



# Corporate Governance Report 2011

**TELE2**

## TELE2 IN BRIEF

Tele2 AB ("the Company") has 34 million customers in 11 countries and offers mobile services, fixed broadband and telephony, data network services, cable TV and content services. In 2011, the Company had net sales of SEK 40,750 (40,164) million and reported an operating profit (EBITDA) of SEK 10.852 (10,284) 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](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, given that they provide an explanation for the deviation. This report contains information regarding the following deviations from the Code:

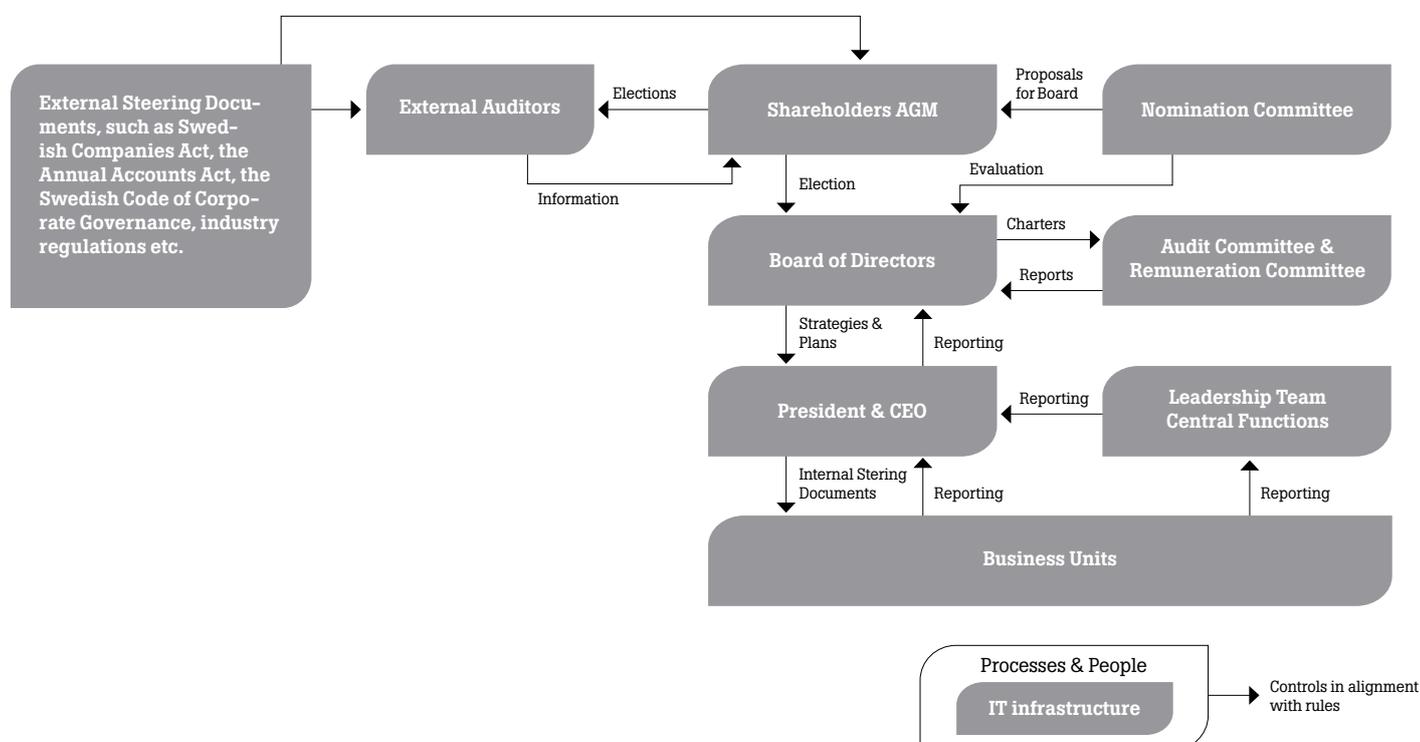
Reference from the Code	Deviation and Explanation
2.4 A member of the Board shall not chair the Nomination Committee	Cristina Stenbeck, who is the Chairman of the Nomination Committee, is also a member of the Company's Board. The other members of the Nomination Committee have explained their decision 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 representing 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



