

# **Tele2 Kazakhstan**

2017 Annual Status Update Report: Corporate  
Responsibility



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# 1. Introduction

This is the second annual status update report that the Tele2 Group (Tele2) publishes on corporate responsibility (CR) in Kazakhstan<sup>1</sup>, which gives an update on the progress of our CR efforts in Kazakhstan during 2017.

Tele2 took the responsibility to publish these annual updates when the joint venture was agreed on in 2016, acknowledging the importance of transparency for CR and therefore making transparency a key commitment for Tele2 Kazakhstan (Tele2 KZ) going forward.

An important milestone for Tele2 KZ was reached in 2017: the two merging companies ALTEL and Tele2 KZ were fully integrated, ahead of schedule. CR has played a significant role in the integration of the two companies.

From the very beginning, Tele2 has worked hard to apply the same level of CR standards in Kazakhstan as it does in all its operations while paying special attention to the specific challenges present in Kazakhstan. The signing of the joint venture agreement was preceded by a thorough due diligence in human rights and corporate responsibility. The due diligence was performed to ensure that the transaction and the JV would be aligned to the ethical standards of Tele2, as represented by the Tele2 Code of Conduct (CoC). The implementation of all aspects of the CoC and the Ethics and Compliance training of our employees are important instruments in achieving the CR standards that Tele2 is pursuing in its entire footprint and achieving the specific CR objectives that Tele2 sets for KZ. By training employees of the merging companies at the same time on the CoC, a dialogue was opened between employees on important topics such as corruption, transparency, and privacy, thereby facilitating the integration process in a natural way.

After this introduction, chapter 2 presents a summary table of the five CR focus areas that were agreed upon in an action plan at the time of signing the JV agreement<sup>2</sup> and also provides a summary of the main CR accomplishments of Tele2 KZ in 2017. Chapter 3 presents further information on specific actions taken, showing how these have added to achieving the goals in the different CR focus areas that were identified in the action plan. Chapter 4 gives additional information related to labor rights and the environment. Chapter 5 presents the newly defined actions for 2018 that have been selected to further progress on our CR objectives.

Tele2 provides more information on its CR results for all its operations via its annual Sustainability Report, which can be found on Tele2.com. Further information on our CR efforts in Kazakhstan can be found on [Tele2 Kazakhstan's website](#).

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<sup>1</sup> The 2016 Annual Status Update Report is available on Tele2.com [via this link](#).

<sup>2</sup> For more information, see the Tele2 report "Responsible Challenger, Corporate Responsibility in the new Joint Venture between Tele2 and Kazakhtelecom in Kazakhstan", [via this link](#).

## 2. Summary & Highlights

Straight after signing the JV agreement, the first actions were taken to follow up on the action plan that was publicly presented by Tele2 and which identified five CR focus areas: Anti-corruption, Ownership structure, Enforcement of the Tele2 Code of Conduct, Transparency and Privacy and Integrity.<sup>3</sup> The table below lists these areas and sums up the specific actions/commitments that were selected by Tele2 at the time to ensure its usual standards in CR would be achieved.

| Focus Areas                  | Item  | Status <sup>4</sup> |
|------------------------------|---|---------------------|
| Anti-Corruption              | Zero tolerance on corruption - CoC and BPCoC  | ●                   |
|                              | Ability to exit if there is a material breach of the CoC  | ●                   |
|                              | Fairness opinion confirms fair market price   | ●                   |
|                              | Transparency regarding bank accounts  | ●                   |
|                              | Warranty on use of proceeds   | ●                   |
| Ownership Structure          | Thorough due diligence process  | ●                   |
|                              | Ultimate Beneficial Owner (UBO) warranties as part of the SPA   | ●                   |
| Enforcement of the Tele2 CoC | Management control and voting control in the Joint Venture  | ●                   |
|                              | Tele2 has the right to appoint all of the Management Board (except CFO)   | ●                   |
|                              | Tele2 appoints half of the board of directors and the Chairman  | ●                   |
|                              | Tele2 educates all employees on CoC and whistle blower policy   | ●                   |
|                              | All employees are required to sign the CoC annually   | ●                   |
| Transparency                 | A CR Officer to be appointed in the Joint Venture   | ●                   |
|                              | Annual reports on operations in Kazakhstan with a particular focus on CR  | ●                   |
| Privacy and Integrity        | Regular access for ESG investors <sup>5</sup> with a focus on CR  | ●                   |
|                              | Stringent Tele2 process to manage government requests on historical data and network shutdowns  | ●                   |
| Privacy and Integrity        | Tele2 is working for increased transparency in the usage of SORM, inter alia through pressing for dialogue with the supervisory authority | ●                   |

As became clear in last year’s annual status update report, all the actions/commitments were given the status of being completed, but for three actions/commitments that are by their nature never fully completed and require continuous efforts.

