

# 2008 Corporate Governance Report

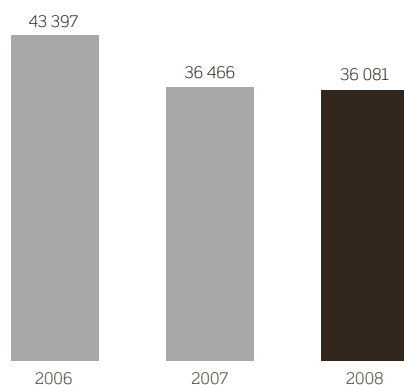
Tele2 AB (publ) is a Swedish public stock corporation with shares listed on the OMX Nordic Exchange and thus applies the Swedish Code of Corporate Governance, "the Code" as amended July 1 2008. Deviations from the Code are permitted but must be explained. This Corporate Governance Report is prepared in accordance with the provisions of the Code. The Corporate Governance Report is not a part of the formal Annual Report and has not been reviewed by the Company's auditor.

## SHAREHOLDER INFORMATION

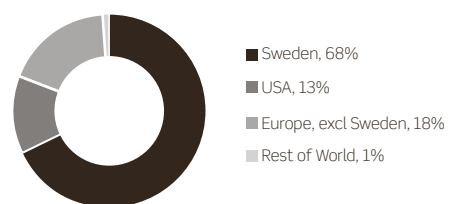
Tele2's A and B shares were first listed on the O-List of the Stockholm Stock Exchange in May 1996. Tele2 has been listed on the OMX Nordic Exchange Large Cap List since October 2006. As at the end of 2008, Tele2 had approximately 36,000 shareholders and the market value was SEK 30.723 billion. Tele2 fulfils the requirements of the Code as well as other acts and regulations applying to the Company with regard to providing information to shareholders. This is primarily achieved by means of financial reports such as interim reports, full year report and annual report and by press releases. The Company also carries out investor and analyst meetings. Tele2 regularly updates and improves its corporate web site [www.tele2.com](http://www.tele2.com) and financial reports in order to increase understanding of the Company's strategies and results.

	Par value	Share capital	Shares owned as per VPC's share register	% of total count	Votes per share	% of total votes
A Share	1.25	38,173,706	38,113,212	8.50	10	48
B Share	1.25	406,677,633	405,026,980	90	1	51
C Share	1.25	4,948,000	4,948,000	1.1	1	1

## OWNERSHIP STRUCTURE



## SHAREHOLDERS, BY NATIONALITY



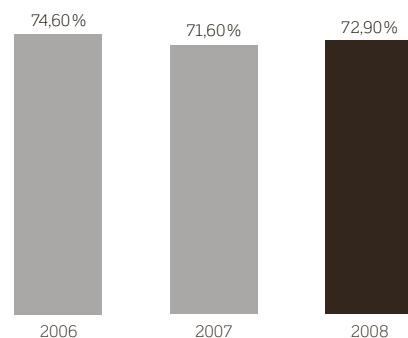
For further shareholder information including information on share capital, voting rights, trade and market value, see the section "Shares and ownership structure" on the corporate web site [www.tele2.com](http://www.tele2.com).

## ANNUAL GENERAL MEETING

The General Meeting is, according to the Swedish Companies Act, the Company's highest decision-making body. The Annual General Meeting, the AGM, elects the Board and the Company's auditors and moreover, amongst other things decides on changes in the Articles of Association. At the AGM shareholders are given the opportunity to speak, put forward proposals and pose questions to the Board and CEO. At the AGM the President and CEO submits reports on the Company's development. The 2008 AGM was held on May 14 2008. At the meeting, 206 shareholders were in attendance, personally or by proxy, representing 72.90 percent of the votes. Martin Börresen was elected Chairman of the meeting. All Board Members elected by the AGM were present.