## SHAREHOLDER INFORMATION

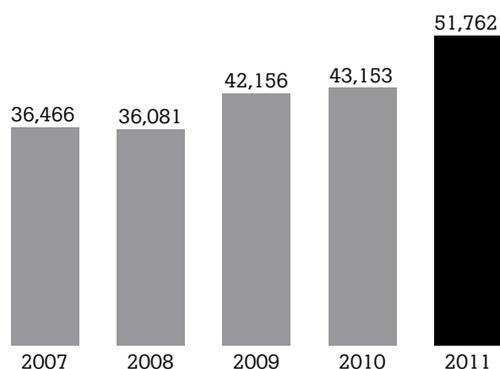
Tele2's A and B shares were first listed on the O-List of the Stockholm Stock Exchange in May 1996. Tele2 has been listed on the Nasdaq OMX Stockholm Large Cap list since October 2006. Per 31 December 2011, Tele2 had 51,762 shareholders and the market value of the Company was SEK 59,867 billion. In addition 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 arranges regular analyst meetings.

### The Tele2 share

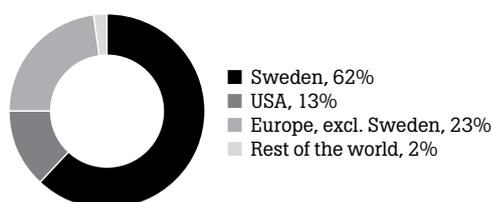
	Par value	Total issued shares	% of total count	Votes per share	% of total votes
A-Share	1.25	20,990,050	5	10	33
B-Share	1.25	423,744,289	94	1	66
C-Share	1.25	4,049,000	1	1	1

### Graphs showing ownership structure

#### NUMBER OF SHAREHOLDERS



#### SHARE CAPITAL DISTRIBUTION, BY NATIONALITY

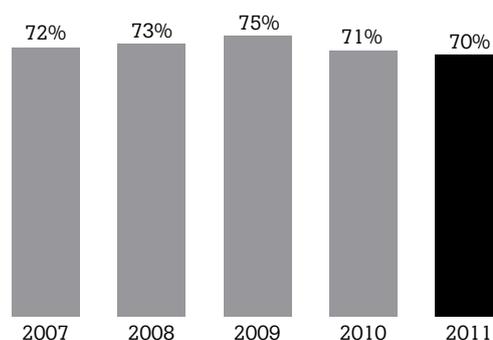


For further shareholder information, including information on share capital, voting rights, trade, and market value see our corporate website, [www.tele2.com](http://www.tele2.com).

## ANNUAL GENERAL MEETING

The 2011 Annual General Meeting ("AGM") was held on May 16, 2011. At the meeting, 712 shareholders were in attendance, personally or by proxy, representing 69.9 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 by the AGM:

- It was resolved to adopt the income statements and balance sheets for the Company and the Group in respect of 2010.
- In accordance with the proposal of the Board of Directors, an ordinary dividend of SEK 6 per share and SEK 21 per share as extraordinary dividend (in total: SEK 11,968 million) were approved.
- The Board of Directors and the CEO were discharged from liability for the 2010 financial year.
- The AGM re-elected Lars Berg, Mia Brunell Livfors, Jere Calmes, John Hepburn, Erik Mitteregger, Mike Parton, John Shakeshaft, and Cristina Stenbeck 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 of 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 2012 was adopted.
- The proposed guidelines for the remuneration of 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 2011, to purchase or transfer 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 AGM to transfer the Company's own Class A and/or Class B shares on the Nasdaq OMX Stockholm. This may only occur at a price within the share price interval registered at that time, where share price interval means the difference between the highest buying price and lowest selling price. The purpose of the authorisation is to give the Board of Directors flexibility to continuously decide on changes to the capital structure during the year and thereby contribute to increased shareholder value.

