

# **CORPORATE GOVERNANCE REPORT 2014**

**TELE2**

# Corporate Governance Report 2014

## Tele2 in brief

Tele2 AB ("Tele2" or the "company") has 14 million customers in 9 countries and offers mobile communication services, fixed broadband and telephony, data network services and content services. In 2014, the company had net sales of SEK 26 (26) billion and reported an operating profit (EBITDA) of SEK 5.9 (5.9) billion, excluding discontinued operations. Tele2 AB (publ.) is a Swedish limited liability company with shares listed on the NASDAQ OMX Stockholm Large Cap list and thus applies the Swedish Corporate Governance Code ("the Code").

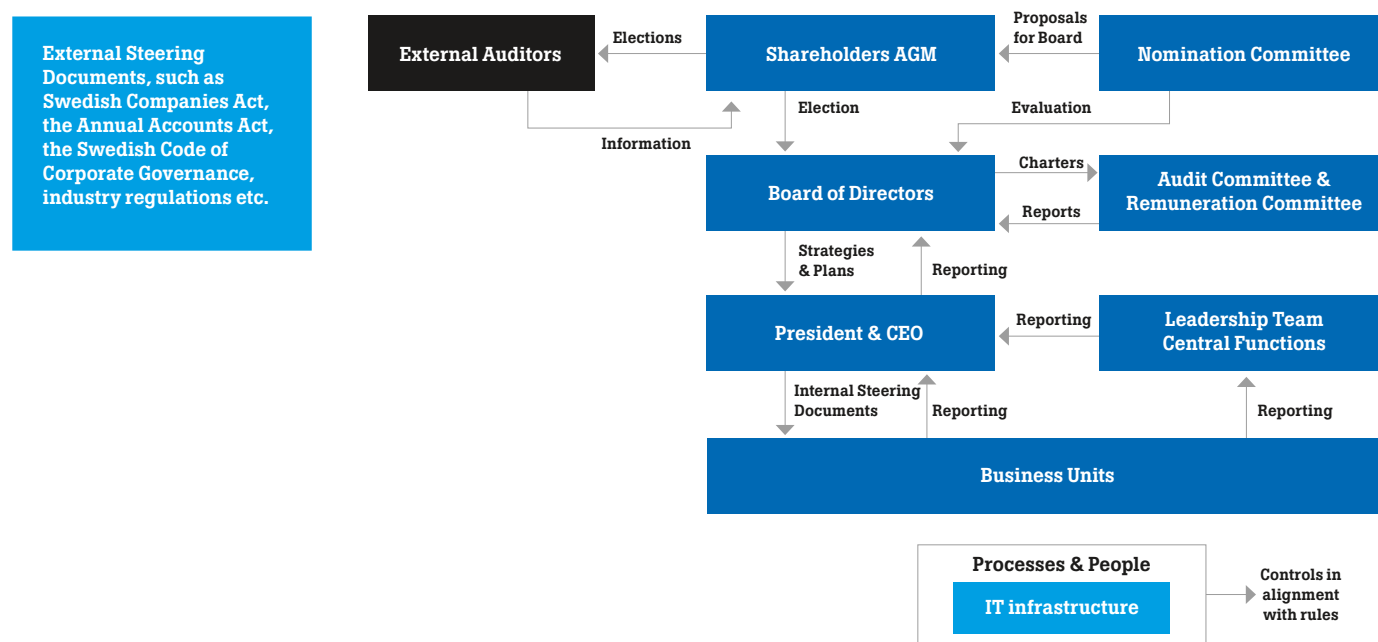
This Corporate Governance Report is prepared in accordance with the Swedish Annual Accounts Act and the provisions of the Code. Previous years' corporate governance reports and other corporate governance documents are available on the corporate website, [www.tele2.com](http://www.tele2.com). The Code is based on the principle of comply or explain, which means that companies can deviate from single rules in the Code, provided that they offer an explanation for the deviation. However, Tele2 does not deviate from the Code.

## Overview of corporate governance at Tele2

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

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

## Tele2's Governance Structure



# Corporate Governance Report 2014

## Shareholder Information

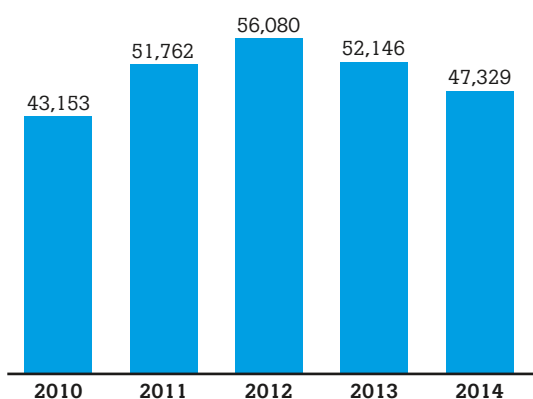
Tele2's Class A and B shares were first listed on the O-List of the Stockholm Stock Exchange in May 1996. Tele2 has been listed on the NASDAQ OMX Stockholm Large Cap list since October 2006. Per 31 December 2014, Tele2 had 47,329 shareholders and the market value of the company was SEK 42,319 million. In addition to shareholder meetings, Tele2 continuously provides information to shareholders by publishing financial reports (interim reports, full year reports and annual reports) and press releases. The company also arranges regular analyst meetings.

