



Corporate Governance Report 2010

TELE2

CORPORATE GOVERNANCE REPORT 2010

Tele2 AB ("the Company") offers mobile services, fixed broadband and telephony, data network services, cable TV and content services. In 2010, we had net sales of SEK 40,164 (39,436) million and reported an operating profit (EBITDA) of SEK 10,284 (9,394) million. Tele2 AB (publ) is a Swedish joint-stock company with shares listed on the Nasdaq OMX Stockholm Large Cap List and thus applies the Swedish Code of Corporate Governance ("the Code") as amended on February 1, 2010. This Corporate Governance Report is prepared in accordance with the provisions of the Code. Prior years' corporate governance reports and other corporate governance documents are available on the corporate website, www.tele2.com.

This report contains information regarding the following deviations:

Reference from the Code	Deviation and Explanation
2.4 A member of the Board shall not chair the Nomination Committee	Cristina Stenbeck, who is the Chairman of the Nomination Committee, is also a member of the Company's Board". The other members of the Nomination Committee have explained their decision regarding the election of the Chairman of the Nomination Committee as being in the Company's and shareholders' best interest and a natural consequence of Cristina Stenbeck leading the Nomination Committee's work in recent years, as well as her representation of the Company's largest shareholder.
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. The Board, however, considers that her experience will benefit the Company and make her a suitable committee member. The code notwithstanding, the Board believes that she will be as free of conflict as if she were independent.

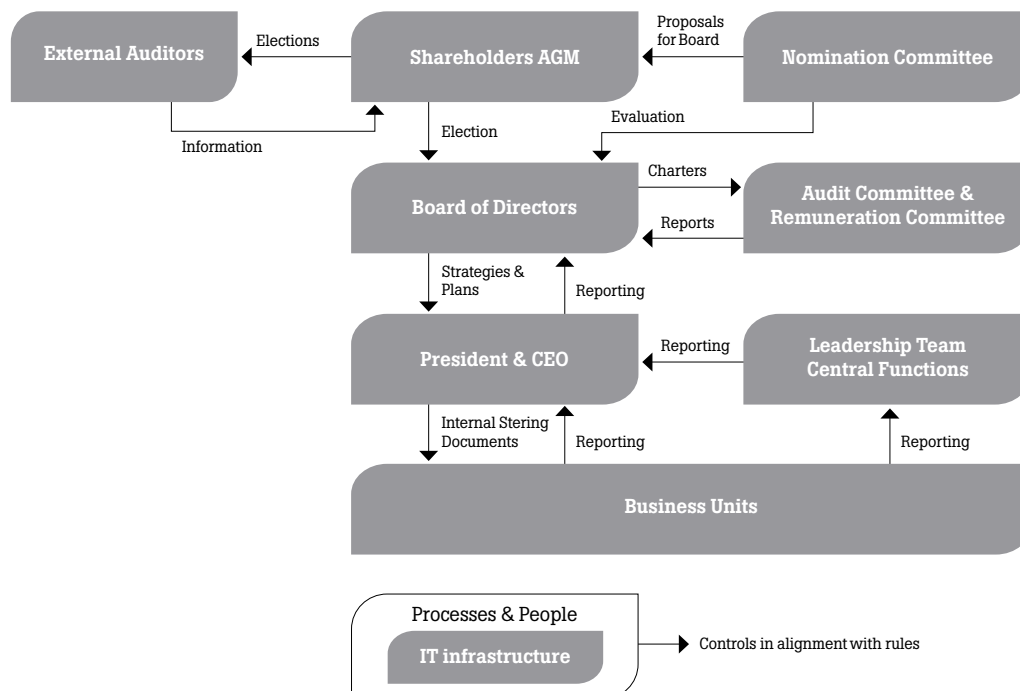
OVERVIEW OF CORPORATE GOVERNANCE AT TELE2

Sound corporate governance at Tele2 involves ensuring that the right framework for decision making has been determined, responsibility has been assigned and that there is transparent reporting that supports the understanding and monitoring of the development of the Company.

Tele2's overall framework of corporate governance can be visualised as follows:

Tele2's Governance Structure

External Steering Documents, such as Swedish Companies Act, the Annual Accounts Act, the Swedish Code of Corporate Governance, industry regulations etc.