<sup>3</sup> For more information, see the Tele2 report “Responsible Challenger, Corporate Responsibility in the new Joint Venture between Tele2 and Kazakhtelecom in Kazakhstan”, [via this link](#).

<sup>4</sup> A green figure ● indicates the status complete whereas a yellow figure ● means the work is in progress or is on an ongoing basis.

<sup>5</sup> Economic, Social and Governance investors.

Even though Tele2 was able to achieve all the actions/commitments by the end of 2016, the focus areas continue to require attention and are continuously reviewed for the need of new specific actions to achieve Tele2's overall CR objectives. In that context, the main accomplishments of 2017 are:

- Where 2016 marked the start of the training of all employees on the CoC and the whistle blower policy, these trainings were continued in 2017. This tailor-made Ethics and Compliance training designed by Verisk Maplecroft was expanded from senior managers to all employees of Tele2 KZ. The result of these efforts is that 80% of the employees were trained by the end of 2017.
- Specific attention is given in the training to the existence and benefits of the Tele2 whistle blower policy, leading to an increased awareness on whistleblowing in Tele2 KZ. In 2017, four cases were reported and investigated as a result from emails sent to the Tele2 whistle blower address ([report.violation@tele2.com](mailto:report.violation@tele2.com)). Two cases concerned misbehavior by management, and two cases were fraud related. Disciplinary actions were required and accordingly taken in two of the cases.
- The signing of the CoC by employees annually has successfully been continued, and 2017 marked the first year where all business partners that are required to sign the Tele2 Business Partner Code of Conduct (BPCoC) have done so.
- An exit clause in case of a material breach of the BPCoC has been introduced in the contracts with business partners this year.<sup>6</sup>
- The composition of the Tele2 KZ team was changed during the year, adding expertise to manage CR within the company.
- Tele2 KZ has continued its ongoing dialogue with the Kazakh government to share its views on CR, notably in the area the privacy and integrity of its customers. In particular, Tele2 KZ has taken a firm stance against the introduction of an IMEI database, as required by the lawmakers of Kazakhstan.

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<sup>6</sup> The threshold for business partners having to sign the BPCoC in the entire Tele2 footprint is set at (the equivalent of) 1 million SEK per year, meaning that each external party doing business with Tele2 for an annual value exceeding 1.000.000 SEK will be required to sign Tele2's CoC. Parties that can be exempted from signing are i) Governmental parties, Public Authorities and Public Institutions; ii) Fortune 500 Companies; iii) Site lease partners and iv) Interconnect/roaming partners.

### 3. Focus Areas

The five focus areas that were identified at the time of signing the JV agreement remain the material areas for Tele2 KZ to address the most important matters in relation to CR, and have therefore not been changed. In this chapter, the performance of Tele2 KZ in these areas is being reviewed for the year 2017, following up on the results of 2016. Each subparagraph starts with an overview status table, **after which an assessment of Tele2 KZ's performance in the area is given.**

#### a. Anti-Corruption

| Focus Area      | Item   | Status |
|-----------------|--|--------|
| Anti-Corruption | Zero tolerance on corruption - CoC and BPCoC             | ●      |
|                 | Ability to exit if there is a material breach of the CoC | ●      |
|                 | Fairness opinion confirms fair market price              | ●      |
|                 | Transparency regarding bank accounts                     | ●      |
|                 | Warranty on use of proceeds                              | ●      |

The first focus area is Anti-Corruption. **The provisions of Tele2's CoC governing anti-corruption** explicitly state that any form of bribery is strongly condemned and strictly prohibited. As a guideline, Tele2 allows for the receipt and offer of a gift or hospitality, if its value does not exceed €50. The bottom line is that Tele2 employees must not engage in activities forbidden by local and international anti-corruption laws.

