

**Corporate Governance Report**

**2018**



**TELE2**

# Corporate Governance Report 2018

## Tele2 in brief

Tele2 AB (publ) ("Tele2" or the "company") has been a fearless challenger to the former government monopolies and other established telecoms providers ever since Jan Stenbeck founded the company in Sweden in 1993, and remains focused on being a customer focused champion, fearlessly liberating a more connected life, wherever it operates. The Group provides services to consumers and businesses including mobile services, fixed broadband, digital entertainment, fixed telephony, data network services and global IoT solutions. In 2018, the company had a revenue of SEK 24 (21) billion and adjusted EBITDA of SEK 6.6 (5.8) billion. Tele2's merger with Com Hem was closed on November 5, 2018 and the merger of Tele2 Netherlands and T-Mobile Netherlands, where Tele2 will hold a 25% share in the combined company was closed on January 2, 2019. Also, on December 28, 2018, Tele2 gave a notice to exercise the put option stipulated in the joint venture between Tele2 and Kazakhtelecom in Kazakhstan, thereby initiating the sale process for Tele2 Kazakhstan. Tele2 Netherlands and Kazakhstan have been reported as discontinued operations.

Tele2 is a Swedish limited liability company with shares listed on the Nasdaq Stockholm and thus, in addition to mandatory law and rules, applies Nasdaq Stockholm's Rule Book for Issuers and the Swedish Corporate Governance Code ("the Code"). Furthermore, as a result of Tele2 being a SEC reporting company, Tele2 must comply with U.S. federal securities laws and regulations, including the Sarbanes-Oxley Act of 2002, as applicable for foreign private issuers.

## 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

## The Corporate Governance Report and deviations from the Code

This Corporate Governance Report is published separately from the Annual Report and 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. Tele2 deviates from the Code in the following respect:

### Reference from the Code

2,4 – Neither the company chair nor any other member of the board may chair the nomination committee.

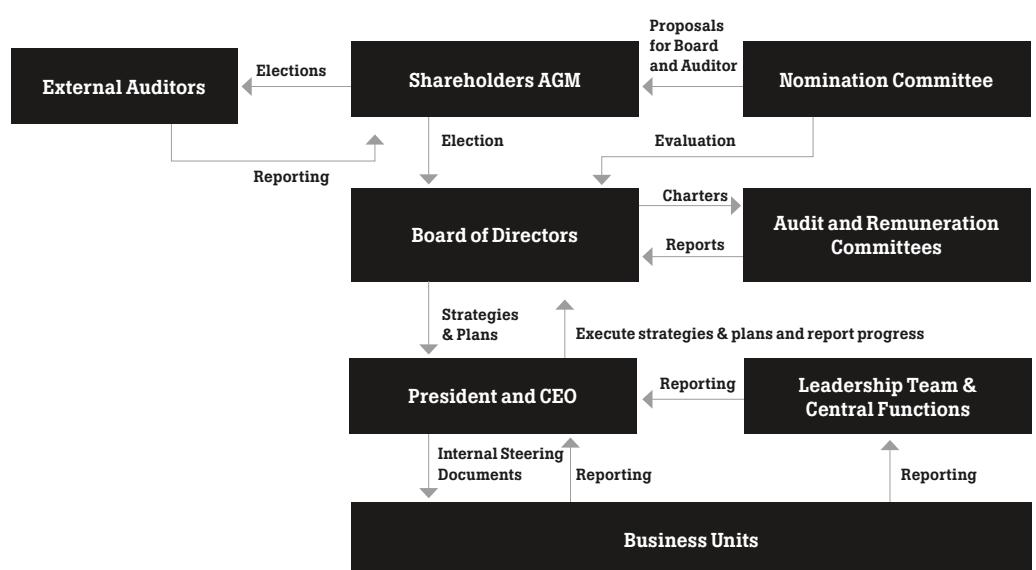
### Deviation and explanation

Georgi Ganev is the chairman of the Company's Board of Directors and is since August 10, 2018 also the Chairman of the Company's Nomination Committee. The Nomination Committee has explained its appointment of Georgi Ganev as Chairman of the committee as being in the company's and its shareholders' best interests, and a natural consequence of Georgi Ganev representing Tele2's largest shareholder Kinnevik AB.