SHAREHOLDER INFORMATION

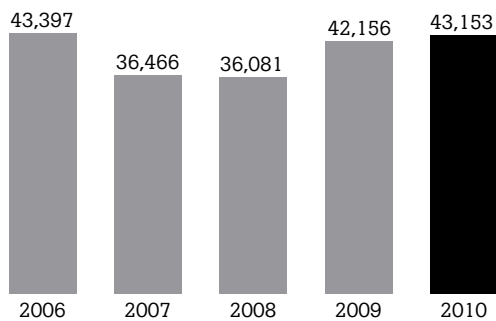
Tele2's A and B shares were first listed on the O-List of the Stockholm Stock Exchange in May 1996. Tele2 has been listed on the Nasdaq OMX Stockholm Large Cap List since October 2006. As at the end of 2010, Tele2 had approximately 43,153 shareholders and the market value of the Company was SEK 62.145 billion. In addition to shareholder meetings, Tele2 provides information to shareholders by publishing financial reports (interim reports, full year reports and annual reports) and press releases. The Company also holds regular analyst meetings.

The Tele2 share

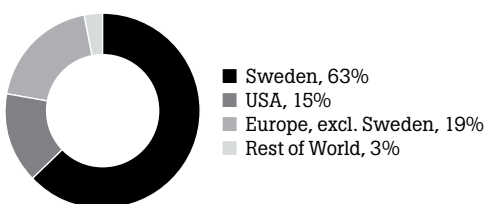
	Par value	Total outstanding shares	% of total count	Votes per share	% of total votes
A-Share	1.25	20,990,150	5	10	33
B-Share	1.25	422,704,189	94	1	66
C-Share	1.25	3,269,000	1	1	1

Graphs showing ownership structure

NUMBER OF SHAREHOLDERS



SHARE CAPITAL DISTRIBUTION, BY NATIONALITY

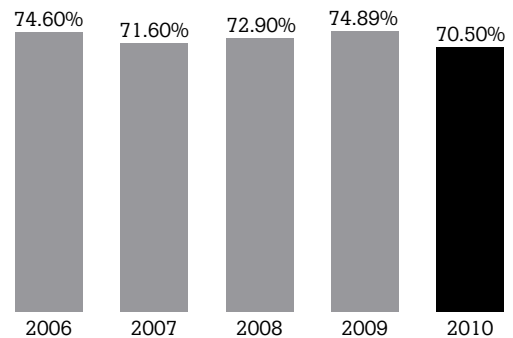


For further shareholder information, including information on share capital, voting rights, trade and market value, see our corporate website, www.tele2.com.

ANNUAL GENERAL MEETING

The 2010 Annual General Meeting ("AGM") was held on May 17, 2010. At the meeting, 582 shareholders were in attendance, personally or by proxy, representing 70.5 percent of the votes. Wilhelm Luning was elected Chairman of the meeting. All Board members elected by the AGM were present.

ATTENDANCE, % OF VOTES



The following significant resolutions were adopted at the AGM:

- It was resolved to adopt the income statements and balance sheets for the Company and the Group in respect of 2009.
- In accordance with the proposal of the Board of Directors, an ordinary dividend of SEK 3.85 per share and SEK 2 per share as extraordinary dividend (in total: SEK 2,580 million) were approved.
- The Board of Directors and the CEO were discharged from liability for the 2009 financial year.
- The AGM re-elected Mia Brunell Livfors, John Hepburn, Mike Parton, John Shakeshaft, Cristina Stenbeck and Jere Calmes and elected Lars Berg and Erik Mitteregger as directors of the Board for the period until the close of the next AGM. Furthermore, the AGM elected Mike Parton as Chairman of the Board.
- The remuneration to the Board of Directors was set for the period until the close of the next AGM. Furthermore, remuneration to the auditor shall be paid in accordance with approved invoices.
- A procedure for the preparation of the election of the Board of Directors and auditor, their remuneration and the proposal on the Chairman of the Annual General Meeting of 2011 was adopted.
- The guidelines on remuneration for senior executives were approved.
- A share based incentive programme for allocation to senior executives and other key employees in the Tele2 Group, in accordance with the Board's proposals, was adopted.
- The Board of Directors was authorised to pass resolutions, during the forthcoming period until the AGM for 2011, on purchasing or transferring so many Class A and/or Class B shares that the Company's holding does not at any time exceed 10 percent of the total number of shares in the Company. Furthermore, the Board of Directors was authorised to pass a resolution on one or more occasions during the forthcoming period until the next Annual General Meeting on transferring the Company's own Class A and/or Class B shares on the Nasdaq OMX Stockholm, or in connection with an acquisition of companies or businesses.