The following significant resolutions were adopted at the AGM:

## ATTENDANCE, % OF VOTES



- Discharged the Board of Directors and the CEO from liability for the 2007 financial year.
- Re-election of existing Board of Directors and election of Jere Calmes as a new Board Member.
- In accordance with the proposal of the Board of Directors, approve an ordinary dividend of SEK 3.15 per share and a special dividend of SEK 4.70 per share.
- Set the remuneration for the period until the close of the next Annual General Meeting to the Board of Directors. Furthermore, remuneration to the auditor shall be paid in accordance with an approved bill which specifies time, persons who worked and tasks performed.
- Appoint Deloitte AB as auditor with the authorised public accountant Jan Berntsson as main responsible auditor, for a period of four years.
- Adopt a procedure for the election of the Board of Directors and auditor.
- Approve the guidelines on remuneration for senior executives.
- Adopt an incentive programme for allocation to senior executives and other key employees in the Tele2 Group, in accordance with the Board's proposals.
- Authorise the Board of Directors to pass resolutions, during the period up until the next Annual General Meeting, 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. The authorisation includes the right to resolve on purchases or transfers of shares on NASDAQ OMX Stockholm pursuant to applicable trading rules, as well as on transfers of shares in connection with acquisition of companies or businesses in which case payment for transferred shares may be made in other forms than cash.

#### THE NOMINATION PROCESS

##### The Nomination Committee

The Nomination Committee is a body of the Annual General Meeting (AGM) with the task to propose decisions to the AGM on electoral and remuneration issues and, where applicable, procedures for the appointment of next year's Nomination Committee. The Nomination Committee is to promote the interests of all shareholders.

The Nomination Committee is responsible among other things for:

- Evaluating the Board's composition and work;
- Submitting proposals to the AGM on the election of Members of the Board and Chairman of the Board;
- Preparing proposals regarding election of auditors in cooperation with the Audit Committee, when relevant;
- Submitting proposals to the AGM on the remuneration of the Members of the Board and auditor;
- Submitting proposals on Chairman of the AGM;
- Preparing proposal for the administration and order of appointment of the Nomination Committee.

The principles for appointing the Members of the Company's Nomination Committee were determined at the AGM 2008. In accordance with these principles, Cristina Stenbeck convened a Nomination Committee during the autumn 2008 in preparation for the AGM in 2009, consisting of the major shareholders in Tele2 AB. The Nomination Committee consists of Cristina Stenbeck, on behalf of Investment AB Kinnevik and Emesco AB; Åsa Nisell as representative of Swedbank Robur; Ramsay Brufer as representative of Alecta, and; Peter Lindell as representative for AMF Pension. The four shareholder representatives in the Nomination Committee jointly represented more than 50 percent of voting rights in the Company as per September 2008. The membership of the Nomination Committee meets the independence requirements laid out in the Code.

##### Nomination Committee for the 2009 AGM

Name	Representing	Share of votes as at Dec 30, 2008
Cristina Stenbeck	Investment AB Kinnevik, Emesco AB	45.0%
Åsa Nisell	Swedbank Robur Fonder	4.1%
Peter Lindell	AMF Pension	2.5%
Ramsay Brufer	Alecta Pensionsförsäkring	2.0%

The Board Member Cristina Stenbeck has been appointed as Chairman of the Nomination Committee, which deviates from what the Code prescribes. The other Members of the Nomination Committee have declared their decision regarding the election of the Chairman of the Nomination Committee as being in the company and shareholders' best interest and a natural consequence of Cristina Stenbeck representing the Company's largest shareholders. Shareholders can submit proposals to the Nomination Committee ahead of the AGM 2009.

##### The work of the Nomination Committee

The Nomination Committee has been assigned the task of proposing the Board of Directors and its Chairman, as well as proposals for Board remuneration and auditor remuneration for approval by the AGM in 2009. The Nomination Committee has moreover been assigned the task of nominating a Chairman to lead the AGM and to propose a procedure for appointing Members of the Nomination Committee in advance of the 2010 AGM.

The Nomination Committee has held five meetings, with additional contact between meetings. As the basis for the Nomination Committee's work regarding the nomination of a Board, the Chairman of the Board, Vigo Carlund, has presented the results of the evaluation of the Board and its Member's performance in 2008. No specific compensation has been paid by Tele2 to any Members 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 Board Members. At the AGM 2008, Tele2's shareholders re-elected Mia Brunell Livfors, Vigo Carlund, John Hepburn, Mike Parton, John Shakeshaft, Cristina Stenbeck and Pelle Törnberg as Board Members. Jere Calmes was elected as a new Board Member. Further, Vigo Carlund was re-elected as Chairman of the Board of Directors.

