

# **CORPORATE GOVERNANCE REPORT 2013**

**TELE2**

# Corporate Governance Report 2013

## Tele2 in brief

Tele2 AB ("the company") has 15 million customers in 10 countries and offers mobile communication services, fixed broadband and telephony, data network services and content services. In 2013, the company had net sales of SEK 30 (31) billion and reported an operating profit (EBITDA) of SEK 6 (6) billion. Tele2 AB (publ.) is a Swedish limited liability company with shares listed on the NASDAQ OMX Stockholm Large Cap list and thus applies the Swedish Corporate Governance Code ("the Code").

This Corporate Governance Report is prepared in accordance with the Swedish Annual Accounts Act and the provisions of the Code. Previous years' corporate governance reports and other corporate governance documents are available on the corporate website, [www.tele2.com](http://www.tele2.com).

The Code is based on the principle of comply or explain, which means that companies can deviate from single rules in the Code, provided that they offer an explanation for the deviation. Tele2 deviates from the Code in the following respect:

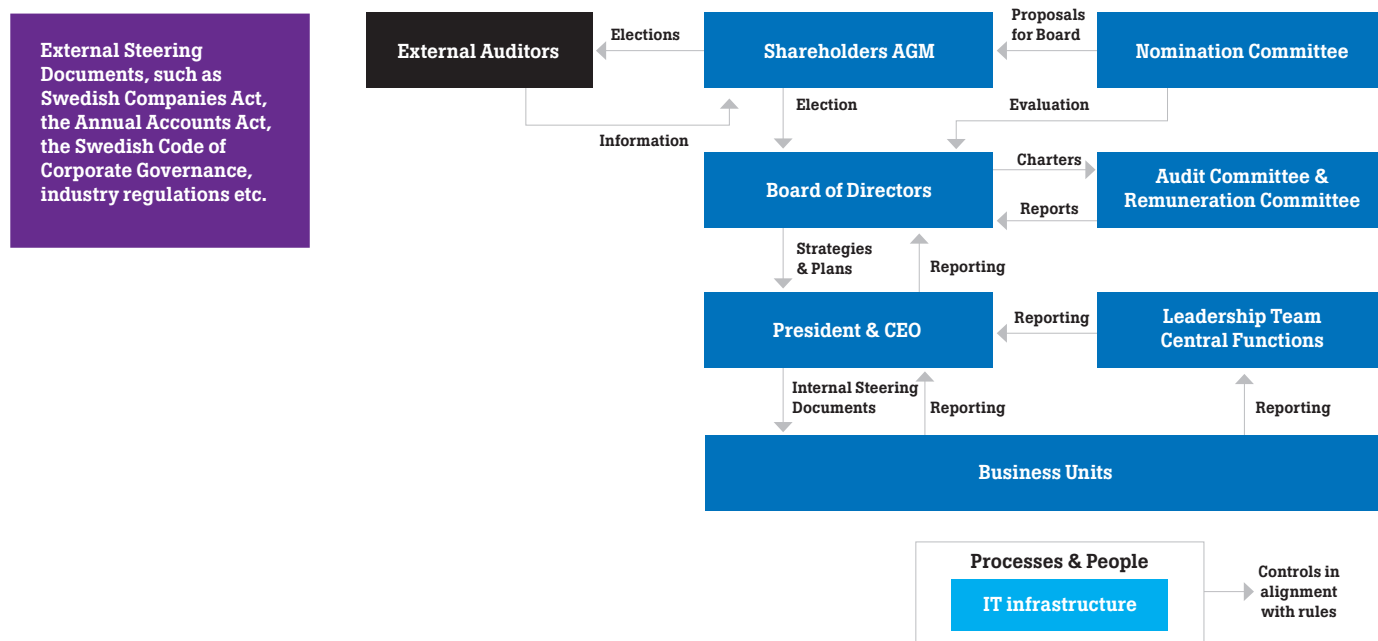
Reference from the Code	Deviation and Explanation
9.2 The members of the Remuneration Committee, apart from the Chairman, must be independent of the company and the corporate executives.	Mia Brunell Livfors, member of the Remuneration Committee, is not considered independent with respect to the company and its management due to her occupation in the capacity of CEO of Kinnevik. The Board, however, considers that her experience benefits the company and makes her a suitable Committee member. The Code notwithstanding, the Board believes that she is as free of conflict as if she were independent.