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

External Steering Documents, such as Swedish Companies Act, the Annual Accounts Act, the Swedish Code of Corporate Governance, Rule Book for Issuers Nasdaq Stockholm, industry regulations, U.S. federal securities laws and regulations as applicable for foreign private issuers, etc.



## 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 Stockholm main market (Large Cap list) list since October 2006. Per December 31, 2018, Tele2 had 61,659 known shareholders and the market capitalization of the company was SEK 77,727 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 Capital

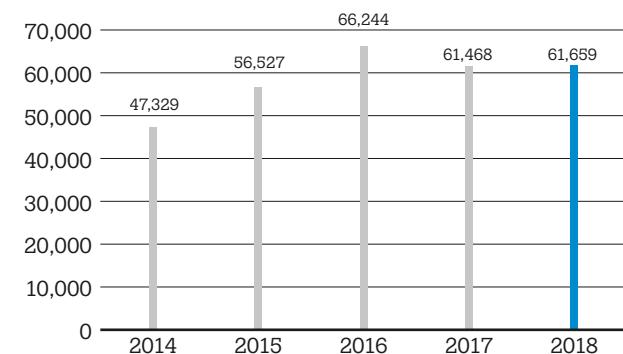
The share capital in Tele2 is divided into three classes of shares: Class A, B and C shares. All types of shares have a quota value of SEK 1.25 per share and Class A and B shares have the same rights in the Company's net assets and profits while Class C shares are not entitled to dividend. Shares of Class A entitle the holder to 10 voting rights per share and Class B and C shares to one voting right per share. There are no limitations regarding how many votes each shareholder may vote for at general meeting of shareholders. Kinnevik AB owns as of December 31, 2018, 27.3 percent of the capital and 42.0 percent of the voting rights. No other shareholder owns, directly or indirectly, more than 10 percent of the shares in Tele2.

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

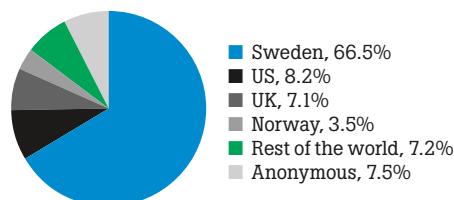
	Par value	Total issued shares	% of total count	Votes per share	% of total votes
A Shares	1.25	22,647,692	3.3	10	25.3
B Shares	1.25	665,794,905	96.4	1	74.5
C Shares	1.25	1,899,000	0.3	1	0.2
<b>Total</b>	<b>690,341,597</b>		<b>100%</b>	<b>100%</b>	

<sup>1)</sup> at December 31, 2018

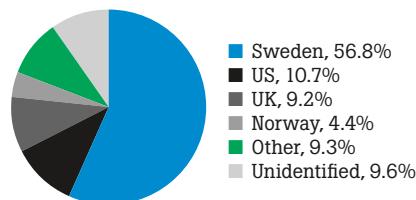
### Number of shareholders



### Ownership by country according to percentage of votes



### Ownership by country according to percentage of shares



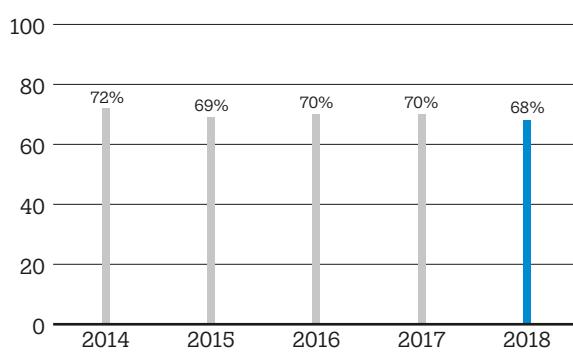
Source: CMi2i

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 2018 Annual General Meeting ("AGM") was held on May 21, 2018. At the meeting, 889 shareholders were in attendance, personally or by proxy, representing 67.58 percent of the votes. Wilhelm Lüning was elected Chairman of the meeting. Noted as present were the Chairman of the Board Mike Parton, the Board members Sofia Arhall Bergendorff, Anders Björkman, Georgi Ganev, Cynthia Gordon and Carla Smits-Nusteling, the President and CEO Allison Kirkby, CFO Lars Nordmark, General Counsel Stefan Backman, the Chairman of the Nomination Committee Cristina Stenbeck and the auditor-in-charge Thomas Strömberg.