The Group's President & CEO, Harri Koponen, attends the Board meetings except for when his work is being evaluated. The Group CFO, Lars Nilsson also attends the Board meetings as does the Company Secretary who has the responsibility for the Minutes of the Board. This position has during 2008 been held by Susanne Lindberg and Jonas Bengtsson. Other employees participate in the Board meetings to make presentations on particular matters, or as required by the Board.

**The composition of the Board**

The Board's assessment, regarding the Member's position of dependence in relation to the company and the shareholders is presented in the table "Composition of the Board 2008". None of the Board members is part of senior management in the Company nor is a union representative. 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 and its executive management. Further, five of the eight Directors are also independent of the Company's major shareholders.

**Vigo Carlund**

Chairman of the Board

Swedish. Born 1946. Elected 1995.

Vigo Carlund has since 1980 been CEO for various companies, such as Svenska Motor AB SMA, SMA Group USA, Korsnäs AB and Transcom Worldwide S.A. Between May 1999 until August 2006 he was the President and CEO of Investment AB Kinnevik.

Presently Chairman of the Board of Korsnäs AB, and moreover Member of the Board of Investment AB Kinnevik, Academic Work Solutions AB and Net Entertainment NE AB.

Share holdings 26,000 B shares, including related natural and legal persons.

**Jere Calmes**

American. Born 1969. Elected 2008.

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

President of Pharmacy Chain 36.6 and CEO of its Management Company since 2007.

During 2006 he was COO at Wind Telecomunicazioni S.p.A, Italy. Before 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. Member of the Board of Directors for Loyalty Partners Vostok, the leading coalition loyalty program in Russia.

Share holdings -

**Mia Brunell Livfors**

Swedish. Born 1965. Elected 2006.

Studies in economics and business administration, Stockholm University.

President and CEO of Investment AB Kinnevik (as of August 2006).

Since 1992 Mia Brunell Livfors has had several positions within the Modern Times Group MTG AB and served as CFO between of 2001-2006. Furthermore, she is currently the Chairman of the Board in Metro International S.A and Member of the Board of Millicom International Cellular S.A., Modern Times Group MTG AB, Transcom Worldwide S.A. and H & M Hennes & Mauritz AB.

Share holdings 1,000 B shares, including related natural and legal persons.

**John Hepburn**

Canadian. Born 1949. Elected 2005.

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

Has held a number of positions at Morgan Stanley since 1976, amongst other positions, Managing Director, Morgan Stanley & Co. and Vice Chairman of Morgan Stanley Europe Ltd.

Name	Born	Position	Elected	Remuneration committee	Audit committee	Independence	Shareholding as at 31 Dec 2008
Vigo Carlund	1946	Chairman	1995	Member <sup>1</sup>	-	No <sup>2</sup>	26,000
Jere Calmes	1969	Member	2008	Member	Member	Yes	-
Mia Brunell Livfors	1965	Member	2006	Member	Member	No <sup>2</sup>	1,000
John Hepburn	1949	Member	2005	Chairman <sup>1</sup>	-	Yes	166,395
Mike Parton	1954	Member	2007	-	Member	Yes	9,400
John Shakeshaft	1954	Member	2003	-	Chairman	Yes	1,200
Cristina Stenbeck	1977	Member	2003	-	-	No <sup>2</sup>	1,400
Pelle Törnberg	1956	Member	2007	-	-	Yes	1,400

<sup>1</sup> Vigo Carlund was appointed Chairman of the Remuneration Committee at the constituent Board meeting after the 2008 AGM. However, during the year, it was decided that John Hepburn should take over the position as Chairman and Vigo Carlund continue his work as a Member.

<sup>2</sup> Vigo Carlund, Mia Brunell Livfors and Cristina Stenbeck are considered dependent in relation to the Company and its senior management. Furthermore they are considered dependent in relation to the Company's major shareholders since they have assignments at Tele2's largest shareholder, Investment AB Kinnevik.

Senior advisor to Morgan Stanley. Chairman of the Board of Sportfact Ltd. Vice Chairman of the Board of UKRD Ltd. Member of the Board of Grand Hotel Holdings AB and Mölnlycke Health Care.

Share holdings 166,395 B shares, including related natural and legal persons.

### **Mike Parton**

British. Born 1954. Elected 2007.