To assess its performance on issues associated with corruption, Tele2 KZ has earlier adopted the **benchmarks laid out in Transparency International's Reporting on Anti-Corruption Programmes.** These benchmarks help demonstrate whether best practice anti-corruption measures are implemented by the company and to what extent the company is committed to preventing and countering corruption. The answers to these question/benchmarks do not differ from 2016 and are repeated here for overview purposes and convenience of the reader. Specific 2017 updates on e.g. the CoC and the BPCoC will be given under the section devoted to the enforcement of the CoC.

| Question / Benchmark   | Answer |
|--|--------|
| Does the company have a publicly stated commitment to anti-corruption?                                       | ●      |
| Does the company publicly commit to be in compliance with all relevant laws, including anti-corruption laws? | ●      |

Tele2 KZ has uploaded the Tele2 CoC onto its corporate website to ensure transparency in its CR commitments and its zero-tolerance policy towards corruption. The CR page of the website mentions that the company is a law-abiding organization that respects and operates in accordance with the governing laws of the Republic of Kazakhstan.

| Question / Benchmark  | Answer |
|---|--------|
| Does the company leadership (senior member of management or board) demonstrate support for anti-corruption? | ●      |

The Leadership Team of Tele2 KZ demonstrates support for anti-corruption, inter alia, through company-wide messages stressing the importance of anti-corruption and CR initiatives, as well as through conducting anti-corruption training for all company employees. At each training session for managers, the CEO of the company gives a welcome speech to the attendees. Also, two board members of Tele2 AB visited Kazakhstan in June 2017 to attend the Control and Compliance Committee meeting, in which the enforcement of the Tele2 CoC is a recurring agenda item.

| Question / Benchmark   | Answer |
|--|--------|
| Does the company's code of conduct/anti-corruption policy explicitly apply to all employees and directors?   | ●      |
| Does the company's anti-corruption policy explicitly apply to persons who are not employees but who are authorised to act on behalf of the company or represent it (for example: agents, advisers, representatives or intermediaries)? | ●      |

The Tele2 CoC and the anti-corruption provisions explicitly apply to all employees of Tele2 KZ, including the Management Board and the Board of Directors, as well as to Tele2 KZ's affiliates. When appointed, all employees and Directors read and sign the Tele2 CoC. All employees also read and sign it on an annual basis. In a similar manner, agents, representatives or persons acting on behalf of Tele2 KZ also read and sign the Tele2 CoC, thereby committing themselves to comply with its anti-corruption provisions.

| Question / Benchmark  | Answer |
|---|--------|
| Does the company's anti-corruption programme apply to non-controlled persons or entities that provide goods or services under contract (for example: contractors, subcontractors, suppliers)? | ●      |

The Tele2 CoC also applies to all suppliers and business partners that enter into a contract with Tele2 KZ. All suppliers of Tele2 KZ are asked to sign the Tele2 BPCoC, which obligates them to comply with anti-corruption provisions of the CoC.<sup>7</sup>

| Question / Benchmark  | Answer |
|---|--------|
| Does the company have in place an anti-corruption training programme for its employees and directors? | ●      |

The company has a training in place, focusing on anti-corruption for all employees and directors. The goal of anti-corruption training is to deter corrupt practices in the organization.

| Question / Benchmark   | Answer |
|--|--------|
| Does the company have a policy on gifts, hospitality and expenses? | ●      |

The Tele2 CoC provides that no gifts, expenses or hospitality should be received or given **unless 'it can be constituted as being within the boundaries of accepted business practices'**. The code explicitly determines that the monetary value of a gift or benefit cannot exceed €50. Moreover, the CoC goes on to conclude that the local law governing the giving and receipt of a gift or benefit must prevail, if it is stricter than the code.

| Question / Benchmark   | Answer |
|--|--------|
| Is there a policy that explicitly prohibits facilitation payments? | ●      |

In Kazakhstan, facilitation payments are equated to bribery, which encompasses bribe-giving and bribe-taking. The Tele2 CoC explicitly prohibits any form of bribery and requires employees and suppliers to follow local anti-corruption laws. Therefore, facilitation payments are prohibited under the Tele2 CoC within the context of Kazakhstan.