### Attendance, % of votes



- The following significant resolutions were adopted by the AGM:
- re-election of Sofia Arhall Bergendorff, Anders Björkman, Georgi Ganev, Cynthia Gordon, Eamonn O'Hare and Carla Smits-Nusteling as directors of the Board and election of Georgi Ganev as Chairman of the Board;
  - re-election of Deloitte as auditor until close of the 2019 AGM;
  - approval of the Annual Report for 2017 and resolution on ordinary dividend of SEK 4 per share. The record date was decided to be May 23, 2018. The dividend was paid out to the shareholders on May 28, 2018;
  - discharge the directors of the Board and the CEO from liability for the financial year 2017;
  - approval of remuneration to the Board and auditor and procedures for the Nomination Committee;
  - approval of guidelines for the remuneration to senior executives as well as the principles and scope for Tele2's long term share related incentive program 2018, including authorisations for the Board to resolve on a new issue of not more than 1,750,000 Class C shares and to repurchase all Class C shares in the company in order to, after a reclassification of the C-shares to B-shares, transfer such shares to the participants in Tele2's long term incentive plans, of which 2,490,000 can be transferred to the participants under the 2018 LTI; upon approval of the merger between Tele2 and Com Hem there will be an additional allocation under the LTI 2018 according to the same principles to approx. 40 participants joining Tele2 from Com Hem; provided that such allocation is made before December 31, 2018; and
  - authorise the Board to pass a resolution on one or more occasions for the period up until the next Annual General Meeting to repurchase so many Class A and/or Class B shares that Tele2's holding does not at any time exceed 10 per cent of the total number of issued Tele2 shares.

#### **Extraordinary General Meeting**

An Extraordinary General Meeting ("EGM") was held on September 21, 2018. At the meeting, 768 shareholders were in attendance, personally or by proxy, representing 68,01 percent of the votes. Charlotte Levin was elected Chairman of the meeting. Noted as present were the Chairman of the Board Georgi Ganev, the Board Members Carla Smits-Nusteling, Sofia Arhall Bergendorff and Cynthia Gordon, President and CEO Allison Kirkby, CFO Lars Nordmark and General Counsel Stefan Backman.

The meeting resolved to approve the merger plan between Tele2 and Com Hem Holding AB ("Com Hem") adopted by the Boards of Tele2 and Com Hem on January 9, 2018 and to issue 183,441,585 new Class B shares in Tele2 as non-cash consideration. Such issue of shares increased Tele2's share capital by SEK 229,301,981.25 to SEK 862,926,996.25 in total on November 5, 2018 being the registration date of the merger.

The EGM elected Lars-Åke Norling as a new Board member with effect from the EGM, and Andrew Barron and Eva Lindqvist as Board members with effect once the merger between Tele2 and Com Hem has been registered with the Swedish Companies Registration Office.

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

#### **The Nomination Committee for the 2018 AGM**

For the 2018 AGM, the Nomination Committee, consisted of; Cristina Stenbeck appointed by Kinnevik AB; John Hernander appointed by Nordea Funds; Martin Wallin appointed by Lannebo Fonder and Mike Parton as Chairman of the Board of Tele2 AB.

The Committee held two (2) meetings, with the customary additional contact and interviews in between meetings. In assessment of the degree to which the Board meets the requirement placed on it, the Nomination Committee reviewed the Board members' ability to devote the necessary time and commitment required, as well as the balance and diversity of contributions of experiences from different areas and geographic regions of the broader digital communications industry. The Committee also had the benefit of a formal evaluation of the Board and its individual members. In its work, the Nomination Committee applies rule 4.1 of the Swedish Corporate Governance Code as its diversity policy. Accordingly, the Committee gives particular consideration to the importance of an increased diversity on the Board, including gender, age and nationality, as well as depth of experiences, professional backgrounds and business disciplines. The Committee believes the composition of the Board is fit-for-purpose in respect of the various dimensions of diversity, and will continue to pursue a high degree of diversity and gender balance in its efforts to compose the most capable Board.

The Committee submitted proposals both to the AGM and the EGM for the election of the Board and auditor, and their remuneration, Chairman of the AGM and the procedure for the Nomination Committee.