### The Tele2 share<sup>1)</sup>

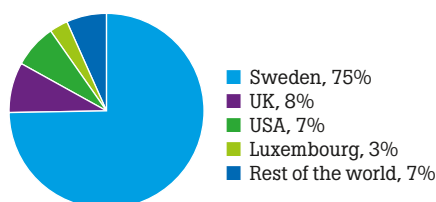
	Par value	Total issued shares	% of total count	Votes per share	% of total votes
A-Share	1,25	20,260,910	4.5%	10	32.1%
B-Share	1,25	425,523,429	94.8%	1	67.4%
C-Share	1,25	2,999,000	0.7%	1	0.5%

<sup>1)</sup> at December 31, 2014

### Number of shareholders



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

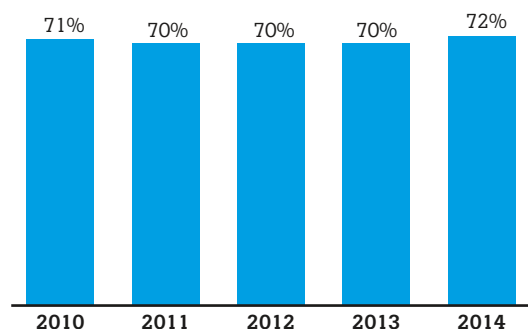


For further shareholder information, including information on share capital, voting rights, and the current share price see our corporate website, [www.tele2.com](http://www.tele2.com).

## Annual General Meeting

The 2014 Annual General Meeting ("AGM") was held on May 12, 2014. At the meeting, 755 shareholders were in attendance, personally or by proxy, representing 71,6 percent of the votes. Wilhelm Lünig was elected Chairman of the meeting. All Board members elected by the AGM 2013 were present, as were the proposed new Board members.

### 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 2013.
- In accordance with the proposal of the Board of Directors, an ordinary dividend of SEK 4.40 per share was approved.
- The Board of Directors and the CEO were discharged from liability for the 2013 financial year.
- The Board of Directors and the Chairman of the Board were elected (see separate section on page 3 for details).
- In accordance with the proposal of the Nomination Committee, the remuneration of the Board of Directors and its Committees was set for the period until the close of the next AGM. Furthermore, it was determined that remuneration to the auditor shall be paid in accordance with approved invoices.
- Procedure of the Nomination Committee was approved in accordance with the Committee's proposal.
- The proposed remuneration guidelines for senior executives were adopted, including transfer of not more than 1,700,000 B-shares to the participants of the incentive program as well as authorisations for the Board to resolve on a new issue of no more than 1,700,000 C-shares and repurchase of all C-shares in the company in accordance with the Board's proposal.
- In accordance with the proposal of the Board of Directors, a retention and performance based long term incentive programme for senior executives and other key employees was approved.
- The Board of Directors was authorised to pass resolutions, under certain conditions, during the forthcoming period until the 2015 AGM, to repurchase own Class A and/or Class B shares. The purpose of the authorisation is to give the Board of Directors flexibility to continuously decide on changes to the company's capital structure during the year and thereby contribute to increased shareholder value. However, the basic requirement implies that the company's holding does not at any time exceed 10 percent of the total number of shares in the company.

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

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## Nomination Committee for the 2015 AGM

In line with the resolution passed at the 2014 AGM, Cristina Stenbeck convened a Nomination Committee comprising representatives of the largest shareholders of Tele2 as per 30 September 2014. The members of the Nomination Committee are shown in the table below.

### Nomination Committee for the 2015 AGM

Name	Representing	Share of votes as on September 30, 2014
Cristina Stenbeck (Chairman)	Kinnevik	47.8%
Mathias Leijon	Nordea Investment Funds	5.8%
Åsa Nisell	Swedbank Robur Fonder	1.4%
Jonas Eixmann	Andra AP-fonden	1.4%

### The Nomination Committee for the 2014 AGM

Ahead of the 2014 AGM, the Nomination Committee evaluated the Board's work and composition to ascertain the degree to which the Board met the requirements that will be applicable as a consequence of the company's situation and future direction. The Committee submitted proposals to the 2014 AGM for the election of a Chairman of the AGM, the Board Chairman and other members of the Board, the fees to the Board members, remuneration for committee work and auditor and a procedure for appointing members of the Nomination Committee in advance of the 2015 AGM.