<sup>7</sup> The threshold for business partners having to sign the BPCoC in the entire Tele2 footprint is set at (the equivalent of) 1 million SEK per year, meaning that each external party doing business with Tele2 for an annual value exceeding 1.000.000 SEK will be required to sign Tele2's CoC. Parties that can be exempted from signing are i) Governmental parties, Public Authorities and Public Institutions; ii) Fortune 500 Companies; iii) Site lease partners and iv) Interconnect/roaming partners.

| Question / Benchmark   | Answer |
|--|--------|
| Does the programme enable employees and others to raise concerns and report violations (of the programme) without risk of reprisal?  | ●      |
| Does the company provide a channel through which employees can report suspected breaches of anticorruption policies, and does the channel allow for confidential and/or anonymous reporting (whistle-blowing)? | ●      |

Employees are obliged to report corrupt acts within the company and can do so to their managers, the Security Department or the CEO.

As an alternative reporting channel, Tele2 KZ has implemented the Tele2 whistle blower policy. Under this policy, employees can report about potentially illegal or underhand practices, both anonymously and in person. Whistleblower reports are received by Carla Smits-Nusteling, chairwoman of the Tele2 Audit Committee. As a third option, the CR Manager is also available to employees if they wish to report any wrongdoing.

| Question / Benchmark  | Answer |
|---|--------|
| Does the company carry out regular monitoring of its anti-corruption programme to <b>review the programme's suitability, adequacy</b> and effectiveness, and implement improvements as appropriate? | ●      |

Tele2 KZ has developed an anti-corruption program which includes the commitment of employees and management to the Tele2 CoC, mandatory anti-corruption training and a procurement policy. The program is based on local applicable laws and international standards for countering corruption. The adequacy and effectiveness of these efforts are monitored through internal and external audits. The company will continue to raise awareness of anti-corruption amongst its employees and business partners, implement measures to prevent and fight corruption and revisit ideas to improve its efforts when necessary.

| Question / Benchmark   | Answer |
|--|--------|
| Does the company have a policy on political contributions that either prohibits such contributions or, if it does not, requires such contributions to be publicly disclosed? | ●      |

The Tele2 CoC states that Tele2 observes neutrality regarding political parties and candidates and abides by the applicable international treaties and national legislation on lobbying activities. Tele2 KZ does not support any political party and makes no political contributions.

## b. Ownership structure

| Focus Area          | Item  | Status |
|---------------------|---|--------|
| Ownership Structure | Thorough due diligence process                                | ●      |
|                     | Ultimate Beneficial Owner (UBO) warranties as part of the SPA | ●      |

Tele2 conducted a thorough due diligence and analysis, focusing on commercial, legal and CR aspects, ahead of the signing of the JV agreement. Tele2 has also conducted an extensive due diligence around Aigul Nuriyeva regarding her ownership of Asianet. Aigul Nuriyeva has signed a UBO warranty, with remedies if broken, that she is indeed the ultimate beneficial owner of Asianet. A similar UBO warranty was obtained from Alexander Klebanov regarding his ownership of Sobrio, the largest minority shareholder of Kazakhtelecom. Tele2 is not aware of any events or information that would constitute a breach of the UBO warranties.

On 30 November 2016, it was made public that the ownership structure of Kazakhtelecom had changed: 3.4% of the shares were acquired by Alatau Capital Invest, owned by Mr. Kairat Satybaldyuly, a nephew of the Kazakh President Mr. Nazarbayev. The transaction was made at a fair market value and was publicly disclosed.

c. Enforcement of the Tele2 CoC

| Focus Area                   | Item  | Status |
|------------------------------|---|--------|
| Enforcement of the Tele2 CoC | Management control and voting control in the Joint Venture              | ●      |
|                              | Tele2 has the right to appoint all of the Management Board (except CFO) | ●      |
|                              | Tele2 appoints half of the board of directors and the Chairman          | ●      |
|                              | Tele2 educates all employees on CoC and whistle blower policy           | ●      |
|                              | All employees are required to sign the CoC annually                     | ●      |
|                              | A CR Officer to be appointed in the Joint Venture                       | ●      |

Signing the CoC – employees, suppliers and business partners

Employees of Tele2 KZ are required to sign the Tele2 CoC in writing when they join the company and re-sign electronically on an annual basis. It is important that they understand and identify with the values and principles for which Tele2 stands. By signing the Tele2 CoC, employees accept these values and demonstrate their commitment to embracing these values and principles. Each year, all employees watch the e-learning movie on the Tele2 CoC and read and re-sign it. All employees are obligated to require all contractors, business partners or any third party with which Tele2 KZ does business to sign the Tele2 BPCoC. All contract tender bidders must sign the BPCoC and those bidders that refuse to sign the BPCoC are excluded from Tele2 KZ's tender processes.