Trained as Chartered Management Accountant.

Present CEO and Chairman of Damovo Group Ltd, an international IT-company, and Member of the Chartered Institute of Management Accountants. Furthermore he is a Director of Coventry City Football Club and Member of the Advisory Board of a UK charity called Youth at Risk.

He was CEO of Marconi plc between 2001-2006. He has also held a number of financial positions in Marconi plc, GEC plc, STC plc and ICL.

Share holdings 9,400 B shares, including related natural and legal persons.

### **John Shakeshaft**

British. Born 1954. Elected 2003.

MA Cambridge University, UK.

John Shakeshaft has more than 23 years experience as a banker. He was Managing Director of Financial Institutions, ABN AMRO, 2004-2006. Managing Director and Partner of Cardona Lloyd, 2002-2004 at Lazard, 2000-2002 and at Barings Bank, 1995-2000.

Chairman of Ludgate Environmental Fund Ltd and Investment Director of Corestone AG.

Member of the Board of TT Electronics Inc, Questair Inc, The Economy Bank NV. Also Chairman of The Alternative Theatre Company Ltd and an external Member of the Audit Committee at Cambridge University.

Share holdings 1,200 B shares, including related natural and legal persons.

### **Cristina Stenbeck**

American and Swedish citizen. Born 1977. Elected 2003.

B.Sc. Bachelors of Science

Chairman of the Board of Investment AB Kinnevik since May 2007 and Emesco AB since October 2002. Member of the Board of Metro International S.A., Modern Times Group MTG AB, Transcom WorldWide S.A.

Share holdings 1,400 B shares, including related natural and legal persons.

### **Pelle Törnberg**

Swedish. Born 1956. Elected 2007.

Studies at the School of Journalism at Gothenburg University.

Until 2007 he was the President and CEO of Metro International S.A.

Between 1997 and 2000 he was the President and CEO of Modern Times Group MTG AB.

He is a Member of the Board of Modern Times Group MTG AB and the Swedish American Chamber of Commerce.

Share holdings 1,400 B shares, including related natural and legal persons.

### **The Board's responsibility and work procedures**

In addition to the division of work that generally applies according to the Swedish Companies Act, the Board has adopted a work and delegation procedure at the constituent Board meeting following the Annual General Meeting. The annually determined 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. Further, the Board has issued written instructions to the President & CEO regarding his responsibilities towards the Board and authority to execute the Company's management, including any limitations thereto.

The Board is responsible for oversight of Tele2's overall, long-term strategies and goals and it approves budgets, business plans, financial reports, investment and personnel proposals, makes decisions regarding acquisitions and disposals and monitors the CEO's work and the Company performance. The Board also evaluates the quality of the Company's internal control functions, the financial reports and communicates with the Company's auditors mainly 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 held in conjunction with the AGM, appointed a Remuneration Committee and an Audit Committee with special tasks. These committees are the Board's preparatory bodies and do not reduce the Boards 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 2008**

During the financial year 2008 the Board convened ten times at different locations in Europe. In addition three per capsulam meetings and eight telephone conference meetings were held.

Below is a summary of the topics handled by the Board during 2008:

- Review of full year report
- Review of expansion and marketing strategies
- Acquisition and divestment matters
- Discussion of new organisational structure
- Review of internal control; review of infrastructure strategies
- Share repurchase program; Executive remuneration; Incentive programs
- Budget review; Auditor's report; Corporate sustainability report
- Corporate governance and internal control review

- Treasury matters; Incentive programs
- Strategy review; Review of expansion and marketing strategies
- Budget review
- Evaluation of executive management

#### Evaluation of the Board

The Chairman of the Board supervises that an annual self assessment evaluation 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 Chairman also receives reports from the Audit and Remuneration Committee and evaluates their work. Finally, 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	21	9	4
Vigo Carlund	21	-	4
Jere Calmes	10 <sup>1</sup>	6 <sup>1</sup>	2 <sup>1</sup>
Mia Brunell Livfors	20	9	4
John Hepburn	21	-	4
Mike Parton	19	8	-
John Shakeshaft	18	9	-
Cristina Stenbeck	20	-	-
Pelle Törnberg	19	-	-

<sup>1</sup> Jere Calmes was elected to the Board after the 2008 AGM, following which there were 13 Board, 6 Audit Committee and 2 Remuneration Committee meetings.