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

#### **The Board**

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

At the 2018 AGM, Tele2's shareholders re-elected Sofia Arhall Bergendorff, Anders Björkman, Georgi Ganev, Cynthia Gordon, Eamonn O'Hare and Carla Smits-Nusteling as directors of the Board. Mike Parton and Irina Hemmers left the Board. Furthermore, Georgi Ganev was elected as Chairman of the Board. The EGM elected Lars-Åke Norling as a new Board member with effect from the EGM, and Andrew Barron and Eva Lindqvist as Board members with effect once the merger between Tele2 and Com Hem has been registered with the Swedish Companies Registration Office.

The President and CEO, CFO and General Counsel/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. Four of the total nine Board's members as at end of 2018 were 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.

## Nomination Committee for the 2019 AGM

In accordance with the resolution of the 2018 AGM, Cristina Stenbeck, as representative for Kinnevik AB, has convened a Nomination Committee consisting of members appointed by the largest shareholders in terms of voting interest in Tele2 AB as of

August 31, 2018. After that, Kinnevik AB has appointed Georgi Ganev as a Chairman of the Nomination Committee instead of Cristina Stenbeck. The members of the Nomination Committee for the 2019 AGM are shown in the table below.

## Nomination Committee for the 2019 AGM

Name	Representing	Share of votes as at August 2018	Share of votes as at February 2019
Georgi Ganev (Chairman)	Kinnevik AB	47.89%	42.02%
John Hernander	Nordea Funds	2.46%	1.72%
Hans Ek	SEB Investment Management AB	1.64%	1.52%

## Composition of the Board

Name	Born	Position	Elected	Remuneration Committee	Audit Committee	Independent	Shareholding
Georgi Ganev	1976	Chairman	2016	Chairman	Member	No*	1,030 B shares
Andrew Barron	1965	Member	2018	Member	—	Yes	106,140 B shares
Sofia Arhall Bergendorff	1969	Member	2016	—	—	Yes	2,500 B shares
Anders Björkman	1959	Member	2017	Member	—	Yes	2,000 B shares
Cynthia Gordon	1962	Member	2016	—	—	No*	2,000 B shares
Eva Lindqvist	1958	Member	2018	—	Member	Yes	2,891 B shares
Lars-Åke Norling	1968	Member	2018	Member	Member	No*	—
Eamonn O'Hare	1963	Member	2015	—	—	Yes	—
Carla Smits-Nusteling	1966	Member	2013	—	Chairman	Yes	1,687 B shares

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

# Board of Directors



## Georgi Ganev

Chairman of the Board, elected in 2018. Previously Board member, elected in 2016

**Born:** 1976

**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:** 1,030 B shares

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

the Nomination Committee, Member of the Audit Committee

**Other current assignments:** CEO of Kinnevik AB (publ), Member of the Boards of Global Fashion Group and Babylon Health

**Previous assignments:** CEO of Dustin Group AB (publ) and Bredbandsbolaget, Chief Marketing Officer of Telenor Sweden

**Education:** M.Sc. in Engineering from Uppsala University



## Andrew Barron

Board member, elected in 2018

**Born:** 1965

**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:** 106,140 B shares

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

**Other current assignments:**

Board Member of Ocean Outdoor Limited and of Arris International plc

**Previous assignments:**

Chairman of the Board of Com Hem Holding AB, COO of Virgin Media inc. and MTG, CEO of Chellomedia, Executive Vice President of Walt Disney Europe and management consultant at McKinsey & Co

**Education:** Bachelor's Degree, MBA



## Sofia Arhall Bergendorff

Board member, elected in 2016

**Born:** 1969

**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:** 2,500 B shares

**Committee work:** –

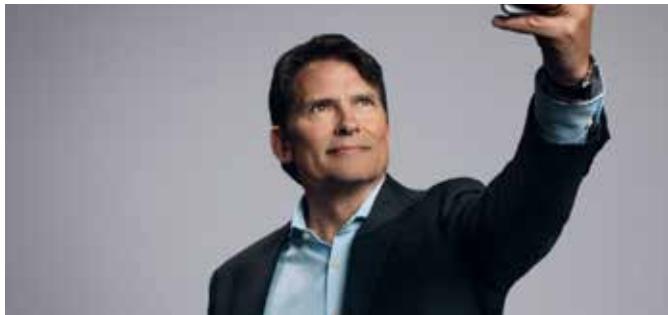
**Other current assignments:** Director, Partnerships, Northern Europe, Google,