### The Nomination Committee for the 2015 AGM

The Nomination Committee will present the following proposals for approval by the 2015 Annual General Meeting:

- Proposing the Board of Directors and its Chairman
- Proposing the remuneration to members of the Board and its Committees, as well as auditor remuneration
- Proposing a Chairman to lead the AGM, and
- Proposing a procedure for appointing members of the Nomination Committee in advance of the 2016 AGM.

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

The Nomination Committee for the 2015 AGM has held 5 meetings as of March 17, 2015, with additional contact between the meetings.

## The Board

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

At the 2014 AGM, Tele2's shareholders re-elected Lars Berg, Mia Brunell Livfors, Erik Mitteregger, Mike Parton, Carla Smits-Nusteling and Mario Zanotti as Directors of the Board for the period until the close of the next AGM. The AGM also elected Lorenzo Grabau and Irina Hemmers as new directors of the Board. Furthermore, Mike Parton was re-elected as Chairman of the Board.

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

### Independence of the Board

The Board's assessment regarding each member's position of independence in relation to the company, its shareholders and the management is presented in the table "Composition of the Board". None of the Board members are part of the senior management of the company, nor are they union representatives. Three of the total eight Board's members are women.

Tele2 meets the Code's requirement that the majority of the members be independent in relation to the company and its executive management. Tele2 also meets the Code's requirement that a minimum of two of the directors be independent of the company, its executive management and, additionally, its major shareholders.

## Composition of the Board

Name	Born	Position	Elected	Remuneration Committee	Audit Committee	Independent	Shareholding
Mike Parton	1954	Chairman	2007	Member	–	Yes	17,825 B shares
Lars Berg	1947	Member	2010	Chairman	–	Yes	2,000 B shares
Mia Brunell Livfors	1965	Member	2006	–	–	No*	1,000 B shares
Lorenzo Grabau	1965	Member	2014	Member	Member	No**	–
Irina Hemmers	1972	Member	2014	–	Member	Yes	–
Erik Mitteregger	1960	Member	2010	–	Member	No**	10,000 B shares
Carla Smits-Nusteling	1966	Member	2013	Member	Chairman	Yes	–
Mario Zanotti	1962	Member	2013	–	–	No**	–

\* Not independent in relation to the company and management (due to engagement as a board member of Transcom Worldwide AB) and not independent in relation to the company's major shareholders.

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

# Corporate Governance Report 2014



## **Mike Parton**

**Chairman of the Board, elected in 2007**

*Born:* 1954

*Nationality:* British citizen

*Independence:* Independent in relation to the company and management as well as in relation to the company's major shareholders

*Holdings in Tele2:* 17,825 B shares

*Committee work:* Member of the Remuneration Committee

Mike Parton is a 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 Chairman of Damovo Group Ltd, an international IT company between 2007 and 2014, and CEO and Executive member of Marconi plc between 2001 and 2006.

Trained as Chartered Management Accountant.



## **Lars Berg**

**Non-Executive Director, elected in 2010**

*Born:* 1947

*Nationality:* Swedish citizen

*Independence:* Independent in relation to the company and management as well as in relation to the company's major shareholders

*Holdings in Tele2:* 2,000 B shares

*Committee work:* Chairman of the Remuneration Committee

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

He 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.

M.Sc. in Business Administration and Economics, Gothenburg School of Economics.



## **Mia Brunell Livfors**

**Non-Executive Director, elected in 2006**

*Born:* 1965

*Nationality:* Swedish citizen

*Independence:* Not independent in relation to the company and management (due to engagement as a Board member of Transcom Worldwide AB) and not independent in relation to the company's major shareholders

*Holdings in Tele2:* 1,000 B shares

*Committee work:* -

Mia Brunell Livfors is a member of the Board of Millicom International Cellular S.A., Modern Times Group MTG AB, Qliro Group AB, Transcom Worldwide AB, Stena AB and Efva Attling Stockholm AB. She also works as an advisor for Axel Johnson AB and has been appointed as a Board member of Axel Johnson AB from March 25, 2015.

She was President and CEO of Investment AB Kinnevik between 2006 and 2014 and she held several managerial positions within the Modern Times Group MTG AB from 1992 to 2001 and was Chief Financial Officer between 2001 and 2006.

Studies in Economics and Business Administration, Stockholm University.



## **Lorenzo Grabau**

**Non-Executive Director, elected in 2014**

*Born:* 1965

*Nationality:* Italian citizen

*Independence:* Independent in relation to the company and management but not independent in relation to the company's major shareholders

*Holdings in Tele2:* -

*Committee work:* Member of the Audit Committee and the Remuneration Committee

Lorenzo Grabau is President and CEO of Investment AB Kinnevik since 2014. He is also Chairman of Rocket Internet AG and Avito AB since 2014 and in Global Fashion Holding SA since 2015. In addition he is deputy Chairman of Zalando SE since 2013, as well as Non-Executive Director of Millicom International Cellular S.A., since 2013, Modern Times Group MTG AB since 2011, Qliro Group AB and Secure Value EEIG since 2014.