## Overview of corporate governance at Tele2

Sound corporate governance at Tele2 means the establishment of an appropriate framework for decision making, assignment of responsibility and the implementation of transparent reporting that

supports the understanding and monitoring of the development of the company. Tele2's overall corporate governance framework can be visualised as follows:

## Tele2's Governance Structure



# Corporate Governance Report 2013

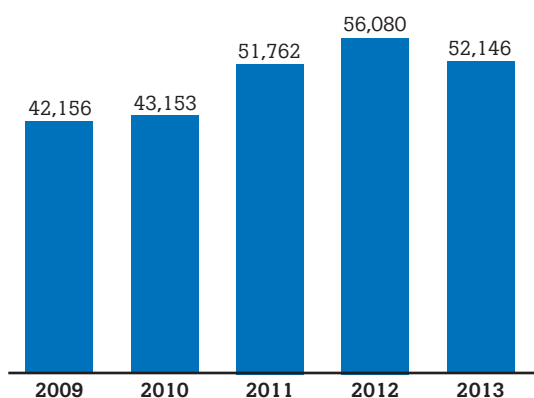
## Shareholder Information

Tele2's Class A and B shares were first listed on the O-List of the Stockholm Stock Exchange in May 1996. Tele2 has been listed on the NASDAQ OMX Stockholm Large Cap list since October 2006. Per 31 December 2013, Tele2 had 52,146 shareholders and the market value of the company was SEK 32,750 million. In addition to shareholder meetings, Tele2 continuously provides information to shareholders by publishing financial reports (interim reports, full year reports and annual reports) and press releases. The company also arranges regular analyst meetings.

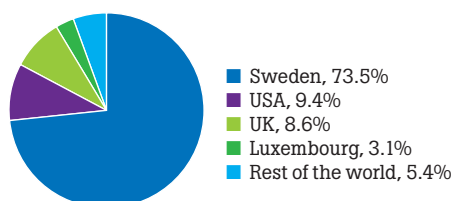
### The Tele2 share (31 December 2013)

	Par value	Total issued shares	% of total count	Votes per share	% of total votes
A-Share	1.25	20,261,316	4.5%	10	32.1%
B-Share	1.25	425,373,023	94.8%	1	67.4%
C-Share	1.25	3,149,000	0.7%	1	0.5%

### Number of shareholders



### Share capital distribution, by nationality, % of votes

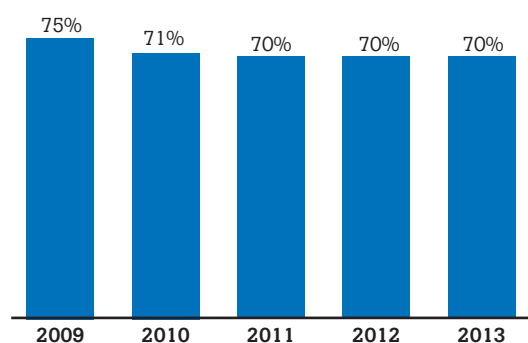


For further shareholder information, including information on share capital, voting rights, and the current share price see our corporate website, [www.tele2.com](http://www.tele2.com).

## Annual General Meeting

The 2013 Annual General Meeting ("AGM") was held on May 13, 2013. At the meeting, 781 shareholders were in attendance, personally or by proxy, representing 70.3 percent of the votes. Wilhelm Lünig was elected Chairman of the meeting. All Board members elected by the AGM 2012 were present except for Jere Calmes who had stepped down as Tele2 Board member in February 2013 following his appointment as CEO of Tele2 Russia.

### Attendance, % of votes



The following significant resolutions were adopted by the AGM:

- It was resolved to adopt the income statements and balance sheets for the company and the Group in respect of 2012.
- In accordance with the proposal of the Board of Directors, an ordinary dividend of SEK 7.10 per share (in total: SEK 3.2 billion) was approved.
- The Board of Directors and the CEO were discharged from liability for the 2012 financial year.
- The Board of Directors and the Chairman of the Board were elected (see separate section on page 3 for details).
- The remuneration of the Board of Directors and its Committees was set for the period until the close of the next AGM. Furthermore, it was determined that remuneration to the auditor shall be paid in accordance with approved invoices.
- The proposed remuneration guidelines for senior executives were adopted.
- The Board of Directors was authorised to pass resolutions, under certain conditions, during the forthcoming period until the 2014 AGM, to repurchase own Class A and/or Class B shares. The purpose of the authorisation is to give the Board of Directors flexibility to continuously decide on changes to the company's capital structure during the year and thereby contribute to increased shareholder value. However, the basic requirement implies that the company's holding does not at any time exceed 10 percent of the total number of shares in the company.
- The AGM resolved on a share redemption programme following the sale of Tele2 Russia including a share split, reduction of the share capital through redemption of shares, increase of the share capital through a bonus issue and an amendment of the Articles of Association relating to the number of shares. The programme resulted in a redemption to the shareholders of SEK 28 per share (SEK 12.5 Billion in total).

The minutes of the AGM are available on Tele2's corporate website, [www.tele2.com](http://www.tele2.com).