All employees have again signed the code of conduct in 2017. When being asked to re-sign the CoC, employees are also required to watch the e-learning movie again, to be able to conclude the signing process.

In accordance with Tele2 policy,<sup>8</sup> all 109 business partners that are required to sign the BP CoC had done so by the end of 2017. A clause to terminate contracts in case of a material breach of the BPCoC has been introduced in all these contracts as well. The escalation process for partners refusing to sign the BPCoC was reviewed in light of some electricity providers (that are monopolists and hence alternative providers cannot be chosen) initially refusing to sign and aligned with the escalation process that is being applied on the Tele2 Group level. In case there is no alternative business partner to choose from, and the partner refuses to sign the BPCoC, the interaction with this business partner during the interaction process with the BPCoC is logged. Furthermore, senior management is informed and involved in decision making regarding the continuation of the relationship.

**Tender bidders that refuse or cannot sign the BPCoC are excluded from Tele2's tender processes.** For those contracting third parties that do not fall under a tender process, Tele2 KZ has designed and developed an electronic program for tracking the signing of the BPCoC. The program allows Tele2 to categorize suppliers, identify those suppliers that have signed the BPCoC, and provide a macro picture of the signing status across all departments and offices in Kazakhstan. The program is now up and running.

<sup>8</sup> The threshold for business partners having to sign the BPCoC in the entire Tele2 footprint is set at (the equivalent of) 1 million SEK per year, meaning that each external party doing business with Tele2 for an annual value exceeding 1.000.000 SEK will be required to sign Tele2's CoC. Parties that can be exempted from signing are i) Governmental parties, Public Authorities and Public Institutions; ii) Fortune 500 Companies; iii) Site lease partners and iv) Interconnect/roaming partners.

## Appointment of Corporate Responsibility Manager

To design, manage and implement CR initiatives, as well as to conduct ethics and compliance training in Kazakhstan, Tele2 created a full-time position of Corporate Responsibility Manager (CR Manager) for Tele2 KZ. The position was filled on 1 April 2016, after interviews both at local and Group level (performed by the Group General Counsel).

The position became vacant again in August 2017 after the CR manager decided to pursue further studies abroad. After careful consideration, it was decided to expand the position of the Director of Regulatory Affairs to also include CR, leading to the position of Director of Regulatory Affairs and Corporate Responsibility, which became effective as of September 2017. To support the Director in the day-to-day CR work, the position of CR specialist was created. This position was filled as of September 2017 as well.

## Ethics & Compliance Training

Verisk Maplecroft, a global risk and strategic consulting firm based in the UK, developed a three-hour face-to-face Ethics and Compliance training for Tele2 KZ employees. The training materials consist of three modules, focusing on anti-corruption, right to privacy and whistleblowing. The first two modules follow the same content structure, which includes defining the issue, understanding key risks, potential impacts, strategy for managing risks and scenario exercises.

The key question the anti-corruption module addresses is how a company can successfully operate in a country ranked as bearing a considerable risk for corruption, while at the same time ensuring it does not compromise its own anti-corruption or human rights commitments. For the right to privacy module, the central question is how a company can operate in Central Asia in a legal and ethical manner, in the context of widespread government surveillance. In the whistleblowing module, the content includes defining whistleblowing, introduction to the whistle blower policy, case studies and scenario exercises.

The first trainings were conducted in July 2016 for the Leadership Team of Tele2 KZ, while another round of training **took place in September 2016 for the company's** hundred most senior managers. In 2017, the training was expanded to all Tele2 KZ employees, these trainings were initially performed by the CR Manager and Tele2 KZ's **Chief Legal Officer**. From September 2017 onwards, the training was conducted by the CR Director and the CR Specialist. By the end of 2017, 80% of the employees in Kazakhstan had received their training. Accessing employees in remote areas of Kazakhstan and providing them with the three-hour face-to-face training has proven more challenging than expected. With a better understanding of this challenge and the addition of a CR Specialist working for the CR Director, Tele2 KZ expects to reach 100% of its employees trained by Q1 2018. The response and feedback from the employees that have taken the training have been positive.