During 2013 and 2014 he was Non-Executive Director of Investment AB Kinnevik, CTC Media, Inc. and Softkinetic BV. He was a Partner and Managing Director at Goldman Sachs International in London until 2011. He joined the Investment Banking division of Goldman Sachs in 1994 and during his 17 years at the firm held various leadership positions within the Consumer/Retail and Media/Online industry practices, and the Financial Sponsors Group. He began his career in Investment Banking in 1990 when he joined Merrill Lynch, where he remained for five years working in the Mergers & Acquisitions department in London and New York.

Dottore in Economia e Commercio, from Università degli Studi di Roma, La Sapienza, Italy.

# Corporate Governance Report 2014

**Irina Hemmers**

*Non-Executive Director, elected in 2014*

*Born:* 1972

*Nationality:* Austrian citizen

*Independence:* Independent in relation to the company and management as well as in relation to the company's major shareholders

*Holdings in Tele2:* -

*Committee work:* Member of the Audit Committee

Irina Hemmers is Investment Managing Director at Moonray Investors, the Principal Investing Arm of Fidelity International.

She was Non-Executive Director of Trader Corporation, Trader Media Group and Top Right Group until 2013, of Hit Entertainment until 2012, Incisive Media/American Lawyer Media until 2009 and SULO Group until 2007. Previously, she was a Partner with private equity firm Apax Partners from 2001 to 2013. During her 12 years with Apax Partners, she worked in Munich, Hong Kong and London. She began her career at McKinsey & Company in Vienna 1996.

M.Sc. in International Business and Economic Studies from University of Innsbruck, Austria, and an MPA from John F. Kennedy School of Government, Harvard University, USA.

**Erik Mitteregger**

*Non-Executive Director, elected in 2010*

*Born:* 1960

*Nationality:* Swedish citizen

*Independence:* Independent in relation to the company and management but not independent in relation to the company's major shareholders

*Holdings in Tele2:* 10,000 B shares

*Committee work:* Member of the Audit Committee

Erik Mitteregger is member of the Board of Investment AB Kinnevik since 2004 and of Rocket Internet AG and Avito AB since 2014. He is also chairman of the Boards of Firefly AB and Wise Group AB.

Previously, he was member of the Board of Invik & Co. AB 2004–2007 and Metro International SA 2009–2013. He 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.

B.Sc. in Economics and Business Administration at Stockholm School of Economics.

**Carla Smits-Nusteling**

*Non-Executive Director, elected in 2013*

*Born:* 1966

*Nationality:* Dutch citizen

*Independence:* Independent in relation to the company and management as well as in relation to the company's major shareholders

*Holdings in Tele2:* -

*Committee work:* Chairman of the Audit Committee and member of the Remuneration Committee

Carla Smits-Nusteling is a Non-Executive Director at ASML. She is also a member of the management board of the Foundation Unilever NV Trust Office since February 2015.

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

M.Sc. Business Economics, Erasmus University, Rotterdam.

**Mario Zanotti**

*Non-Executive Director, elected in 2013*

*Born:* 1962

*Nationality:* Italian citizen

*Independence:* Independent in relation to the company and management but not independent in relation to the company's major shareholders

*Holdings in Tele2:* -

*Committee work:* -

Mario Zanotti is Senior Executive VP Operations at Millicom International Cellular S.A

He has over 20 years of experience in the Telecom Service Industry. In 1992 he founded Telecel in Paraguay and was also the Managing Director of the company during 1992–1998. He was Managing Director of Tele2 Italy during 1998–2000 and of YXK Systems during 2001–2002. After 2002 he has held several other managerial positions within Millicom, starting as Head of Central America for Millicom before becoming Head of Latin America and later COO of Categories & Global Sourcing.

M.Sc. in Electrical Engineering from the Pontificia Universidade Catolica in Porto Alegre (Brazil), MBA from INCAE and the Universidad Catolica de Asuncion (Paraguay).



# Corporate Governance Report 2014

## The Board's responsibility and work procedures

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

The Board:

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

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

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

## The Board's work in 2014

During the 2014 financial year, the Board convened 6 times at different locations in Europe. In addition, 8 per capsulam meetings and 13 telephone conference meetings were held.

Below is a summary of the main topics handled by the Board during 2014:

- Review and approval of financial reports,
- Review and follow-up of internal controls, risk management and corporate governance,
- Treasury matters,
- Corporate responsibility matters, including data privacy, corruption risks and ethical business practices,
- Human resources matters, including talent management, succession planning and remuneration guidelines,
- Strategy review, including review of growth opportunities, product portfolio, business model challenges and marketing strategies,
- Several matters regarding acquisition and divestment opportunities, including the sale of Tele2 Norway, and the participation in licence auctions and tenders,
- Review of the budget for 2015,
- Self-evaluation of the Board and evaluation of the CEO and senior executives,
- Auditors' report.