# Corporate Governance Report 2013

## Extraordinary General Meeting

The Extraordinary General Meeting was held on May 13, 2013 directly following the AGM. At the meeting, 519 shareholders were in attendance, personally or by proxy, representing 67.17 percent of the votes. Wilhelm Luning was elected Chairman of the meeting. All Board members elected by the AGM 2013 were present. The Meeting resolved in accordance with the Board's proposal on incentive programmes. Minutes of the meeting are available on the corporate website, [www.tele2.com](http://www.tele2.com).

## Nomination Committee for the 2014 AGM

In line with the resolution passed at the 2013 AGM, Cristina Stenbeck convened a Nomination Committee comprising representatives of some of the largest shareholders of Tele2. The members of the Nomination Committee are shown in the table below.

### Nomination Committee for the 2014 AGM

Name	Representing	Share of votes as on December 31, 2013
Cristina Stenbeck	Investment AB Kinnevik	47.8%
Mathias Leijon	Nordea Investment Funds*	3.2%
Åsa Nisell	Swedbank Robur Fonder	1.5%
Hans Ek	SEB Investment Management AB	1.0%

\* During the year Nordea Investment Funds has increased its shareholdings to being one of the three largest shareholders in Tele2. Consequently Mathias Leijon, appointed by Nordea Investment Funds, has joined the work of the Nomination Committee as an adjunct member.

Cristina Stenbeck was appointed Chairman of the Nomination Committee.

## The Nomination Committee for the 2013 AGM

Ahead of the 2013 AGM, the Nomination Committee evaluated the Board's work and composition to ascertain the degree to which the Board met the requirements that will be applicable as a consequence of the company's situation and future direction. The Committee submitted proposals to the 2013 AGM for the election of a Chairman of the AGM, the Board Chairman and other members of the Board, the fees to the Board members, remuneration for committee work and auditor.

## The composition of the Board, December 31, 2013

Name	Born	Position	Elected	Remuneration Committee	Audit Committee	Independent	Shareholding as on December 31, 2013
Mike Parton	1954	Chairman	2007	Member	–	Yes	17,295 B shares
Lars Berg	1947	Member	2010	–	Member	Yes	2,000 B shares
Mia Brunell Livfors	1965	Member	2006	Member	–	No*	1,000 B shares
John Hepburn	1949	Member	2005	Chairman	–	Yes	568,395 B shares
Erik Mitteregger	1960	Member	2010	–	Member	No*	10,000 B shares
John Shakeshaft	1954	Member	2003	–	Chairman	Yes	3,820 B shares
Carla Smits-Nusteling	1966	Member	2013	Member	Member	Yes	–
Mario Zanotti	1962	Member	2013	–	Member	No*	–

\* Not independent in relation to the company's major shareholders.

## The Nomination Committee for the 2014 AGM

The Nomination Committee will present the following proposals for approval by the 2014 Annual General Meeting:

- Proposing the Board of Directors and its Chairman
- Proposing the remuneration to members of the Board and its Committees, as well as auditor remuneration
- Nominating a Chairman to lead the AGM, and
- Proposing a procedure for appointing members of the Nomination Committee in advance of the 2015 AGM.

No compensation has been paid by Tele2 to any member of the Nomination Committee for their work.

The Nomination Committee for the 2014 AGM has held 3 meetings as of March 13, 2014, with additional contact between the meetings.

## The Board

According to Tele2's Articles of Association, the Board shall consist of at least five and a maximum of nine members, to be elected by the AGM. The Articles of Association of Tele2 are available on the corporate website, [www.tele2.com](http://www.tele2.com).

At the 2013 AGM, Tele2's shareholders re-elected Lars Berg, Mia Brunell Livfors, John Hepburn, Erik Mitteregger, Mike Parton and John Shakeshaft as Directors of the Board for the period until the close of the next AGM. The AGM also elected Carla Smits-Nusteling and Mario Zanotti as new directors of the Board. Furthermore, Mike Parton was elected as Chairman of the Board.

The company's President & CEO, CFO and Company Secretary also attend the Board meetings except for when their own work is being evaluated. Other employees participate in the Board meetings to discuss specific matters, or as required by the Board.

## Independence of the Board

The Board's assessment regarding each member's position of independence in relation to the company, its shareholders and the management is presented in the table "Composition of the Board December 31, 2013". None of the Board members are part of the senior management of the company, nor are they union representatives. 25 percent of the Board's members are women. Tele2 meets the Code's requirement that the majority of the members be independent in relation to the company and its executive management. Tele2 also meets the Code's requirement that a minimum of two of the directors be independent of the company, its executive management and, additionally, its major shareholders.

# Corporate Governance Report 2013

**Mike Parton**, British citizen

**Chairman of the Board**

*Trained as Chartered Management Accountant.*

Mike Parton is presently CEO and Chairman of Damovo Group Ltd, an international IT company, and member of the Chartered Institute of Management Accountants. Furthermore, he is a member of the Advisory Board of a UK charity called Youth at Risk. He was CEO and Executive member of Marconi plc between 2001 and 2006.