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

## THE NOMINATION COMMITTEE

The principles for appointing members to the Company's Nomination Committee were determined at the AGM 2011. In accordance with these principles, Cristina Stenbeck convened a Nomination Committee during the autumn 2011 in preparation for the AGM in 2012, consisting of the major shareholders of Tele2 AB. The membership of the Nomination Committee is shown in the table below.

### Nomination Committee for the AGM 2012

Name	Representing	Share of votes as on December 31, 2011
Cristina Stenbeck	Investment AB Kinnevik	47.50 %
Åsa Nisell	Swedbank Robur Fonder	2.2 %
Björn Lind	AMF Pension	1.2 %

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 representing the Company's largest shareholder.

### The work of the Nomination Committee for the AGM 2011

In advance of the AGM 2011, 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 self-evaluation of the Board and its members' performance in 2011. 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 2012

The Nomination Committee will present the following proposals for approval by the 2012 Annual General Meeting:

- Proposing the Board of Directors and its Chairman
- Proposing the remuneration to members of the Board and its committees and auditor remuneration
- Nominating a Chairman to lead the AGM, and
- Proposing a procedure for appointing members of the Nomination Committee in advance of the AGM 2013.
- Proposing auditors for the period 2012 – AGM 2016

The Nomination Committee for the AGM 2012 has held three meetings as of March 23, 2012, with additional contact between the 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 2011, Tele2's shareholders re-elected Lars Berg, Mia Brunell Livfors, Jere Calmes, John Hepburn, Erik Mitteregger, Mike Parton, John Shakeshaft and Cristina Stenbeck 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](http://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 2011". 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 requirement that the majority of the directors are independent of the Company, its executive management and major shareholders.

### Composition of the Board as of December 31, 2011

Name	Born	Position	Elected	Remuneration Committee	Audit Committee	Independent	Shareholding as on December 31, 2011
Mike Parton	1954	Chairman	2007	Member	–	Yes	11,395 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	406,395 B-shares
John Shakeshaft	1954	Member	2003	–	Chairman	Yes	3,820 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.à r.l. indirectly owner of a considerable shareholding in Tele2's major shareholder, Investment AB Kinnevik.

\*\*\*\* In addition to his board assignment, Jere Calmes is engaged as an advisor to Tele2 Russia as a member of an informal advisory board consisting of individuals with expert experience of relevance for Tele2 Russia. The members meet three–four times per year and have also additional contacts with Tele2 Russia in between and are remunerated with 25,000 USD for their work. The Nomination Committee does not deem that this engagement affects Jere Calmes' independence in relation to the company and its management.

**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.

**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, a non-executive board member of KPN/OnePhone since 2009 and a non-executive supervisory board member of NORMA Group AG, Frankfurt since 2011.

**Mia Brunell Livfors**

Swedish

Studies in economics and business administration,  
Stockholm University.

Mia has been President and CEO of Investment AB Kinnevik since August 2006. Mia 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 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. He 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 Trust 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 Deputy Chairman of 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. from Georgetown University in Washington DC.

Born 1977, Cristina has been a member of the Board of Directors since 2003. Cristina is Chairman of the Board of Directors of Investment AB Kinnevik since 2007. She serves as a Non-Executive Director of Metro International S.A. and Modern Times Group 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 member of the Board of Investment AB Kinnevik since 2004. He also serves as Chairman of the Board of Wise Group AB and member 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 a new work and delegation procedure 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 performance. Furthermore, the Board has issued "Instructions to the Managing Director" to the President & CEO regarding his responsibilities towards the Board, establishing 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 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. Further, certain members of the Board have been selected to form preparatory working groups on topics of special interest such as Corporate Responsibility.

### THE BOARD'S WORK IN 2011

During the financial year 2011, the Board convened 6 times at different locations in Europe. In addition, 7 per capsulam meetings and 5 telephone conference meetings were held.

Below is a summary of the main topics handled by the Board during 2011:

- Review and approval of financial reports.
- Review and follow-up of internal control and corporate governance.
- Treasury matters, including approval of Russian bond issue and a Swedish Commercial Paper programme.
- 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 and participation in license auctions or tenders.
- Review of budget for 2012.
- Self-evaluation of the Board and evaluation of the CEO and executive management.
- Adoption of shareholder remuneration and balance sheet policy.
- Auditors' report and corporate sustainability matters.