Tele2 reports on corruption in its annual Sustainability Report, for the entire group organization. For 2017 there have been no reports of incidents of corruption, incidents in which employees were dismissed or disciplined for corruption, or incidents of contracts with business partners being terminated or not renewed due to violations related to corruption. There were no incidents reported in the previous year either. Furthermore, there have been no reports of any public legal case regarding corruption brought against Tele2 or its employees during the year, nor the previous year.<sup>9</sup>

## Whistleblower

The whistle blower policy is part of the Tele2 KZ CR policy<sup>10</sup> and is one of the three modules of the Ethics and Compliance training that is provided to all Tele2 KZ employees. **In last year's annual status update report**, a goal was set for 2017 to encourage whistleblowing further, despite an

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<sup>9</sup> See GRI 205-3 in the 2017 Sustainability Report. Because this information is reviewed, it is included in the 2017 Annual Report on page 69. For more information on the Sustainability Report, see paragraph 'd. Transparency' on page 11.

<sup>10</sup> The CR policy describes how CR is implemented in Tele2 KZ. It contains requirements such as the initial and annual signing of the CoC by employees and the signing of the BPCoC by business partners and who is responsible for the execution thereof. The policy was adopted by the CEO and is a mandatory guideline for all employees to follow.

inherent cultural context that disapproves of the practice. During the year, all employees have received a dedicated email reminding them of the whistle blower policy. Further information on the policy was also made available on the Tele2 KZ intranet.

Tele2 acts upon any concerns raised under the policy. In 2017, four cases were reported and investigated as a result from emails sent to the Tele2 Whistle Blower address ([report.violation@tele2.com](mailto:report.violation@tele2.com)). Two cases concerned misbehavior by management, and two cases were fraud related. Disciplinary actions were required and accordingly taken in two of the cases.

d. Transparency

| Focus Area   | Item   | Status |
|--------------|--|--------|
| Transparency | Annual reports on operations in Kazakhstan with a particular focus on CR | ●      |
|              | Regular access for ESG investors with a focus on CR                      | ●      |

Preparing and publishing the annual status update reports on CR reflects **Tele2’s commitment** to transparency and openness in discussing CR developments with stakeholders. The reports place emphasis on the implementation of CR in Kazakhstan, unveiling the challenges and progress of the work carried out to promote sustainable business practices.

Tele2 has been reporting on CR issues on the basis of GRI annually on its website for many years, and has for the year 2017 for the first time published a separate Sustainability Report on Tele2.com.<sup>11</sup> The Sustainability report **outlines the company’s impacts on** CR matters such as corruption, human rights and climate change through the lens of the Global Reporting Initiative (GRI), a framework of standards for sustainability reporting. The report presents data on the social, environmental and economic performance of Tele2 in all countries where it is present, including Kazakhstan.

Tele2 is committed to giving access to ESG investors and regularly meets bilaterally with investors to discuss CR issues.

e. Privacy and Integrity

| Focus Area            | Item  | Status |
|-----------------------|---|--------|
| Privacy and Integrity | Stringent Tele2 process to manage government requests on historical data and network shutdowns  | ●      |
|                       | Tele2 is working for increased transparency in the usage of SORM, inter alia through pressing for dialogue with the supervisory authority | ●      |

Processing personal data

The Tele2 CoC stresses the importance of customer integrity and customer safety in doing business. When handling customer data, Tele2 considers **its customers’ rights to maintain personal integrity** and privacy, as well as its interest to prevent fraud and abuse of its communications services.

Due to the nature of the services Tele2 KZ provides, it processes personal data. Processing of personal data in Kazakhstan is subject to local legislation. Tele2 KZ has an Information Security Policy which includes requirements for the processing of personal data. In the policy, key aspects of privacy and data protection are set out for the organization, to ensure compliance with local laws and regulations. Tele2 KZ works carefully to protect the personal data of its customers and its employees. Only authorized Tele2 KZ employees have access to personal data, and only to the

<sup>11</sup> In previous years this was published as the Corporate Responsibility Summary Report on the Tele2.com website. To implement new obligations from the Swedish Annual Accounts Act, this information is now published in a standalone Sustainability Report available on Tele2.com. For more information, please see the introduction chapter of this Sustainability Report.

extent that it is necessary for the performance of their duties. Tele2 KZ has information security procedures in place to achieve this. Tele2 KZ employees who are authorized to access personal data sign a non-disclosure agreement and are required to adhere to it. Personal data is stored no longer than two years after being processed and will be destroyed on the expiration of that period. Tele2 KZ only shares personal data with third parties (e.g. subcontractors) if that is necessary to deliver the service or complete a transaction. No personal data is sold to third parties.