**Lars Berg**, Swedish citizen

*Graduated from Gothenburg School of Economics.*

Lars Berg was a member of the executive Board of Mannesmann AG as Head of its telecommunications business from 1999 until Vodafone's takeover of Mannesmann in 2000. From 1994 until 1999, he was Chief Executive Officer of the TELIA Group and President of TELIA AB. Between 1970 and 1994 he held various executive positions in the Ericsson Group and was a member of the Ericsson Corporate Executive Committee for ten years, as well as President of the subsidiaries Ericsson Cables AB and Ericsson Business Networks AB.

Lars Berg has been the European venture partner of Constellation Growth Capital since 2006. He has been non-executive Chairman of Net Insight AB since 2001 and a Board member since 2000, a non-executive Board member of Ratos AB since 2000 and of OnePhone Holding since 2009 as well as a non-executive supervisory Board member of NORMA Group AG, Frankfurt since 2011.

**Mia Brunell Livfors**, Swedish citizen

*Studies in economics and business administration, Stockholm University.*

Mia Brunell Livfors has been President and CEO of Investment AB Kinnevik since August 2006. She held several managerial positions within the Modern Times Group MTG AB from 1992 to 2001, and served as Chief Financial Officer between 2001 and 2006. She is the Chairman of the Board in Metro International S.A and member of the Board of BillerudKorsnäs AB, Millicom International Cellular S.A., Modern Times Group MTG AB and CDON Group AB.

**John Hepburn**, Canadian citizen

*MBA, Harvard Business School and BSc Civil and Systems Engineering, Princeton University.*

John Hepburn has held a number of senior positions at Morgan Stanley since 1976, including Managing Director, Morgan Stanley & Co. and Vice Chairman of Morgan Stanley Europe Limited. He is senior advisor to Morgan Stanley, Chairman of the Board of Sportfact Ltd., Vice Chairman of the Board of UKRD Ltd., Trustee of the Learning School Trust in England and member of the Board of Grand Hotel Holdings AB and Mölnlycke Health Care.

**Erik Mitteregger**, Swedish citizen

*BSc in Economics and Business Administration at Stockholm School of Economics.*

Erik Mitteregger was founding partner and Fund Manager of Brummer & Partners Kapitalförvaltning AB 1995–2002. In 1989–1995, he was Head of Equity Research and member of the Management Board at Alfred Berg Fondkommission.

He has been member of the Board of Investment AB Kinnevik since 2004. He also serves as chairman of the Boards of Firefly AB and Wise Group AB. Previously, he was member of the Board of Invik & Co. AB 2004–2007 and Metro International SA 2009–2013.

**John Shakeshaft**, British citizen

*MA Cambridge University, Harkness Fellow, Princeton University and School of Oriental and African Studies, London University.*

John Shakeshaft has more than 25 years of experience as a banker. He was Managing Director of Financial Institutions, ABN AMRO, 2004–2006, Managing Director and Partner, Cardona Lloyd, 2002–2004, Lazard, 2000–2002 and Barings Bank, 1995–2000.

He is Chairman of Ludgate Environmental Fund Ltd, Director of Valiance Funds and Investment Director of Corestone AG. He is member of the Board of TT Electronics plc and Deputy Chairman of the Economy Bank NV. He is also Member of Council and Chairman of the Audit Committee, Cambridge University and Trustee, Institute of Historical Research, London University.

**Carla Smits-Nusteling**, Dutch citizen

*MSc Business Economics, Erasmus University, Rotterdam.*

Carla Smits-Nusteling has over 10 years' experience from Koninklijke KPN N.V., and was KPN's Chief Financial Officer between 2009 and 2012. She joined KPN in 2000 and held various financial positions, whereof three years as Director of Corporate Control. During 1990–2000, and prior to joining KPN, Carla worked at TNT Post Group N.V., an international express and mail delivery service, and held various managerial positions before her appointment as Regional Director in 1999. She is also a Non-Executive Director at ASML.

**Mario Zanotti**, Italian citizen

*Graduate in Electrical Engineering from the Pontificia Universidade Católica in Porto Alegre (Brazil), MBA from INCAE and the Universidad Católica de Asuncion (Paraguay)*

Mario Zanotti is Senior Executive VP Operations at Millicom International Cellular S.A. Mario has over 20 years of experience in the Telecom Service Industry. In 1992, Mario founded Telecel in Paraguay and was also the Managing Director of the company during 1992–1998. In 1998–2000, he was Managing Director of Tele2 Italy and Managing Director of YXK Systems during 2001–2002. After 2002, Mario has held several other managerial positions within Millicom, starting as Head of Central America for Millicom before becoming Chief Officer of Latin America and later COO of Categories & Global Sourcing.