## Evaluation of the Board

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

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

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

## Attendance of Board members

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings, including telephone and per capsulam meetings	27	4	8
Mike Parton	27		7
Lars Berg	24	2	6
Mia Brunell Livfors	26		2
Lorenzo Grabau*	21	2	6
Irina Hemmers*	20	2	
John Hepburn**	6		2
Erik Mitteregger	26	4	
John Shakeshaft**	6	2	
Carla Smits-Nusteling	26	4	7
Mario Zanotti	24	1	

\* Lorenzo Grabau and Irina Hemmers were elected Board members at the AGM in May 2014, after which 21 Board meetings, 2 Audit Committee meetings and 6 Remuneration Committee meetings have been held.

\*\* John Hepburn and John Shakeshaft left the Board in May 2014.

The Board members are all compensated for their Board work in accordance with the resolution passed at the AGM. Details of compensation are shown in the table "Remuneration to the Board during 2014" on the following page. In addition, Board members are reimbursed traveling expenses for Board work, according to submitted receipts. There is no outstanding share or share price related incentive programme for the Board.

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## Remuneration to the Board

SEK	Fees to the Board		Fees to the Audit Committee		Fees to the Remuneration Committee		Total Fees	
	2014	2013	2014	2013	2014	2013	2014	2013
Mike Parton	1,365,000	1,365,000	–	–	38,000	38,000	1,403,000	1,403,000
Lars Berg	525,000	525,000	–	100,000	75,000	–	600,000	625,000
Mia Brunell Livfors	525,000	525,000	–	–	–	38,000	525,000	563,000
Lorenzo Grabau	525,000	–	100,000	–	38,000	–	663,000	–
Irina Hemmers	525,000	–	100,000	–	–	–	625,000	–
John Hepburn	–	525,000	–	–	–	75,000	–	600,000
Erik Mitteregger	525,000	525,000	100,000	100,000	–	–	625,000	625,000
John Shakeshaft	–	525,000	–	200,000	–	–	–	725,000
Carla Smits-Nusteling	525,000	525,000	200,000	100,000	38,000	38,000	763,000	663,000
Mario Zanotti	525,000	525,000	–	100,000	–	–	525,000	625,000
<b>Total remuneration</b>	<b>5,040,000</b>	<b>5,040,000</b>	<b>500,000</b>	<b>600,000</b>	<b>189,000</b>	<b>189,000</b>	<b>5,729,000</b>	<b>5,829,000</b>

## Audit Committee

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

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

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

At the statutory Board Meeting following the 2014 AGM, the Board appointed Carla Smits-Nusteling as the Chairman of the Audit Committee and Erik Mitteregger, Irina Hemmers and Lorenzo Grabau as ordinary members. With reference to the table "Composition of the Board as of December 31, 2014" on page 3, Tele2 accordingly meets the independence requirements of the Code vis-à-vis the Audit Committee.

The Audit Committee usually meets in connection with Board meetings or the publication of external financial reports. During 2014, the Audit Committee held 4 meetings. The President & CEO and CFO together with the Head of Internal Control, the Head of Group Financial Reporting and the company's external auditors were also present at the meetings, as required. The EVP of Communication & Strategy also attends all Audit Committee meetings in relation to his investment relations responsibilities. Other management including that of Tax and of IT & Network were also present in part or some of the meetings.

In 2014, the primary issues for the Audit Committee were the approval of financial reports, capital structure, tax, reports from the external auditor, follow-up of internal audits and risk assessments, and information regarding significant financial and control projects. The Audit Committee, through its Chairman, also meets with the external auditor independently to exchange views regarding the company's accounting and control environment. The results of the Audit Committee's work in the form of observations, recommendations and proposed decisions and measures are reported regularly to the Board of Directors.

## Remuneration Committee

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

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

The Board appoints the members and the Chairman of the Remuneration Committee. At the statutory Board meeting following the AGM, Lars Berg was appointed Chairman of the Remuneration Committee and Mike Parton, Carla Smits-Nusteling and Lorenzo Grabau were appointed members of the Committee.

During 2014, the Remuneration Committee held 8 meetings.

Refer to Note 34 in the Annual Report 2014 for information regarding remuneration to senior executives.

## Leadership Team

The Board appointed Mats Granryd as President and CEO of Tele2 AB effective as of 1 September 2010. Mats Granryd, born in 1962, has had a consistent and successful international career in telecommunications with Ericsson. Before joining Ericsson, he was a management consultant in telecom strategies at ARRIGO and Andersen. He holds an MSc from the Royal Institute of Technology in Stockholm. Mats Granryd holds 57,725 Tele2 Class B-shares, 56,000 rights (LTI 2012), 56,000 rights (LTI 2013) and 56,000 rights (LTI 2014)\*. Mats Granryd is also Chairman of the Board of Secure Value E.E.I.G. and a member of the Boards of Reach for Change Foundation and Envac AB.