The minutes from the AGM are also available on our corporate website, www.tele2.com.

THE NOMINATION COMMITTEE

The principles for appointing members of the Company's Nomination Committee were determined at the AGM 2010. In accordance with these principles, Cristina Stenbeck convened a Nomination Committee during the autumn 2010 in preparation for the AGM in 2011, consisting of the major shareholders in Tele2 AB. The Nomination Committee consists of Cristina Stenbeck, as representative for Investment AB Kinnevik; Åsa Nisell as representative for Swedbank Robur Fonder; Ramsay Brufer as representative for Alecta, and Peder Hasslev as representative for AMF Pension. The four shareholder representatives in the Nomination Committee jointly represented more than 50 percent of the voting rights in the Company.

Nomination Committee for the 2011 AGM

Name	Representing	Share of votes as on December 31, 2010
Cristina Stenbeck	Investment AB Kinnevik	47.50%
Åsa Nisell	Swedbank Robur Fonder	2.27%
Ramsay Brufer	Alecta Pensionsförsäkring	1.44%
Peder Hasslev	AMF Pension	1.27%

The Board member Cristina Stenbeck has been appointed as Chairman of the Nomination Committee. The other members of the Nomination Committee have explained their decision regarding the election of the Chairman of the Nomination Committee as being in the Company's and shareholders' best interest and a natural consequence of Cristina Stenbeck leading the Nomination Committee's work in recent years, as well as her representation of the Company's largest shareholder.

The work of the Nomination Committee

In advance of the AGM 2010, the Nomination Committee has evaluated the Board's work. As the basis for the Nomination Committee's evaluation, the Chairman of the Board has presented the results of the evaluation of the Board and its members' performance in 2010. The committee submitted proposals to the 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, and remuneration for committee work.

The Nomination Committee for the AGM 2011 has been assigned the following tasks by shareholders at the AGM 2010:

- Proposing the Board of Directors and its Chairman to the AGM,
- Proposing the remuneration to members of the Board and its committees and auditor remuneration for approval by the AGM in 2011,
- Nominating a Chairman to lead the AGM, and
- Proposing a procedure for appointing members of the Nomination Committee in advance of the 2012 AGM.

The Nomination Committee for the AGM 2011 has held three meetings as of March 21, 2011, with additional contact between meetings. No compensation has been paid by Tele2 to any member of the Nomination Committee for their work.

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. At the AGM 2010, Tele2's shareholders re-elected Mia Brunell Livfors, John Hepburn, Mike Parton, John Shakeshaft, Cristina Stenbeck and Jere Calmes and elected Lars Berg and Erik Mitteregger as Directors of the Board for the period until the close of the next AGM. Furthermore, Mike Parton was elected as Chairman of the Board. The Articles of Association of Tele2 are available on the corporate website, www.tele2.com.

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

The composition of the Board

The Board's assessment, regarding each member's position of dependence in relation to the Company, its shareholders and the management is presented in the table "Composition of the Board 2010". None of the Board members are part of senior management in the Company, nor are they union representatives. 25 percent of the Board's members are women. Tele2 meets the Code requirement that the majority of the directors are independent of the Company, its executive management and major shareholders.

Composition of the Board as at December 31, 2010

Name	Born	Position	Elected	Remuneration Committee	Audit Committee	Independent	Shareholding as on March 21, 2011
Mike Parton	1954	Chairman	2007	Member	–	Yes	9,995 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
Jere Calmes	1969	Member	2008	Member	Member	Yes	4,000 B-shares
John Hepburn	1949	Member	2005	Chairman	–	Yes	306,395 B-shares
John Shakeshaft	1954	Member	2003	–	Chairman	Yes	1,200 B-shares
Cristina Stenbeck	1977	Member	2003	–	–	No **	1,400 B-shares***
Erik Mitteregger	1960	Member	2010	–	Member	No**	10,000 B-shares

* Not independent in relation to the Company and the Company's management, nor in relation to the Company's major shareholders.

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

*** In addition to her own directly held shares, Cristina is via Verdere S.ä.r.l. indirectly owner of a considerable shareholding in Tele2's major shareholder, Investment AB Kinnevik.

Mike Parton

Chairman of the Board
British

Trained as Chartered Management Accountant.

Mike 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. He has also held a number of financial positions in Marconi plc, GEC plc, STC plc and ICL.

Lars Berg

Swedish

Graduated from Gothenburg School of Economics.