# Corporate Governance Report 2013

## The Board's responsibility and work procedures

The Board's work procedures are established every year and govern the organisation of the Board's duties and its meetings, as well as written instructions for the Board's work and evaluation of its performance. Furthermore, the Board has issued "Instructions to the Managing Director" to the President & CEO regarding his responsibilities towards the Board, and to establish his authority to execute the company's management, including any limitations thereto.

The Board:

- Oversees Tele2's overall long-term strategies and goals,
- Approves budgets, business plans, financial reports, investment and personnel proposals,
- Makes decisions regarding acquisitions and disposal of business interests,
- Monitors the CEO's work and the company's performance, and
- Evaluates the quality of the company's internal control functions, financial reports, and communicates with the company's auditors directly and through regular reports from the Audit Committee and the company's CFO.

In order to carry out its work more effectively, the Board has appointed members for a Remuneration Committee and an Audit Committee with special tasks. These Committees are the Board's preparatory bodies and do not reduce the Board's overall and joint responsibility for the handling of the company and the decisions made.

Further to the above, where needed, the Board appoints members to form preparatory working groups on topics of special interest, such as questions regarding dividends and capital structure and the Corporate Responsibility Advisory Group for questions regarding corporate responsibility related risks and opportunities.

## The Board's work in 2013

During the 2013 financial year, the Board convened six times at different locations in Europe. In addition, five per capsulam meetings and eleven telephone conference meetings were held.

Below is a summary of the main topics handled by the Board during 2013:

- Review and approval of financial reports,
- Review and follow-up of internal control and corporate governance,
- Treasury matters, including approval of changes in Revolving Credit Facility,
- Corporate responsibility matters, including data privacy, corruption risks and ethical business practices,
- Human resources matters, including talent management, succession planning and remuneration guidelines,

- Strategy review, including review of growth opportunities, product portfolio, business model challenges and marketing strategies,
- Several matters regarding acquisition and divestment opportunities, including the sale of Tele2 Russia, and the participation in licence auctions and tenders,
- Review of the budget for 2014,
- Self-evaluation of the Board and evaluation of the CEO and senior executives,
- Auditors' report.

## Evaluation of the Board

The Chairman of the Board ensures that an annual self-assessment of the Board's work is performed, where the Board members are given the opportunity to share their views on working methods, Board material, their own and other Board members' work, as well as the scope of their assignment.

The Board also receives reports from the Audit and Remuneration Committees and evaluates their work.

A summary of the evaluation is presented to the Nomination Committee.

## Attendance of Board members

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings, including telephone and per capsulam meetings	22	4	4
Mike Parton	22	–	4
Lars Berg	21	4	–
Mia Brunell Livfors	19	–	4
John Hepburn	21	–	4
Erik Mitteregger	22	4	–
John Shakeshaft	22	4	–
Carla Smits-Nusteling	14	2	2
Mario Zanotti	14	2	–

The Board members are all compensated for their Board work in accordance with the resolution passed at the AGM. Details of compensation are shown in the table "Remuneration to the Board during 2013" on the following page. In addition, Board members are reimbursed traveling expenses for Board work, according to submitted receipts. There is no outstanding share or share price-related incentive programme for the Board.

# Corporate Governance Report 2013

## Remuneration to the Board

SEK	Fees to the Board		Fees to the Audit Committee		Fees to the Remuneration Committee		Total Fees	
	2013	2012	2013	2012	2013	2012	2013	2012
Mike Parton	1,365,000	1,365,000	–	–	38,000	25,000	1,403,000	1,390,000
Lars Berg	525,000	525,000	100,000	100,000	–	–	625,000	625,000
Mia Brunell Livfors	525,000	525,000	–	–	38,000	25,000	563,000	550,000
Jere Calmes	–	525,000	–	100,000	–	25,000	–	650,000
John Hepburn	525,000	525,000	–	–	75,000	50,000	600,000	575,000
Erik Mitteregger	525,000	525,000	100,000	100,000	–	–	625,000	625,000
John Shakeshaft	525,000	525,000	200,000	200,000	–	–	725,000	725,000
Carla Smits-Nusteling	525,000	–	100,000	–	38,000	–	663,000	–
Cristina Stenbeck	–	525,000	–	–	–	–	–	525,000
Mario Zanotti	525,000	–	100,000	–	–	–	625,000	–
<b>Total</b>	<b>5,040,000</b>	<b>5,040,000</b>	<b>600,000</b>	<b>500,000</b>	<b>189,000</b>	<b>125,000</b>	<b>5,829,000</b>	<b>5,665,000</b>

### Audit Committee

The Audit Committee has the primary task of assisting the Board in its supervision and review of the internal and external audit processes, and reviewing and ensuring the quality of the company's external financial reporting. Furthermore, the Audit Committee supervises the internal control functions of the company.