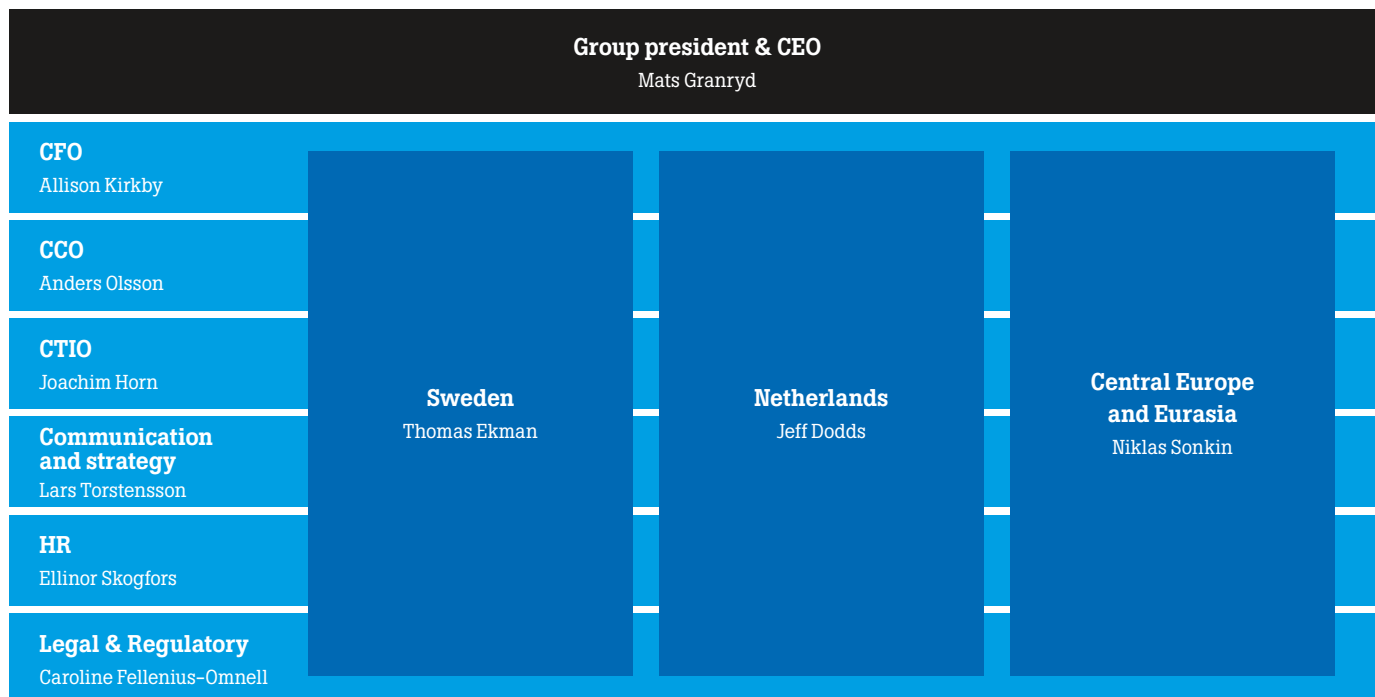
The President & CEO leads the work conducted by the company's management and renders decisions in consultation with other senior executives in the Leadership Team. This group comprises the senior executives of Tele2's two largest countries and the market area Central Europe and Eurasia, as well as the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

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



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## The Tele2 Group Leadership Team



During 2014, 11 Leadership Team meetings were held. They focused on the company's strategic and operational development and follow-up on financial performance. Besides, key risks, key market developments and internal projects were also evaluated at the Leadership Team meetings. Other personnel and external consultants participated in these meetings, as required.

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

### Long-term incentive program (LTI)

Tele2 has three outstanding incentive programmes. For information concerning the long-term incentive programmes, the LTI programme 2012, the LTI programme 2013 and the LTI programme 2014, see Note 34 in the Annual Report 2014 and the corporate website, [www.tele2.com](http://www.tele2.com).

### Auditor

Tele2's Auditor-in-Charge, Thomas Strömberg, is the deputy Country Managing Partner and a member of the executive management of Deloitte Sweden. In addition to his assignment at Tele2, he is also auditor of, amongst others, Investor, Rezidor and Karolinska Development. In addition, Thomas Strömberg is an exchange auditor for NASDAQ OMX Nordic stock exchange. He has no assignments in businesses that are related to Tele2's major owners or CEO.

During 2014, Deloitte performed services for Tele2 besides the ordinary audit assignments, with regard to financial due diligence services and advice in tax issues. All non-audit services performed by the auditor are approved by the Audit Committee.