#### THE AUDIT COMMITTEE

The Board appoints the Members and the Chairman of 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 process as well as to review and ensure the quality of the Company's external financial reporting. Further, the Audit Committee also 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;
- The right to manage the procurement of audit services and approve the audit costs within the framework provided by the AGM;
- Maintaining the Company's relations with external and internal auditors as well as reviewing the scope and results of their work.

At the constituent Board Meeting following the AGM 2008, the Board re-appointed John Shakeshaft as the Chairman of the Audit Committee and Mia Brunell Livfors and Mike Parton as ordinary Members Jere Calmes, was co-opted as a Member of the Audit Committee in July 2008. The membership of the Audit Committee meets the independence requirements laid out in the Code.

The Audit Committee usually meets in connection with Board meetings or the publication of external financial reports. During 2008, the Audit Committee had nine meetings. The CFO together with other Company staff, as required, and the Company's auditors have also been present at these meetings when required.

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

#### THE REMUNERATION COMMITTEE

The Remuneration Committee's main work includes presenting recommendations to the Board regarding all aspects of remuneration and terms of employment for senior group management.

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. During 2008, the Remuneration Committee consisted of Vigo Carlund, Mia Brunell Livfors, John Hepburn and Jere Calmes, who was co-opted in August 2008. At the constitutional board meeting held after the 2008 AGM, Vigo Carlund was elected Chairman of the Remuneration Committee. However, at a later stage during the year it was decided that John Hepburn should take over the position as Chairman and Vigo Carlund continued his work as a Member.

Mia Brunell Livfors and Vigo Carlund are not considered independent of the Company and its executive management which is a deviation from the provisions in the Code. The Board however considers that their experience will benefit the Company and make them suitable committee members. The Code notwithstanding, the Board believes that they will be as free of conflict as if they were independent.

During 2008, the Remuneration Committee held four meetings.

#### Group Management

Harri Koponen was appointed as the President and CEO of Tele2 AB effective from 18 August 2008. Harri Koponen, born in 1962, succeeded Lars-Johan Jarnheimer as President and CEO. Harri Koponen has a strong industry background from his previous roles as President and CEO at Wataniya Telecom, deputy CEO and president of International Operations at TeliaSonera AB, President and CEO at Sonera Corporation Ltd. and Executive VP and General Manager for Consumer Products North America at Ericsson AB. Harri Koponen holds 8,000 Tele2 B-shares.

## Remuneration to the Board during 2008

SEK	Fees to the Board		Fees to the Audit Committee		Fees to the Remuneration Committee		Total Fees	
	2008	2007	2008	2007	2008	2007	2008	2007
Vigo Carlund	1,200,000	1,000,000	-	-	32,535 <sup>1</sup>	50,000	1,235,535	1,050,000
Jere Calmes	450,000	-	100,000	-	25,000	-	575,000	-
Mia Brunell Livfors	450,000	400,000	100,000	50,000	25,000	25,000	575,000	475,000
John Hepburn	450,000	400,000	-	-	42,465 <sup>1</sup>	25,000	492,465	425,000
Mike Parton	450,000	400,000	100,000	50,000	-	-	550,000	450,000
John Shakeshaft	450,000	400,000	200,000	150,000	-	-	650,000	550,000
Cristina Stenbeck	450,000	400,000	-	-	-	-	450,000	400,000
Pelle Tornberg	450,000	400,000	-	-	-	-	450,000	400,000
Total	4,350,000	3,400,000	500,000	250,000	125,000	100,000	4,975,000	3,750,000

<sup>1</sup> Vigo Carlund was appointed Chairman of the Remuneration Committee at the constituent Board meeting after the 2008 AGM. However, during the year, it was decided that John Hepburn should take over the position as Chairman and Vigo Carlund continue his work as a Member. The fees have been pro rated accordingly.

The President & CEO is responsible for leading the work conducted by Group management and renders decisions in consultation with other senior executives in an Executive Board, which currently consists of six other persons.

**Salary and other remuneration**

Remuneration issues concerning senior executives are prepared by the Board via the Remuneration Committee, which submits proposals of remuneration to the President and CEO and also defines guidelines for remuneration to senior Group management which the CEO applies following approval by the General Meeting. Proposals for incentive programs are submitted by the Remuneration Committee to the Board, which in turn decides whether to bring the program to the AGM.