When performing its work, the Audit Committee is guided by a written charter and instructions that the Board has determined, as well as the provisions contained in the Code. The Board has delegated the following decision making powers to the Audit Committee:

- The right to establish procedures for accounting, internal control and auditing,
- The right to determine the procedure for receiving and managing complaints received by the company with regard to accounting, internal control or audit issues.

At the statutory Board Meeting following the 2013 AGM, the Board appointed John Shakeshaft as the Chairman of the Audit Committee and Lars Berg, Erik Mitteregger, Carla Smits-Nusteling and Mario Zanotti as ordinary members. With reference to the table "Composition of the Board as of December 31, 2013" on page 3, Tele2 accordingly meets the independence requirements of the Code vis-à-vis the Audit Committee.

The Audit Committee usually meets in connection with Board meetings or the publication of external financial reports. During 2013, the Audit Committee held four meetings. All active members at the time were present at all meetings. The CFO together with the Head of Internal Control, other company personnel and the company's auditors were also present at the meetings, as required.

In 2013, the primary issues for the Audit Committee were the approval of financial reports, capital structure, tax, reports from the external auditor, follow-up of internal audits and information regarding significant financial and control projects. The Audit Committee, through its Chairman, also meets with the external auditor independently to exchange views regarding the company's accounting and control environment.

The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are reported regularly to the Board of Directors.

### Remuneration Committee

The Remuneration Committee's main work includes presenting recommendations to the Board regarding remuneration and terms of employment for senior executives. These recommendations and guidelines regarding remuneration for senior executives are also submitted to the President & CEO. The recommendations, including recommendations for long-term incentive programmes, are submitted by the Board to the AGM for adoption. Following their adoption at the AGM, the President & CEO applies these remuneration guidelines.

When performing its work, the Remuneration Committee is guided by a written charter and instructions that the Board has determined.

The Board appoints the members and the Chairman of the Remuneration Committee. At the statutory Board meeting following the AGM, John Hepburn was appointed Chairman of the Remuneration Committee and Mia Brunell Livfors, Carla Smits-Nusteling and Mike Parton were appointed members of the Committee.

During 2013, the Remuneration Committee held four meetings. All active members at the time were present at all meetings.

Refer to Note 34 in the Annual Report for information regarding remuneration to senior executives in 2013.

### Leadership Team

The Board appointed Mats Granryd as President and CEO of Tele2 AB effective as of 1 September 2010. Mats Granryd, born in 1962, has had a consistent and successful international career in telecommunications with Ericsson. Before joining Ericsson, he was a management consultant in telecom strategies at ARRIGO and Andersen. He holds an MSc from the Royal Institute of Technology in Stockholm. As per 31 December 2013, he held 40,000 Tele2 Class B-shares, 56,000 rights (LTI 2011), 56,000 rights (LTI 2012) and 56,000 rights (LTI 2013)\*. Mats Granryd is also a member of the Boards of Reach for Change Foundation, Envac AB and the Swedish Chamber of Commerce UK.

The President & CEO leads the work conducted by the company's management and renders decisions in consultation with other senior executives in the Leadership Team. This group comprises the senior executives of Tele2's three largest countries and the market area Central Europe and Eurasia, as well as the senior executives of the five cross-functional professional fields as illustrated on the following page.

\* Allocated share rights at grant date, and not including compensation for dividend.

# Corporate Governance Report 2013

## The Tele2 Group Leadership Team

Group president & CEO Mats Granryd				
<b>CFO</b> Lars Nilsson	<b>Sweden</b> Thomas Ekman	<b>Netherlands</b> Ernst Jan Van Rooijen, acting	<b>Norway</b> Arild Hustad	<b>Central Europe and Eurasia</b> Niklas Sonkin
<b>CCO</b> Anders Olsson				
<b>CTIO</b> Joachim Horn				
<b>Communication</b> Lars Torstensson				
<b>HR</b> Ellinor Skogfors				

During 2013, 11 Leadership Team meetings were held. They focused on the company's strategic and operational development and follow-up on financial performance. Besides, key market developments and internal projects were also evaluated at the Leadership Team meetings. Other personnel and external consultants participated in these meetings, as required.

For further information on members of the company's management, please visit the corporate website, [www.tele2.com](http://www.tele2.com).

### Long-term incentive program (LTI)

Tele2 has three outstanding incentive programmes. For information concerning the long-term incentive programmes, the LTI programme 2011, the LTI programme 2012 and the LTI programme 2013, see Note 34 in the Annual Report 2013 and the corporate website, [www.tele2.com](http://www.tele2.com).