Member of the Board of Bluestep Bank AB

**Previous assignments:**

Director, Global Operations for Partnerships at Google, Head of Americas Strategy and Operations and Sales Operations Manager Nordic at Google, partner at Copenhagen Consulting Company (now Quartz+Co)

**Education:** BA in Journalism from the University of Oregon and an MBA from INSEAD



## Anders Björkman

Board member, elected in 2017

**Born:** 1959

**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:** Member of the Remuneration Committee

**Other current assignments:**

Chairman of the Board of Maintrac AB, Chairman of the Board of Maven Wireless AB, Chairman of the Board of

Parktrade Europe AB, Member of the Board of Allgon AB

**Previous assignments:** CEO of OnePhone Holding AB and its partnerships with British Telecommunications and KPN, CEO of Argnor Wireless Ventures, CEO of SEC and of Tele2 (between 1996 and 1999), Member of the Board of a number of Argnor Wireless Ventures portfolio companies, Non-Executive Member of the Board of Digital Trading Technologies Limited T/A Consumer Data Protection

**Education:** MSc from Chalmers University of Technology



## Cynthia Gordon

Board member, elected in 2016

**Born:** 1962

**Nationality:** British citizen

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

**Holdings in Tele2:** 2,000 B shares

**Committee work:** –

**Other current assignments:**

Chairman of the Board of Global Fashion Group, Member of the Boards of

Bima Milvik, Bayport, Josen Partners and Partan Limited

**Previous assignments:** Member of the Board of Directors at Kinnevik AB (publ), Executive Vice President and CEO of the Africa Division at Millicom International Cellular, CCO Group of Ooredoo, Vice President of Partnerships & Emerging Markets of Orange, CCO of MTS, Vice President Business Marketing of Orange

**Education:** BA in Business Studies from Brighton University



## Eva Lindqvist

Board member, elected in 2018

**Born:** 1958

**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:** 2,891 B shares

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

**Other current assignments:**

Member of the Board of SWECO AB (publ), Mr Green & Co AB, Kährs Holding AB

(publ), Tarsier Studios AB, Bodycote plc and Keller Group plc. Elected Member of the Royal Swedish Academy of Engineering Sciences

**Previous assignments:**

Member of the Board of Directors of Com Hem Holding AB, ASSA ABLOY AB (publ), Alimak Group AB (publ) and Caverion Oy. Senior Vice President of TeliaSonera's mobile operations, CEO of TeliaSonera International Carrier and senior positions at Ericsson

**Education:** MSc Engineering Physics, MBA



## Lars-Åke Norling

Board member, elected in 2018

**Born:** 1968

**Nationality:** Swedish citizen

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

**Holdings in Tele2:** –

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

**Other current assignments:**

Investment Director at Kinnevik AB (publ) with

responsibility for the TMT sector, Board Director of Millicom

**Previous assignments:** CEO of dtac, CEO of digi, Executive vice president of Developed Asia at Telenor, CEO of Telenor Sweden, CTO/COO of Bredbandsbolaget

**Education:** MSc in Engineering Physics from Uppsala University, MSc in Systems Engineering from Case Western Reserve University, MBA from University of Gothenburg



## Eamonn O'Hare

Board member, elected in 2015

**Born:** 1963

**Nationality:** Irish and 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:** –

**Committee work:** –

**Other current assignments:**

Founder, Chairman and CEO of Zegona Communications

and a Non-Executive Board Director of Dialog Semiconductor

**Previous assignments:** CFO and Board Director of Virgin Media Inc, CFO United Kingdom of Tesco plc

**Education:** B.Sc. Aeronautical Engineering, from Queen's University, Belfast, and MBA from London Business School



## Carla Smits-Nusteling

Board member, 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:** 1,687 B shares

**Committee work:** Chairman of the Audit Committee

**Other current assignments:** Member of the Board of

Directors of Nokia Oyj, Non-Executive Director at ASML, Member of the management board of the Foundation Unilever NV Trust Office and Lay judge of the Enterprise Court of the Amsterdam Court of Appeal

**Previous assignments:** CFO of Koninklijke KPN N.V.

**Education:** M.Sc. Business Economics from Erasmus University, Rotterdam and Executive Master of Finance & Control from Vrije Universiteit Amsterdam

## 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 and Group CEO regarding his responsibilities towards the Board, and to establish his authority to execute the company's management, including any limitations thereto.