Refer Note 36 in the Annual Report for information regarding remuneration to senior executives during 2008.

Refer Note 37 in the Annual Report for information regarding remuneration to the auditors during 2008.

The Board members are all compensated for their board work in accordance with the resolution passed at the AGM 2008. Details of compensation are shown in the table 'Remuneration to the Board during 2008'. In addition, Board Members are also reimbursed travelling expenses for board work, according to submitted receipts. There is no outstanding share or share-price related incentive program 2008-2011 for the Board.

**Share and share-price related incentive programs**

Tele2 has three outstanding incentive programs. During 2008, the AGM approved an incentive program for allocation to senior executives and other key employees in the Tele2 group, in accordance with the Board's proposals. For information concerning the incentive program 2006 - 2011, the incentive program 2007 - 2012 and the incentive program 2008 - 2011, see Note 36 in the Annual Report and Tele2 corporate website [www.tele2.com](http://www.tele2.com).

**AUDITOR**

The Nomination Committee of the Board reviews the auditor's appointment and remuneration each year and made a proposal to the shareholder's Annual General Meeting (AGM). Based on this recommendation, at the AGM in May 2008, the appointment of registered audit firm Deloitte AB as the Company's auditors was renewed for a further period of four years.

The head of audit for Tele2, Jan Berntsson, is the CEO of Deloitte Sweden and is also auditor for amongst others, Elekta, ICA AB and Poolia. He has no assignments in businesses that are related to Tele2's major owners or CEO. During 2008, Deloitte has performed services for Tele2 besides the ordinary audit assignments with regard to advice in accounting and tax issues, which scope of work is further described in Note 37 in the Annual Report. All non-audit services performed by the auditor are communicated to the Audit Committee and subject to their approval.

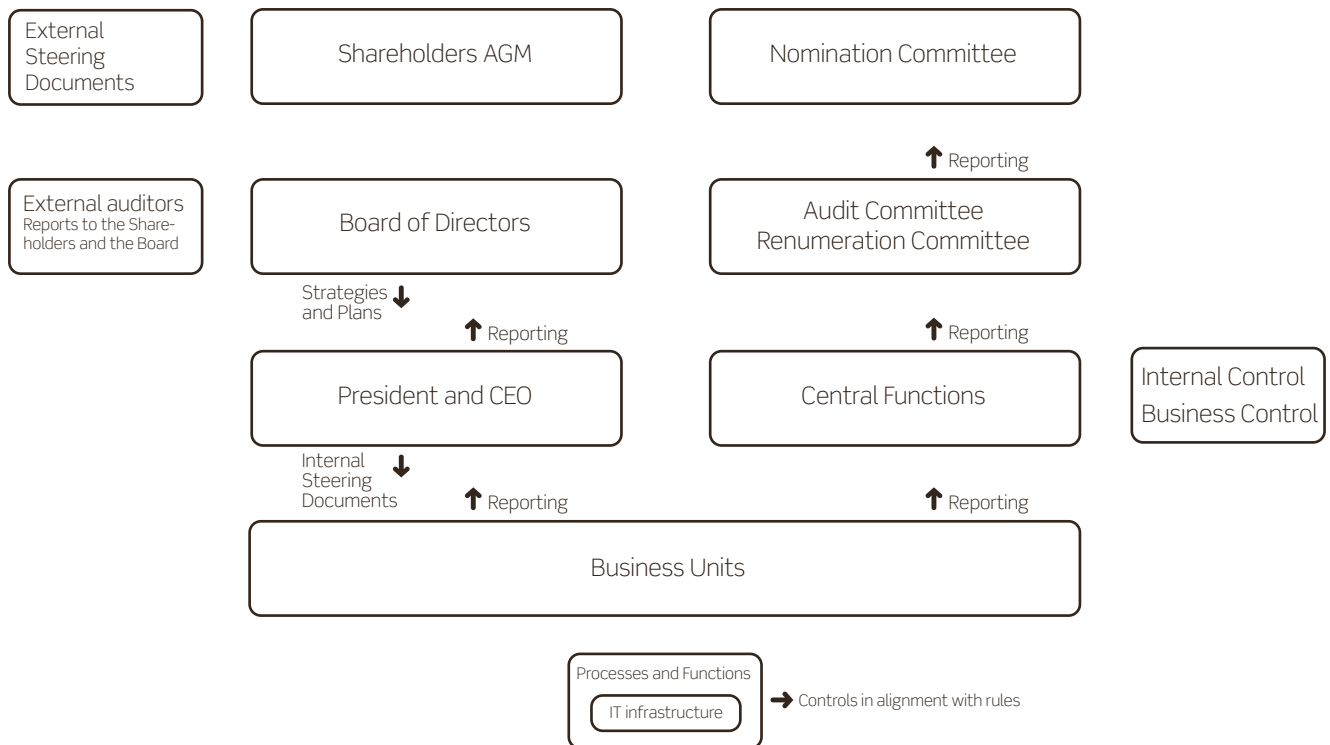
**THE BOARD'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