Lars was a member of the executive board of Mannesmann AG as head of its telecommunications business from 1999 until the Vodafone 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 is the European venture partner of Constellation Growth Capital since 2006. He is 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 a non-executive board member of KPN/OnePhone since 2009.

Mia Brunell Livfors

Swedish

Studies in economics and business administration, Stockholm University.

Mia is President and CEO of Investment AB Kinnevik since August 2006. Mia had several managerial positions within the Modern Times Group MTG AB from 1992–2001 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 Korsnäs AB, Transcom Worldwide S.A, Millicom International Cellular S.A., Modern Times Group MTG AB, CDON Group AB and Hennes & Mauritz AB.

Jere Calmes

American

Bachelor of Arts and International Relations, Bates College, Maine, USA. Completed the Executive Development Program at Wharton School of Business.

Jere is Managing Director of Adva Capital based in Moscow, Russia. From 2007 to 2009 he was president of Pharmacy Chain 36.6 and CEO of its management company. During 2006, he was COO at Wind Telecomunicazioni S.p.A, Italy. Prior to that, he was Executive Vice President and General Manager at Vimpelcom, a Russian telecom operator.

Between 1995 and 2001 he held various senior positions within Motorola Inc, in London, Cairo and St Petersburg. Mr Calmes was a member of the Board of Directors from 2007 to 2009 for Loyalty Partners Vostok, the leading coalition loyalty program in Russia.

John Hepburn

Canadian

MBA, Harvard Business School and B.Sc. in Engineering Princeton University.

John 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.

John 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 in England and Member of the Board of Grand Hotel Holdings AB and Mölnlycke Health Care.

John Shakeshaft

British

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

John 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.

Chairman of Ludgate Environmental Fund Ltd and Investment Director of Corestone AG and of Valiance LLP. Member of the Board of TT Electronics plc, Xebec Inc. and the Economy Bank NV. Also Director of The Alternative Theatre Company Ltd, Trustee, Institute of Historical Research, London University and an external Member of the Council of Cambridge University.

Cristina Stenbeck

American and Swedish

B.Sc. Georgetown University, Washington DC, USA.

Cristina has been Chairman of the Board of Investment AB Kinnevik since 2007. Member of the Board of Metro International S.A. and Modern Times Group MTG AB since 2003.

Erik Mitteregger

Swedish

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

Erik 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. Erik has been Director of the Board of Investment AB Kinnevik since 2004. He also serves as Chairman of the Board of Wise Group AB and Director of the Board of Firefly AB and Metro International S.A. since 2009. Previously member of the Board of Invik & Co. AB 2004–2007.

The Board's responsibility and work procedures

The Board has adopted new work and delegation procedures for the Board of Directors of Tele2 AB, at the constituent Board meeting following the AGM. This procedure outlines the organisation of the Board's duties and its meetings, as well as written instructions for the Board's work and evaluation of its work. Furthermore, the Board has issued "Instructions to the Managing Director" to the President & CEO regarding his responsibilities towards the Board and 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 at the constituent Board Meeting 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. All Board members have access to the same information, enabling them to be jointly and severally liable.

THE BOARD'S WORK IN 2010

During the financial year 2010, the Board convened 5 times at different locations in Europe. In addition, 6 per capsulam meetings and 5 telephone conference meetings were held.

Below is a summary of the main topics handled by the Board during 2010:

- Review and approval of financial reports.
- Review and follow-up of internal control and corporate governance.
- Appointment of new CEO and appointment of a deputy CEO.
- Treasury matters, including approval of renegotiation of the existing credit facility agreement.
- Human resources matters, including talent management, succession planning and remuneration guidelines.
- Strategy review, including review of expansion, product portfolio, acquisition of new licenses and marketing strategies.
- Several matters regarding acquisition and divestment opportunities.
- Review of budget for 2011.
- Self evaluation of Board and evaluation of CEO and executive management.
- Auditors report and corporate sustainability matters.

Evaluation of the Board

The Chairman of the Board supervises 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 extent of their assignment.

The Board also receives reports from the Audit and Remuneration committees and evaluates their work. Furthermore, a summary of the evaluation is also 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	16	4	4
Mike Parton	16	2**	2***
Lars Berg	12*	2**	–
Mia Brunell Livfors	15	2**	4
Jere Calmes	16	4	4
John Hepburn	16	–	4
John Shakeshaft	16	4	–
Cristina Stenbeck	16	–	–
Erik Mitteregger	12*	2**	–
Vigo Carlund	4*	–	2***
Pelle Törnberg	3*	–	–

* Vigo Carlund and Pelle Törnberg retired as Board Members at the AGM 2010 and were replaced by Lars Berg and Erik Mitteregger.

