.

**Information and communication**

Regulatory documents in the form of policies, guidelines, manuals etc. relating to financial reporting are communicated on Enea’s intranet and document management system. Each division amends the regulatory documents the division assumes responsibility for. Most communication takes place in digital form, and divisional managers hold meetings to communicate information, follow-up and evaluation when required. For more information about the Board of Directors’ and group management’s communication, see pages 22 and 24.

Enea’s policies provide guidelines for handling communication of information with internal and external parties. Internal and external corporate communication policies have been prepared to ensure compliance with disclosure requirements.

**Follow-up**

Enea’s finance division uses an integrated finance and accounting system and group-wide reporting instructions. The company’s marketing and sales division manages customers and potential customers in Enea’s business system and ensures that relevant sales staff receive the information required.

The company continuously updates the Board of Directors and Audit Committee on compliance with the company’s Code of Conduct and continuously provides information on export legislation that affects Enea and updates on compliance with such legislation.

Given the scope and nature of operations, combined with existing reporting to the Board of Directors and Audit Committee, the Board does not consider the establishment of a dedicated internal audit function to be financially justifiable. The internal control described above is deemed sufficient to assure the quality of financial reporting.