### Auditor

Tele2's Auditor-in-Charge, Thomas Strömberg, is the Managing Partner Audit and a member of the executive management of Deloitte Sweden. In addition to his assignment at Tele2, he is also auditor of, amongst others, Investor, Rezidor, Mekonomen and Karolinska Development. In addition, Thomas Strömberg is an exchange auditor for NASDAQ OMX Nordic stock exchange. He has no assignments in businesses that are related to Tele2's major owners or CEO. During 2013, Deloitte performed services for Tele2 besides the ordinary audit assignments, with regard to financial due diligence services and advice in accounting and tax issues. All non-audit services performed by the auditor are approved by the Audit Committee.

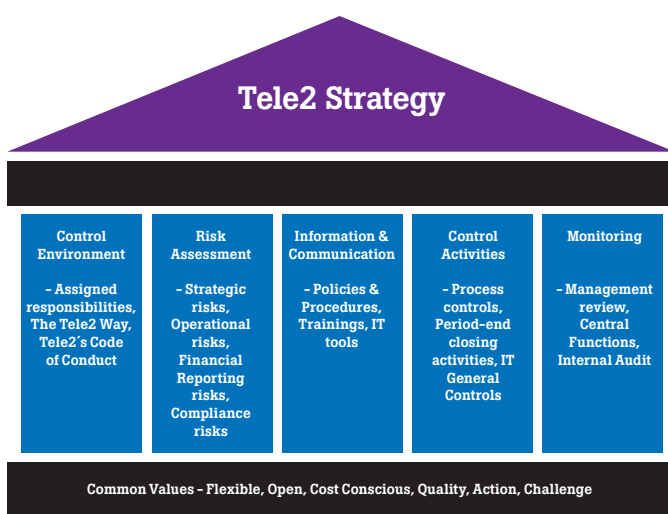
Refer to Note 35 in the Annual Report for information regarding remuneration to the auditors in 2013.



## The Board's report on Internal Controls over Financial Reporting

The internal controls over Tele2's financial reporting aims to provide reasonable assurance of the reliability of internal and external financial reporting, and to ensure that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies. This section reproduces the key elements of the company's system for internal controls and risk management in conjunction with financial reporting. As stated below, this system is not separate from Tele2's general system for internal controls which also aims to secure other aspects, including controls over operations and risks related to Tele2's business strategy.

### Cornerstones of Internal Control



### Control environment

The Board of Directors bears overall responsibility for internal controls related to financial reporting. As a result, the Board has established a written work plan, "Work and delegation procedures for the Board of Directors of Tele2 AB", that clarifies its responsibilities and regulates the Board's and its committees' internal distribution of work.

Furthermore, the Board has appointed an Audit Committee with a written charter, the primary task of which is to ensure that established principles for financial reporting and internal controls are adhered to and that appropriate relations are maintained with the company's auditors. The responsibility for maintaining an effective control environment and on-going work on internal controls has been delegated to the President and CEO and documented in the "Instructions to the Managing Director of Tele2 AB". The President and CEO has, in turn, allocated responsibility for maintaining effective internal controls in the different countries to the respective line managers. This responsibility is described in various policies and governance documents, including the Financial Reporting Manual and Tele2's Code of Conduct.

Furthermore, a number of corporate functions are responsible for promoting effective internal controls in separately defined areas. Among these, the central finance organisation, including Group Financial Reporting and Group Planning & Business Control, as well as the Corporate Communications department play particularly important roles in ensuring correct and timely financial reporting.

Group Internal Control, which is Tele2's internal audit department, is included as a corporate function. Independently of its area of responsibility, be it geographic or corporate, this department is responsible for evaluating the operations of the company to identify any shortcomings in internal controls. Group Internal Control reports directly to the CFO and to the Audit Committee.

### Internal Control Responsibilities

1st line of defense	2nd line of defense	3rd line of defense
Local Management	Group Management and Central Functions	Group Internal Control

Another key aspect of the control environment is the joint values and practices that distinguish and pervade the company and go under the umbrella name "The Tele2 Way". These include concepts, such as openness, internal quality and straight and honest communication which serve as maxims.

### Risk assessment

The various control instances are themselves responsible for the identification of risks in their respective geographic or corporate areas of responsibility and for the creation of action plans to manage those risks. Group Internal Control is responsible for the coordination of this process and for compiling risks of strategic nature or otherwise material risks, including the risk of material errors in the financial reporting, and for reporting those to the executive management and Audit Committee. Furthermore, the department assumes responsibility for following up the action plans with the local management groups.

The internal control work and audits also take into account the risk of errors in the financial reporting and are intended to ensure compliance with the Financial Reporting Manual, particularly when reviewing the account-closing process. The units to be audited are determined by the Audit Committee and based on a number of different factors including the unit's size and scope, the results of previous audits, the risk of corruption, etc.

Any risks and errors noted by Group Internal Control are communicated to both the Audit Committee and the relevant corporate functions for the purpose of not only correcting errors, but also enhancing or clarifying policies and other governance documents, and thereby reducing the risk of future errors.