** At the constituent board meeting following the AGM 2010, Mike Parton and Mia Brunell Livfors were replaced on the Audit Committee by Lars Berg and Erik Mitteregger.

*** Following the retirement of Vigo Carlund from the Board at the AGM 2010, Mike Parton was appointed as a member of the Remuneration Committee at the constituent board meeting.

The Board members are all compensated for their board work in accordance with the resolution passed at the AGM 2010. Details of compensation are shown in the table 'Remuneration to the Board during 2010'. In addition, Board members are reimbursed travelling expenses for board work, according to submitted receipts. There is no outstanding share or share-price related incentive program for the Board.

Remuneration to the Board during 2010

SEK	Fees to the Board		Fees to the Audit Committee		Fees to the Remuneration Committee		Total Fees	
	2010	2009	2010	2009	2010	2009	2010	2009
Mike Parton	1,200,000	600,000	–	100,000	25,000	–	1,225,000	700,000
Lars Berg	450,000	–	100,000	–	–	–	550,000	–
Mia Brunell Livfors	450,000	450,000	–	100,000	25,000	25,000	475,000	575,000
Jere Calmes	450,000	450,000	100,000	100,000	25,000	25,000	575,000	575,000
John Hepburn	450,000	450,000	–	–	50,000	50,000	500,000	500,000
John Shakeshaft	450,000	450,000	200,000	200,000	–	–	650,000	650,000
Cristina Stenbeck	450,000	450,000	–	–	–	–	450,000	450,000
Erik Mitteregger	450,000	–	100,000	–	–	–	550,000	–
Vigo Carlund	–	1,200,000	–	–	–	25,000	–	1,225,000
Pelle Törnberg	–	450,000	–	–	–	–	–	450,000
Total	4,350,000	4,500,000	500,000	500,000	125,000	125,000	4,975,000	5,125,000

THE 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 has to review and ensure the quality of the Company's external financial reporting. Furthermore, the Audit Committee supervises the internal control functions of the Company.

In 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 issues.
- The right to determine the procedure for receiving and dealing with complaints received by the Company with regard to accounting, internal control or audit issues.

At the constituent Board Meeting following the AGM 2010, the Board appointed John Shakeshaft as the Chairman of the Audit Committee and Jere Calmes, Lars Berg and Erik Mitteregger as ordinary members. The membership of the Audit Committee meets the independence requirements laid out in the Code.

The Audit Committee usually meets in connection with the Board meetings or the publication of external financial reports. During 2010, the Audit Committee had 4 meetings. All the members were present at all meetings. The CFO together with other Company personnel, as required, and the Company's auditors have also been present at these meetings.

In 2010, the primary issues for the Audit Committee were revision and approval of financial reports, capital structure revision, receipt of feedback 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.

THE REMUNERATION COMMITTEE

The Remuneration Committee's main work includes presenting recommendations to the Board regarding remuneration and terms of employment for executive management. These recommendations are also submitted to the President & CEO. The recommendations, especially with regard to long term incentive programs, are submitted by the Board to the AGM for approval. Following their approval, the President & CEO applies the remuneration proposals.

In performing its work, the Remuneration Committee is guided by a written charter and instructions that the Board has determined. The Board has not delegated any decision making powers to the Remuneration Committee.

The Board appoints the members and the Chairman of the Remuneration Committee. At the constituent board meeting following the AGM, John Hepburn was appointed as Chairman of the Remuneration Committee and Mia Brunell Livfors, Jere Calmes and Mike Parton were appointed as members of the Committee.

Mia Brunell Livfors is not considered independent of the Company and its executive management, which is a deviation from the provisions in the Code. Nevertheless, the Board believes that her experience will benefit the committee and the exercise of their responsibilities will be as free of conflict as if she was independent.

During 2010, the Remuneration Committee held 4 meetings. All the members were present at all meetings.

Refer to Note 34 in the Annual Report for information regarding remuneration to senior executives in 2010.