Refer to Note 35 in the Annual Report 2014 for information regarding remuneration to the auditors.

# Corporate Governance Report 2014

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

The internal controls over Tele2's financial reporting aims to provide reasonable assurance of the reliability of internal and external financial reporting, and to ensure that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements for listed companies.

Tele2's system for internal controls and risk management is based on "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission, also referred to as "the COSO model". This section reproduces the key elements of Tele2's application of this model and how it assists the Board and the Leadership Team in providing assurance over the financial reporting as well as operational, compliance and strategic objectives.

### Tele2 Pillars of Internal Control



### Control environment

The control environment in Tele2 is much influenced by our common values which are reflected in all parts of our business, from trainings for new employees to strategy making. There are also control activities in place to ensure that the values are, not only known by employees and managers, but also that we act in accordance with them, i.e. that we "walk the talk". All employees are evaluated against these common values and managers are required to conduct training on "The Tele2 Way" in order to discuss and gain greater insight into the company's values and practices.

### The Tele2 Board of Directors

The Board of Directors bears overall responsibility for internal controls related to financial reporting. As a result, the Board has established a written work plan, "Work and delegation procedures for the Board of Directors of Tele2 AB", that clarifies its responsibilities and regulates the Board's and its committees' internal distribution of work. Furthermore, the Board has appointed an Audit Committee with a written charter, the primary task of which is to ensure that established principles for financial reporting and internal controls are adhered to and that appropriate relations are maintained with the company's auditors.

### Responsibilities of line management – 1st line of defence

The responsibility for maintaining an effective control environment and on-going work on internal controls has been assigned to the President and CEO and documented in the "Instructions to the Managing Director of Tele2 AB". The President and CEO has, in turn, allocated responsibility for maintaining effective internal controls in the different countries to the respective line managers. Country CEOs are therefore responsible for ensuring internal controls over all COSO related objectives pertaining to their respective markets, with their local finance organisations having the specific responsibilities for ensuring correct and timely financial reporting.

### Responsibilities of Central Functions – 2nd line of defence

A number of corporate functions are responsible for promoting effective internal controls in separately defined areas. This is done by issuing group wide policies (including the group wide Code of Conduct), procedures, financial manuals etc. and following up on related issues. Among these functions, the central finance organisation (including Group Financial Reporting, Planning & Business Control, Tax and Treasury) as well as Corporate Communications play particularly important roles in ensuring correct and timely financial reporting. Other central departments vital to maintaining a sound control environment are for example Group Legal, Group Security, Group Purchasing, Corporate Responsibility and Human Resources, as well as various controlling functions integrated in the central functions.

### Responsibilities of Group Internal Control – 3rd line of defence

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

### Internal Control Responsibilities

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

### The Tele2 Code of Conduct

Another key aspect of the control environment is the Executive Management's enforcement of the Code of Conduct. Every employee must sign Tele2's Code of Conduct. When entering into a contractual arrangement with Tele2, suppliers and other business partners also need to give their assurance regarding compliance with Tele2's standards by signing Tele2's Code of Conduct. The Code of Conduct is available on the company's intranet and on Tele2's corporate website [www.tele2.com](http://www.tele2.com).

# Corporate Governance Report 2014

## Risk assessment

First and second “line of defence” is inherently responsible for the risk identification and risk mitigation related to their respective market or corporate area. On top of this Group Internal Control performs an independent risk assessment for each market and function which forms the basis for the annual internal audit plan. This risk assessment considers the fact that there is risk both from *how* we operate and from *where* we operate, as illustrated below.

The result of the risk assessment and the internal audit plan as a result of that is presented to the Audit Committee for approval. Risks of strategic nature are reported separately to the Group Leadership Team for further discussion and assignment of responsibility from its’ members. The strategic risks are also discussed and assessed by the Audit Committee and the Board.

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

## Information and communication

Corporate policies and procedures are available for employees on the company’s intranet or directly through the relevant central function. Manuals and guidelines of significance to financial reporting are regularly updated and continuously communicated to the employees concerned.

Monthly closings follow a pre-defined process and are foregone by monthly telephone meetings with all senior finance managers. 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.

## IT General Controls

Controls such as IT and access security, change management and monitoring of systems performance and interfaces for IT systems supporting the financial reporting are of high importance for the internal controls over financial reporting. Tele2 has requirements in these areas articulated in a number of different policies and standards and compliance to these are followed up continuously.