#### Evaluation of the Board

The Chairman of the Board sees to it 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. 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	18	6	4
Mike Parton	18	–	4
Lars Berg	17	5	–
Mia Brunell Livfors	18	–	4
Jere Calmes	18	6	4
John Hepburn	18	–	4
John Shakeshaft	18	6	–
Cristina Stenbeck	18	–	–
Erik Mitteregger	18	6	–

The Board members are all compensated for their board work in accordance with the resolution passed at the AGM 2011. Details of compensation are shown in the table "Remuneration to the Board during 2011". 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 2011

SEK	Fees to the Board		Fees to the Audit Committee		Fees to the Remuneration Committee		Total Fees	
	2011	2010	2011	2010	2011	2010	2011	2010
Mike Parton	1,300,000	1,200,000	–	–	25,000	25,000	1,325,000	1,225,000
Lars Berg	500,000	450,000	100,000	100,000	–	–	600,000	550,000
Mia Brunell Livfors	500,000	450,000	–	–	25,000	25,000	525,000	475,000
Jere Calmes	500,000	450,000	100,000	100,000	25,000	25,000	625,000	575,000
John Hepburn	500,000	450,000	–	–	50,000	50,000	550,000	500,000
John Shakeshaft	500,000	450,000	200,000	200,000	–	–	700,000	650,000
Cristina Stenbeck	500,000	450,000	–	–	–	–	500,000	450,000
Erik Mitteregger	500,000	450,000	100,000	100,000	–	–	600,000	550,000
<b>Total</b>	<b>4,800,000</b>	<b>4,350,000</b>	<b>500,000</b>	<b>500,000</b>	<b>125,000</b>	<b>125,000</b>	<b>5,425,000</b>	<b>4,975,000</b>

In addition to the above, John Shakeshaft received 0 (315,000) SEK and Jere Calmes received 169,000 (158,000) SEK in compensation for work in the Advisory Board to Tele2 Russia.

### 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.

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 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 2011, 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 2011, the Audit Committee held 4 meetings. All the members were present at all meetings except for Lars Berg who could not participate in one meeting. The Chairman of the Board and CEO of the Company are invited to participate in each Audit Committee meeting. The CFO together with other Company personnel, as required, and the Company's auditors were also present at the meetings.

In 2011, the primary issues for the Audit Committee were approval of financial reports, capital structure review, 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, including recommendations for long term incentive programs, are submitted by the Board to the AGM for approval. Following their approval, the President & CEO applies the remuneration proposals.

When 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 Chairman of the Remuneration Committee and Mia Brunell Livfors, Jere Calmes and Mike Parton were appointed members of the Committee.

Mia Brunell Livfors is not considered independent of the Company and its executive management, which is a deviation from paragraph 9.2 of 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 were independent.

During 2011, the Remuneration Committee held 4 meetings. All members were present at all meetings.

Refer to Note 34 in the Annual Report for information regarding remuneration to senior executives in 2011.

### COMPANY MANAGEMENT

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 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, 56,000 rights (2010) and 56,000 rights (2011).

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 the Leadership Team.

## TELE2 GROUP



For further information on members of the Company management, please see the Annual Report 2011 and the corporate website, [www.tele2.com](http://www.tele2.com).

During 2011, 11 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 were also evaluated at the Leadership Team meetings. Other personnel and external consultants participated in these meetings, as required.

### Long-term incentive program

Tele2 has 4 outstanding incentive programs. For information concerning the long term incentive, the LTI program 2007, the LTI program 2009, the LTI program 2010 and the LTI program 2011, see Note 34 in the Annual Report 2011 and the corporate website, [www.tele2.com](http://www.tele2.com).

### AUDITOR

The head of audit of Tele2, Jan Berntsson, is the CEO of Deloitte Sweden and is also auditor of, 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 2011, 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 approved by the Audit Committee.

Refer to Note 35 in the Annual Report for information regarding remuneration to the auditors in 2011.