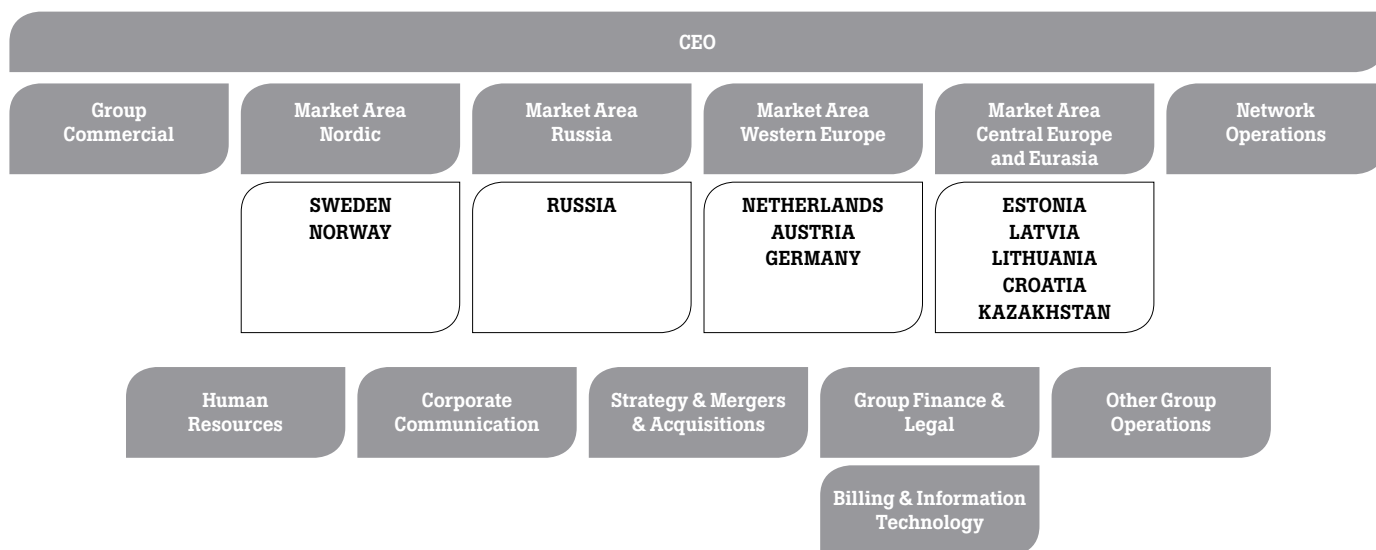
Refer to Note 35 in the Annual Report for information regarding remuneration to the auditors in 2010.

COMPANY MANAGEMENT

On February 18, 2010, Tele2 announced that the incumbent President & CEO, Harri Koponen had left the Company with immediate effect, due to irreconcilable differences over leadership. The Board appointed Mats Granryd as President and CEO of Tele2 AB effective as of 1 September 2010. Lars Nilsson, the Chief Financial Officer, served as the interim CEO in the intervening period and was later appointed as Deputy CEO.

Mats Granryd, born in 1962 has had a consistent and successful career in telecommunications internationally with Ericsson. Before joining Ericsson, he was a management consultant in telecom strategies at ARRIGO and Andersen. Mats holds an MSc from the Royal Institute of Technology in Stockholm. He holds 16,000 Tele2 B-shares and 56,000 rights.

TELE2 GROUP



The President & CEO is responsible for leading the work conducted by the Company's management and renders decisions in consultation with other senior executives in a Leadership Team.

For further information on members of the Company management, please see the Annual Report 2010 and the corporate website, www.tele2.com.

During 2010, 16 Leadership Team meetings were held. They focused on the Company's strategic and operational development and follow-up on financial performance. Besides this, key market developments and internal projects are also evaluated at the Leadership Team meetings. Other personnel and external consultants participate in these meetings, as required.

Long-term incentive program

Tele2 has 5 outstanding incentive programs. For information concerning the long term incentive (LTI) program 2006, the LTI program 2007, the LTI program 2008, the LTI program 2009 and the LTI program 2010, see Note 34 in the Annual Report and the corporate website, www.tele2.com.

AUDITOR

The head of audit for Tele2, Jan Berntsson, is the CEO of Deloitte Sweden and is also auditor for amongst others, Atlas Copco, Elekta and ICA AB. He has no assignments in businesses that are related to Tele2's major owners or CEO. During 2010, Deloitte has 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 communicated to the Audit Committee.