Tele2 KZ complies with all applicable laws governing security and network shutdowns, legal interception and legal customer data retention. Where customer integrity and safety are at risk, the company attempts to make a proper judgment while protecting the interests of its customers within the legal and ethical boundaries that are in place.

## Transparency

Tele2 has continued in its efforts to engage in a dialogue with the Government of Kazakhstan to find ways for concerns on issues of privacy and integrity to be addressed. During the year, Tele2 KZ initiated several meetings with representatives of the Kazakh government. During those meetings, issues of privacy and integrity in the context of mobile communication and internet access services were discussed. Tele2 KZ conveyed its views on the subject to members of the government. For example, Tele2 KZ took a stance against a law that was proposed in 2017, which would require operators to register IMEI numbers<sup>12</sup> in a database. The database is planned to have personal information regarding end-users and the use of hardware and mobile communications services. In **Tele2 KZ's view, a separate database managed by the government is not effective in preventing the theft of mobile devices**, and can have implications for the privacy of customers if law enforcement can access the database at will. Tele2 KZ voiced its concerns with the responsible minister, the Vice Prime Minister, members of the national security committee of the Parliament, bilaterally with members of the Parliament and through the media. Tele2 KZ also gave its opinion on the draft laws on communication and informatization. By doing so, Tele2 has been able to further promote the dialogue on privacy and integrity.

In accordance with those dialogues, Tele2 KZ has started preparations to publish the number and **nature of requests it receives from law enforcement to disclose historical (meta)data on customers' usage of telecommunications services.**

Additionally, Tele2 KZ has started a dialogue with the Prosecutor General's office and asked them to disclose information about the use of the SORM system in Kazakhstan. The SORM system is a system used by the KZ authorities for legal intercept. Law enforcement authorities can use the SORM system provided they have the appropriate warrant from the Public Prosecutor. However, there is no way for Tele2 KZ to know how often the SORM system is used, and whether the required warrant has been obtained. Tele2 KZ believes that more transparency in this field is due and wants to achieve this through continued conversations.

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<sup>12</sup> An International Mobile Equipment Identity (IMEI) is a number used to identify hardware on mobile networks.

## 4. Other Areas

Tele2 has identified two areas that are relevant to CR, but which are not part of the focus areas identified for the KZ JV in 2015: **labor rights and environment**. **Tele2 KZ's approach** and actions relevant to these areas are described below.

### a. Labor Rights

Under the Tele2 CoC, all employees of Tele2 KZ are entitled to fundamental rights which are to be recognized, respected and applied equally. The CoC further provides that forced, exploited, bonded and child labor are strictly forbidden and any form of discrimination against employees is unacceptable. All employees are entitled to fair and equal compensation and benefits and a safe working environment. Finally, the Tele2 CoC recognizes the right of employees to freely associate and to bargain collectively. Tele2 KZ has always conformed to local labor legislation, which is aligned and consistent with international labor standards. The Labor Code of the Republic of Kazakhstan, a major statute in labor legislation, sets out the fundamental labor rights of employees and provides for the corresponding responsibilities of employers. The integration of Tele2 KZ and ALTEL has led to a decrease of the combined workforce and throughout this process, all employees have been treated with respect and in accordance with the local labor legislation.

Tele2 KZ supports the right to freedom of association for employees and for employees to collectively bargain. As yet, there are no existing collective bargaining agreements in place in the company and there have been no developments in this area in 2017. Tele2 KZ is open to negotiating and concluding a collective bargaining agreement with employees, in the event the circumstances arise. **The company's employees** - primarily those in technical occupations - undergo technical training and certifications annually and are equipped with hazard protection clothing and equipment relevant to the role. Newly hired employees attend a briefing on how to act during emergencies and on potential hazards in the workplace. Finally, Tele2 KZ leases buildings furnished with fire safety and lifesaving equipment and equips the buildings with signs warning for various dangers.

### b. Environment

The Tele2 CoC underlines the precautionary approach to environmental challenges and minimization of environmental impact. Tele2 promotes a sustainable development and cost efficiency through reduced consumption of resources in all its operations, including Kazakhstan. In addition, Tele2 has adopted an Environmental Policy to guide its environmental efforts in all parts of its business.