For an elaboration of the key risks, please refer to the section Risks and Uncertainty Factors in the Administration Report.

### Information and communication

The Board's and its committees' as well as the President and CEO's responsibilities are described in the "Work and delegation procedures for the Board of Directors of Tele2 AB" and in the "Instructions to the Managing Director of Tele2 AB".

General rules and corporate policies are available on the company's intranet or directly through the relevant central function. Manuals and guidelines of significance to financial reporting are regularly updated and continuously communicated to the employees concerned. Feedback is also provided to the reporting subsidiaries regarding their financial reporting processes. The company management reports regularly to the Audit Committee and the Board according to established procedures.

# Corporate Governance Report 2013

In addition, Tele2 conducts a number of training courses and holds separate courses on "The Tele2 Way", which is obligatory for all managers. The course enables the participants to discuss and gain greater insight into the company's values and practices. Tele2 also has an internal e-learning platform to communicate and enhance the understanding of its values.

Every employee must on a regular basis sign Tele2's Code of Conduct. When entering into a contractual arrangement with Tele2, suppliers and other business partners also need to give their assurance regarding compliance with Tele2's standards by signing Tele2's Code of Conduct.

The Code of Conduct is available on the company's intranet and on Tele2's corporate website.

## Control activities

The various control instances bear responsibility for the implementation of control activities in compliance with central policies and governance documents (including the Financial Reporting Manual), as well as for managing any further risks that they may identify. This includes controls in the financial reporting processes as well as controls in other processes which could be expected to impact financial reporting. These controls comprise a mix of detailed controls at transaction level and analyses based on aggregated data.

In conjunction with monthly consolidation and reporting to management, Group Financial Reporting also performs a review of the figures reported. Furthermore, the company applies a self-certification process in relation to the annual accounts, whereby the CEOs and financial managers of subsidiaries certify that they have not withheld information of importance in the financial statements and have complied with applicable legislation, accounting policies and Tele2's internal guidelines.

The Audit Committee reviews every interim and annual report prior to publication. The company's financial reporting procedures are also evaluated regularly.

Particular controls have been defined within the IT organisation to ensure a favourable IT environment and minimise the risk of erroneous data. Those include controls for change management of applications and systems to ensure that no changes are implemented in the operating environment without being subjected to prior testing and approval.

## Follow-up

Follow-up means ensuring that the control activities described and referred to in the previous section are appropriate and performed as intended. This follow-up is performed at various levels within the company.

### Follow-up within the line organisation

The country managers follow up controls in their respective areas with the help of their own staff and own central functions.

### Follow-up assisted by corporate functions

In addition to the follow-up performed by country managers, the corporate functions are responsible for follow-up in their respective areas, including compliance with the company's policies and governance documents. Where needed, this is performed through reviews with the help of experts in the respective areas (for example, the central Security organisation identifies risk of fraud and the Procurement organisation follows up the application of Tele2's Code of Conduct).

### Follow-up assisted by Group Internal Control

Independently of line responsibilities and without any limitation by area of responsibility, Group Internal Control follows up compliance with Tele2's rules and control activities through the performance of internal audits and other activities. In addition, Group Internal Control evaluates possible dysfunctions based on their potential impact (risk) on the financial reporting, external laws and regulations, operating activities or business strategy. The internal audit plan, that is, the scope and the areas of operations to be reviewed by Group Internal Control, is established each year by the Board through the Audit Committee. During 2013, slightly more than 170 weeks of internal audits were performed.

The Head of Group Internal Control continuously reports the status of the internal audit plan, any discrepancies noted and a total appraisal of the Group's internal controls to the CFO and the Audit Committee.

# Corporate Governance Report 2013

Stockholm, 13 March 2014

Mike Parton  
*Chairman*

Lars Berg

Mia Brunell Livfors

John Hepburn

Erik Mitteregger

John Shakeshaft

Carla Smits-Nusteling

Mario Zanotti

Mats Granryd  
*President and CEO*

## **Auditor's report on the corporate governance report**

To the Annual General Meeting of the shareholders of Tele2 AB,  
corporate registration number 556410-8917

The Board of Directors is responsible for the corporate governance report for the year 2013 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

We have read the corporate governance report and based on that reading and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance 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.

In our opinion, the corporate governance report has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm, 13 March, 2014

Deloitte AB

Thomas Strömberg  
*Authorized Public Accountant*

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**Tele2 is one of europe's fastest growing telecom operators, always providing customers what they need for less.** We have 15 million customers in 10 countries. Tele2 offers mobile services, fixed broadband and telephony, data network services and content services. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2013, we had net sales of SEK 30 billion and reported an operating profit (EBITDA) of SEK 6 billion.

# **TELE2**