THE BOARD'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

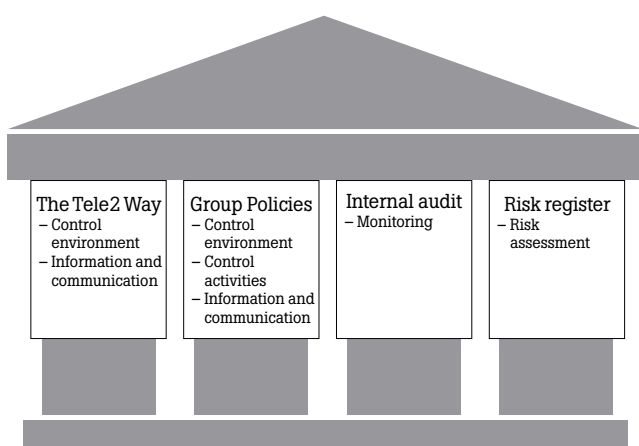
The Report on internal control and risk management over financial reporting for the year 2010 has been prepared and submitted by the Board in accordance with the Swedish Code of Corporate Governance.

Internal control

At Tele2, internal control is a process that involves the Board, the Company's Leadership Team and all employees.

Tele2's control environment is affected by shareholders' decisions in the AGM, external laws and regulations. These guide the Board and management in determining the Company's affairs. The key pillars of Tele2's internal control environment are shown in the figure 'Cornerstones of internal control'.

Cornerstones of Internal Control



Internal Control over Financial Reporting

Internal control regarding financial reporting aims to provide reasonable assurance of the reliability of external financial reporting, and that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements on listed companies. Internal control is based on four important cornerstones, which are constantly developed, implemented and monitored at Tele2.

We have in this report highlighted various important initiatives and activities that enable a better understanding of our internal control structure.

Control environment

The Board of Directors bears overall responsibility for internal control 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 control are adhered to and appropriate relations are maintained with the Company's auditors. The responsibility for maintaining an effective control environment and ongoing work on internal control has been delegated to the President and CEO and documented in the "Instructions to the Managing Director of Tele2 AB".

Tele2's control environment is significantly affected by its internal culture, which is embodied in the Tele2 Way. The basis for Tele2's internal control environment is the values and practices outlined in "The Tele2 Way".

THE TELE2 WAY

"Tele2 provides the Best deal"

- Flexibility
- Cost consciousness
- Quality
- Frank
- Challenge
- Action

For a growing company, attitudes and values are as important as competence and experience and we are strongly committed to having operations which are marked by openness, flexibility and cost-consciousness. All employees participate in a program aimed at regularly evaluating how we live according to our values. Tele2 also has an internal e-learning platform to communicate and enhance the understanding of our values.

There are internal steering documents such as a clear written instruction from the Board to the President & CEO, internal Code of Conduct, as well as Company and local policies, standards and guidelines for major operational disciplines. During 2010, Tele2 has adopted a new Code of Conduct, which applies to all personnel and everyone working on behalf of or representing Tele2. When entering into a contractual arrangement, suppliers now have to assure to uphold Tele2 standards by signing Tele2's Code of Conduct. The Code of Conduct is available on the company intranet and on the external web. Compliance with the Group policies is regularly measured through self-evaluations and audits.

The internal control environment related to financial reporting is based on a clear division of roles and responsibilities in the organization and documented accounting and reporting instructions via a Financial Reporting Manual. The financial reporting from each subsidiary is quality assured at several levels within the Group, i.e. by local management, central functions and by the Leadership Team.

Monitoring financial performance requires good planning. Financial planning and follow-up include strategic plans based on the Company's long-term goals, annual budgets, 12 month rolling forecasts and regular monitoring of results against these plans.

Risk assessment

Tele2's risk management function addresses strategic, operational and compliance risks, besides financial risks. The function has developed robust processes to identify, evaluate and monitor significant risks, which might disrupt Tele2's ability to achieve its business objectives.

At Tele2, we believe that every risk also presents an opportunity. Risk assessment, i.e. identification and evaluation of the Company's strategic, operational, financial and compliance risks, is an annual and integral part of Tele2's internal control and monitoring. The purpose of Tele2's risk management process is to achieve the following objectives:

- Fewer surprises – to ensure that all key business risks are identified, evaluated, controlled and monitored.

- Reduced loss and increased reward – to assist the Board and management with their prioritization and understanding of risks.
- Effective decision making – to assist management at all levels to prioritize their activities.
- Improved corporate governance.

Risk assessments were conducted during the year by central functions, as well as by subsidiaries to encompass the Company's processes as a whole.