Tele2 follows the GRI Standards framework for reporting the environmental impact of its operations. Tele2 KZ submits an annual detailed report to the Tele2 Group with figures and data in line with the GRI standards. This information can be found in the Sustainability Report on Tele2.com.

**The company's base** transceiver stations (BTSs) are installed in strict accordance with sanitary-epidemiological certificates<sup>13</sup> issued by local health and environment authorities. The certificates specify the parameters for the location and configuration of BTSs that are compatible with health, safety, and environmental protection requirements. The electromagnetic radiation from BTSs and the level of exposure to it are the first consideration, before any other factors, when deciding where to place or adjust the location of a BTS. Tele2 KZ has sanitary-epidemiological certificates for all BTSs. Because of the cooperation in Kazakhstan, the JV has been able to decommission 1100 base stations, leading to a decrease in energy consumption. During the integration of the two networks in the joint venture in 2016 and 2017, Tele2 KZ has encountered administrative issues with regards to transferring the permits from the former legal entity to the new legal entity. Due to this, a small number of BTSs operated under a permit that was not assigned in time. As a result, Tele2 KZ was

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<sup>13</sup> A hygiene certificate, which attests the compliance with law requirements on the health and safety of base transceiver stations and electromagnetic emissions

fined in one case in 2017 and in six cases in 2016. The fines were not significant<sup>14</sup> and the correct permits were in all cases assigned shortly after the occurrences.

To address public fears about electromagnetic radiation and its negative impact, the company has distributed handouts to residents briefly outlining how radio frequencies work, what the state sanitary and epidemiological requirements are and that **the company's** BTSs do not cause any harm to public health and the environment. The same information has been posted on the corporate website so that people can educate themselves on the impact of BTSs on public health and the environment.

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<sup>14</sup> Fines are not significant in Tele2's reporting if they are lower below €250,000 (SEK 2,500,000). In these cases the fines were a fraction of that threshold.

## 5. 2018 Actions

For 2018, Tele2 KZ has identified the following specific actions:

- To further promote ethics and compliance within its business environment, Tele2 KZ will start carrying out regular audits of its business partners to monitor compliance with the BPCoC, and ensure the inclusion of the BPCoC as an integral part of contract negotiations for new business partners;
- Tele2 KZ will continue to provide the ethics and compliance training to its employees, to reach the goal of 100% of the employees trained. A focus will partially be put on training for newly recruited staff as part of their orientation week. Employees of business partners which are authorized to access customer personal data will be provided with additional training on privacy and integrity.
- For shop personnel that is employed through a third party, a separate plan for ethics and compliance training is created. During 2018, Tele2 KZ will prepare an overview of those positions that require training and subsequently training will be planned for these employees. Tele2 KZ expects to reach 100% of relevant third-party employees by Q4 2018.
- Tele2 KZ will continue to promote whistleblowing within the company by encouraging action, and reporting the positive impact of previous occurrences within the company.
- To create more transparency on direct access and legal intercept, Tele2 KZ will start publishing information on its corporate website on the number and nature of requests from law enforcement agencies to access the personal data of subscribers;
- Tele2 KZ will reinforce the dialogue with representatives of the Kazakh government to discuss issues of privacy and integrity regarding mobile communication and internet access services. The **dialogue with the Prosecutor General's office to increase transparency on the warrants for the usage of SORM** will be taken to a next stage.
- Tele2 KZ will perform an audit of the systems in which subscriber personal data is stored. Furthermore, Tele2 KZ will create a separate Privacy Policy, based on the provisions which are currently in the Information Security Policy, governing the processing, protecting and accessing of personal data of subscribers. The current policy is more internally focused, for example on ensuring that certain systems that may contain personal data remain from cybersecurity threats. The separate Privacy Policy will have a customer centric approach instead, putting their privacy in focus. To do so, the policy will more clearly indicate the boundaries of what is considered personal data, the requirements necessary to protect this personal data, and why this is important. The new policy will also aim to create more awareness amongst employees and remind them of their responsibilities in working with customer data. The policy will apply to subcontractors that (partially) fulfil or provide services on Tele2's behalf as well. **Tele2 KZ will also dedicate a news item on privacy and integrity and the new policy on its corporate website, to inform its customers.**
- To enable Tele2 KZ to reduce its impact on the environment, it will analyze its energy consumption data to implement measures that lead to a reduction compatible with the targets set by the Tele2 Group CR strategy.