The Report on internal control and risk management over financial reporting for fiscal year 2008 has been prepared and submitted by the Board in accordance with the Swedish Code of Corporate Governance applicable from July 2008.

**Overview of Corporate Governance**

Internal control as regards financial reporting aims to provide reasonable assurance of the reliability of external financial reporting in the form of interim and annual reports, and that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements on listed companies. Sound corporate governance involves ensuring that the right framework for decision making has been determined, responsibility has been assigned and there is transparent reporting to understand and monitor the development of the Company.

At Tele2, internal control is a process that involves the Board, the Company's senior management and other employees. Tele2's control environment is affected by shareholders exercising their right to make decisions regarding the Company through the AGM. In addition



to these decisions, external laws and regulations guide the Board and management in determining the Company's affairs. Further, reporting and monitoring mechanisms have been setup at different levels to provide information regarding the conduct of business.

#### Control environment

The Board of Director's bear overall responsibility for internal control related to financial reporting. As a result, the Board has established a written work plan that clarifies its responsibility and regulates the Board and its committee's 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.

The basis of Tele2's internal control environment is the "The Tele2 Way", which is a collective name for our mission, our values and our work practices. For a fast growing company, attitudes and values are just 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 well we are measuring up to our values. Recently, Tele2 also launched an internal e-learning platform to communicate and enhance understanding of our values.

Internal steering documents have been established such as a clear written instruction from the Board to the President and CEO, internal Code of Business Conduct and Ethics as well as Group and local policies, standards and guidelines for major operational disciplines, including a Financial Reporting Manual.

Monitoring of 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.

Tele2's Group CFO and Internal Control department regularly report to the Audit Committee regarding the findings from internal audit and steps being taken to improve internal control.

#### Risk assessment

Risk assessment is an integral part of the Company's business control and monitoring. Group management frequently assesses the risk to achieving business objectives, and actively manages these risks. A proactive planning and reporting process aims to identify reporting gaps and market changes early. The financial reporting is secured first at local level, then on market area and finally on Group level through analyses of detailed monthly financial statements and also through a "hard close-process", that well in time before the year end secures the quality of the annual accounts. Further, group management annually conducts an overall enterprise risk assessment, including therein risks related to financial reporting. Management regularly informs the Board of key risks and its response to these risks.

#### **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 Group management. The important control activities are documented and updated regularly.

The internal control environment relating to financial reporting is based on a clear division of roles and responsibilities in the organization and documented accounting and reporting instructions.

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, check lists and automatic controls through IT systems.

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 Group's security department works with preventive security measures and continuity management to protect the Group's physical and information assets.

#### **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. The

group management and the Audit Committee report regularly to the Board according to established procedures. There are also guidelines which ensure accuracy in the Company's external communication.

#### **Monitoring**

Monitoring to ensure the effectiveness of internal control over financial reporting includes the follow-up of monthly financial reports on budgets and targets by Group management and the Board as well as quarterly reports to the shareholders. The Internal Control staff function monitors reports from internal and external auditors, which in certain cases are supplemented by self-evaluations or independent examination by consultants. Follow-up of control improvements are performed both by the Internal Control staff function and senior Group management, with regular reports to the Audit Committee.

In preparation for financial statements issued externally, Tele2 involves a cross-section of Group 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 annually by group management to ensure that they cover all important areas which have a bearing on financial reporting. The Company also 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.