Tele2's risk management program consists of the following key steps:

- **Common understanding of risk** – A basic requirement for risk management is a common understanding of risk, which at Tele2 means uncertainties that would restrict us from achieving our strategic objectives. Since our strategy is customer-focused, so is our risk analysis.
- **Risk Information** – Tele2 continuously gathers risk information from internal and external sources, which is analyzed regularly by executive management. Based on the risk importance and probability, management strategies are evolved or adjusted.
- **Risk Response** – Risk owners at Tele2 devise risk responses to effectively manage the risk level. A risk response could be to prevent or avoid, accept, reduce or share the risk depending on risk information gathered. Each of these types of responses leads to a number of control actions that are implemented.
- **Risk Monitoring** – Tele2 has put in place formal and informal internal reporting mechanisms that provide information to executive management on key risks. These include risk reviews, reporting of key risk indicators, financial planning, financial reporting, regional management structures and financial or business review meetings. Tele2 also works in close cooperation with its insurers to prevent personal and property damage, as well as to reduce the impact of business interruption.

Key risks and risk responses are regularly reported to the Audit Committee. For an elaboration of the key risks, please refer to the section Risks and Uncertainty Factors in the Administration Report.

Control activities

Tele2 performs both manual and automated controls through its business processes affecting financial reporting to mitigate risks. These control activities are based on the internal steering documents defined by the Company management. The important control activities are documented and updated regularly.

Control activities are designed to prevent, detect and correct errors and irregularities, and include, for example, analytical follow-up on decisions, a comparison between income statement items performed at several levels within the Group, check lists and automatic controls through IT systems. Also, there is a "hard close-process" that well in time before the year-end secures the quality of the annual accounts.

A division of work tasks is preferred so that different individuals conduct, or respectively, control an element. Thus, the "four eye principle" is applied throughout Tele2, whereby authority is always devolved to at least two persons.

The Company's security department works with preventive security measures and continuity management to protect the Company's physical and information assets. During 2010, improvements were made in crisis management and business continuity plans for processes affecting the customer.

Information and communication

The Company has clear information and reporting channels, which form the basis of the internal review and external financial reporting. Manuals and guidelines of significance to financial reporting are regularly updated and 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. There are also guidelines which ensure accuracy in the Company's external communication.

Monitoring

Monitoring of internal control over financial reporting includes the follow-up of monthly financial reports on budgets and targets by Company management and the Board, as well as quarterly reports to the shareholders.

In preparation for financial statements issued externally, Tele2 involves a cross-section of Company and subsidiary management in determining and drafting the disclosures included in its financial reports. The Audit Committee reviews every interim and annual report prior to publication. The Company's financial reporting procedures are also evaluated regularly.

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 legislation and applicable accounting principles.

The Company has a long tradition of internal auditing. Internal audits were conducted long before external requirements on internal auditing were introduced. The internal auditing function reports directly to the Audit Committee of the Board as well as to the Group CFO. Internal auditing independently assesses the efficiency and appropriateness of the Company's processes in order to ensure adequate risk management, internal steering and control. They also review the accounts to ensure that material risks are identified and managed in a satisfactory manner and that material financial information is reliable, correct and delivered on time.

The Internal Audit function, which is part of the Internal Control department, works in accordance with an annual plan that is approved by the Audit Committee. The plan is based on a risk analysis and encompasses prioritized companies, business areas and processes. A new audit approach implemented during the year has made the audits more risk focused than control centric. During 2010, 263 weeks of internal audits were performed across Tele2 subsidiaries. Tele2's CFO and Internal Control Director regularly report to the Audit Committee regarding the findings from internal audit and steps being taken to improve internal control.

The Internal Control department monitors all control improvements, whether sourced from reports by internal and external auditors, self-evaluations or independent examination by consultants. Follow-up of control improvements is also actively led by executive management, with regular reports to the Audit Committee.

**AUDITOR'S REPORT ON THE
CORPORATE GOVERNANCE REPORT**

To the annual general meeting of the shareholders in
Tele2 AB (publ).

Corporate identity number 556410-8917.

It is the board of directors which is responsible for the corporate
governance report for the year 2010 and that it has been prepared
in accordance with the Annual Accounts Act.

As a basis for our opinion that the corporate governance report
has been prepared and is consistent with the annual accounts and
the consolidated accounts, we have read the corporate governance
report and assessed its statutory content based on our knowledge
of the company.

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, March 17, 2011

Deloitte AB

Jan Berntsson
Authorized Public Accountant