## Control activities

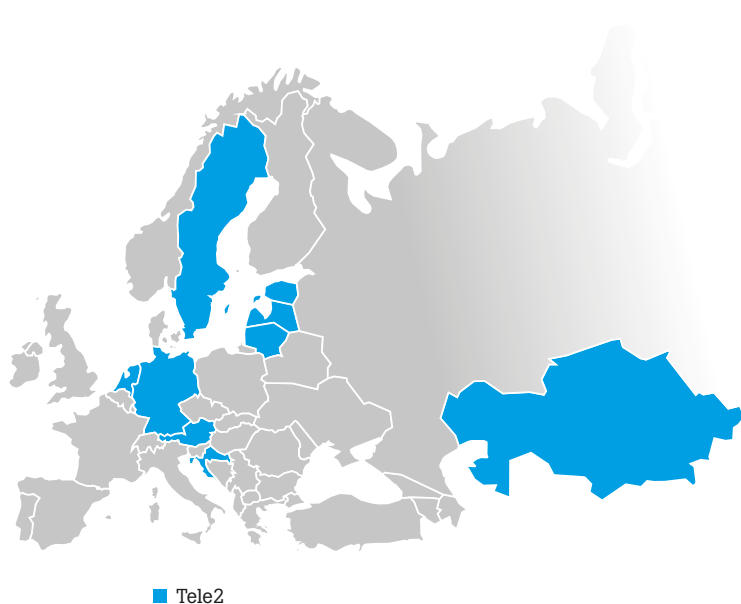
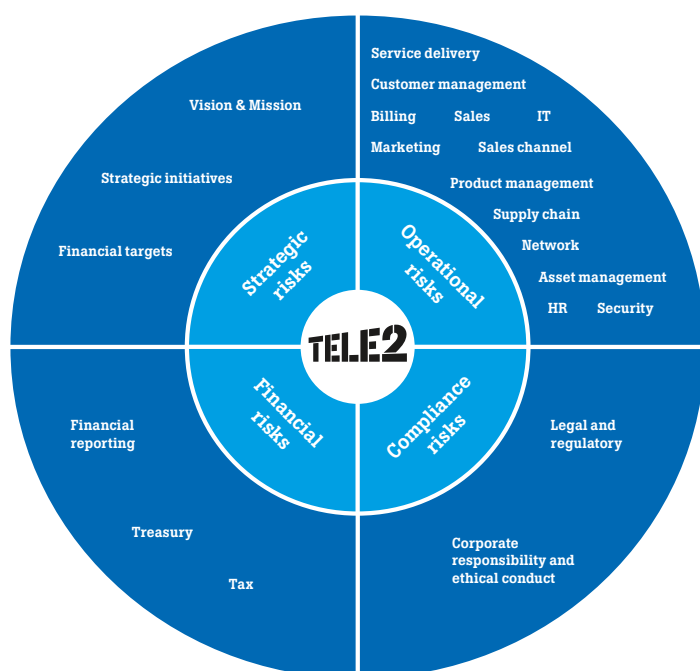
Line management bear responsibility for the implementation of control activities in compliance with central policies and governance documents (including the Financial Reporting Manual), as well as for managing any further risks that they may identify. This include controls in the financial reporting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

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

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

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

## Tele2 Risk Universe



# Corporate Governance Report 2014

## **Monitoring**

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

### **Follow-up within the line organisation**

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

### **Follow-up assisted by corporate functions**

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

### **Follow-up assisted by Group Internal Control**

Independently of line responsibilities and without any limitation by area of responsibility, Group Internal Control follows up compliance with Tele2's rules and control activities through the performance of internal audits and other activities. The internal audits naturally also take into account the risk of errors in the financial reporting and are intended to ensure compliance with the Financial Reporting Manual, particularly when reviewing the account-closing process.

Significant risks and issues noted by Group Internal Control are communicated to both the Audit Committee and to the relevant corporate functions for the purpose of not only correcting errors, but also enhancing or clarifying policies and other governance documents, and thereby reducing the risk of future errors. During 2014, around 500 man days of internal audit were performed.

# Corporate Governance Report 2014

Stockholm, March 17, 2015

Mike Parton  
*Chairman*

Lars Berg

Mia Brunell Livfors

Lorenzo Grabau

Irina Hemmers

Erik Mitteregger

Carla Smits-Nusteling

Mario Zanotti

Mats Granryd  
*President and CEO*

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

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

The Board of Directors is responsible for the corporate governance report for the year 2014 and for ensuring that it has been prepared in accordance with the Swedish Annual Accounts Act.

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

different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

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

Stockholm, March 17, 2015

Deloitte AB

Thomas Strömberg  
*Authorized Public Accountant*



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**Visit our website: [www.tele2.com](http://www.tele2.com)**

**Tele2 is one of europe's fastest growing telecom operators, always providing customers what they need for less.** We have 14 million customers in 9 countries. Tele2 offers mobile services, fixed broadband and fixed telephony, data network services, and content services. Ever since Jan Stenbeck founded the company in 1993, it has been a tough challenger to the former government monopolies and other established providers. Tele2 has been listed on the NASDAQ OMX Stockholm since 1996. In 2013, we had net sales of SEK 26 billion and reported an operating profit (EBITDA) of SEK 6 billion.

# TELE2