## THE BOARD'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

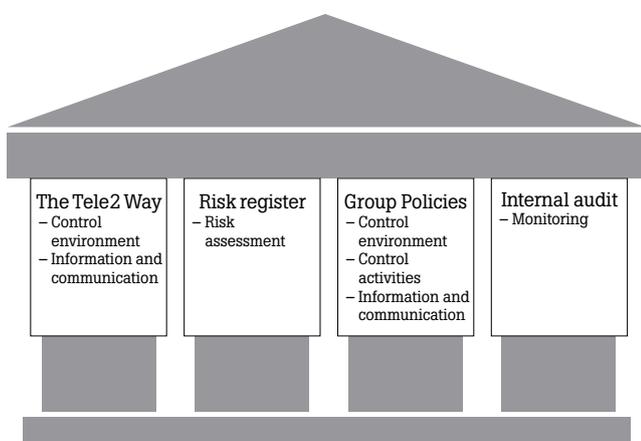
The Report on internal control and risk management over financial reporting for the year 2011 has been prepared and submitted by the Board in accordance with the Swedish Code of Corporate Governance.

### 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 other 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 to ensure that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies. Internal control is based on four important cornerstones, which are constantly developed, implemented and monitored at Tele2.

In this report, we have 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 that 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".

The basis for Tele2's internal control environment is the values and practices outlined in "The Tele2 Way".

For a growing company, attitudes and values are as important as competence and experience and we are strongly committed to

### THE TELE2 WAY

"Tele2 provides the Best deal"

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

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 its values.

There are internal steering documents, such as an internal Code of Conduct, as well as Company and local policies, standards and guidelines for major operational disciplines. 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's intranet and on the external web. Compliance with the other Group policies is regularly measured through self-evaluations and audits.

The internal control environment related to financial reporting is also 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, rolling forecasts and regular monitoring of results against those plans.

### Risk assessment

At Tele2, we believe that every risk also presents an opportunity. We work proactively to identify and monitor the most important risks through an enterprise risk management program. The process is briefly described below.

Risk assessment covers strategic, financial reporting and compliance risks. The purpose of Tele2's risk management process is designed 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 in prioritising their activities.

The Board of Directors bears overall responsibility for risk management whereas the President & CEO is responsible for day-to-day risk management. Tele2 has a central risk management function within Group Finance & Legal that coordinates the risk management efforts. The President & CEO reports to the Board, at each meeting, on key risks facing the Company when moving towards reaching its strategic objectives.

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

- **A 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 Mitigation** – Risk owners at Tele2 devise methods or 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 the risk information gathered. Each of these types of responses leads to a number of control actions that are implemented.
- **Risk Monitoring** – Tele2 has implemented formal and informal internal reporting mechanisms that provide information on the risk level for key risks. Those include risk reviews, reporting of key risk indicators, financial planning, financial reporting, regional management structures and financial or business review meetings.

Key risks and risk responses are regularly reported to the Board. 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. Furthermore, there is a "hard close-process" that secures the quality of the annual accounts well in time before the year-end.

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 2011, improvements were made in data privacy protection and crisis management 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 concerned employees. 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 the accuracy of 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. The audit approach makes the audits more process and risk focused than control centric. During 2011, 300 weeks of internal audits were performed across Tele2 subsidiaries. Tele2's Internal Control Director regularly reports to the Audit Committee regarding the findings from the internal audit and the steps that are being taken to further improve internal control. Tele2 has also performed an internal self-assessment of its internal audit function using the Quality assurance methodology of the Institute of Internal Auditors.

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 and Leadership Team.

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Stockholm, March 16, 2012

Mike Parton  
*Chairman*

Lars Berg

Mia Brunell Livfors

Jere Calmes

John Hepburn

Erik Mitteregger

John Shakeshaft

Cristina Stenbeck

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 identity number 556410-8917

It is the Board of Directors who is responsible for the corporate governance report for the year 2011 and that it has been prepared in accordance with the 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, March 16, 2012

Deloitte AB

Jan Berntsson  
*Authorized Public Accountant*