### The Board:

- Approves budgets, business plans, financial reports, investment and employment of senior executives and their remuneration,
- 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, risk management 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.

Furthermore, where needed, the Board appoints members to form preparatory working groups on topics of special interest, such as a capital structure committee working with questions on dividends and capital structure.

## The Board's work in 2018

During the 2018 financial year, the Board convened seven (7) times at locations in Europe. In addition, six (6) per capsulam meetings and eight (8) telephone conference meetings were held.

Below is a summary of the main topics handled by the Board during 2018:

- Appointment of the new CEO and approval of management appointments after closure of the merger,
- Review and approval of financial reports,
- Review and follow-up of internal controls, risk management and corporate governance,
- Treasury matters, revised capital structure, shareholder remuneration policy for the new combined company and financing matters in relation to the Com hem merger,
- Corporate responsibility matters, including data privacy, corruption risks and ethical business practices,
- Human resources matters, including talent management, succession planning (including CEO) 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 statutory merger between Tele2 and Com Hem Holding AB, the agreement between Tele2 and Deutsche Telekom to combine Tele2 Netherlands and T-Mobile Netherlands, and the notice to exercise the put option in Kazakhstan,
- Review and approve the budget for 2019 and review the strategic plan for 2019–21,
- Evaluation of the Board and evaluation of the CEO,
- Auditors' reports,
- Frequency acquisitions.

## Attendance of Board members

Name	Board meetings	Audit Committee	Remuneration Committee	Comments
Number of meetings, including telephone and per capsulam meetings	21	8	5	
Georgi Ganev	19/21	6/6	5/5	– Elected Chairman of the Board at the AGM 2018 and ordinary member of the Audit Committee – Did not participate in two Board meetings due to possible conflict of interest
Sofia Arhall Bergendorff	21/21	–	–	
Andrew Barron	3/3	–	1/1	Elected new Board member at the EGM 2018 and ordinary member of the Remuneration Committee with effect once the merger between Tele2 and Com Hem has been registered with the Swedish Companies Registration Office
Anders Björkman	20/21	–	5/5	
Cynthia Gordon	19/21	7/7	–	– Ordinary member of the Audit Committee until the merger between Tele2 and Com Hem was registered with the Swedish Companies Registration Office. – Did not participate in two Board meetings due to possible conflict of interest
Eva Lindqvist	3/3	1/1	–	Elected new Board member at the EGM 2018 and ordinary member of the Audit Committee with effect once the merger between Tele2 and Com Hem has been registered with the Swedish Companies Registration Office
Lars-Åke Norling	7/7	2/2	1/1	Elected new Board member at the EGM 2018 and ordinary member of the Audit Committee
Eamonn O'Hare	18/21	–	–	
Carla Smits-Nusteling	21/21	8/8	–	
Mike Parton	7/7	2/2	2/2	Left the Board at the AGM 2018
Irina Hemmers	7/7	2/2	–	Left the Board at the AGM 2018

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 2018" 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 program for the Board.

## Remuneration to the Board

SEK	Fees to the Board		Fees to the Committees		Total Fees	
	2018	2017	2018	2017	2018	2017
Georgi Ganev	1,575,000	575,000	200,000	90,000	1,775,000	665,000
Andrew Barron	287,500	–	22,500	–	310,000	–
Sofia Arhall Bergendorff	575,000	575,000	–	–	575,000	575,000
Anders Björkman	575,000	575,000	45,000	45,000	620,000	620,000
Cynthia Gordon	575,000	575,000	55,000	110,000	630,000	685,000
Irina Hemmers	–	575,000	–	110,000	–	685,000
Eva Lindqvist	287,500	–	55,000	–	342,500	–
Lars-Åke Norling	359,375	–	96,875	–	456,250	–
Eamonn O'Hare	575,000	575,000	–	–	575,000	575,000
Mike Parton	–	1,575,000	–	155,000	–	1,730,000
Carla Smits-Nusteling	575,000	575,000	220,000	220,000	795,000	795,000
<b>Total fee to board members</b>	<b>5,384,375</b>	<b>5,600,000</b>	<b>694,375</b>	<b>730,000</b>	<b>6,078,750</b>	<b>6,330,000</b>

## 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.

The evaluation is presented to the Nomination Committee.

## 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 2018 AGM, the Board appointed Carla Smits-Nusteling as the Chairman of the Audit Committee, Georgi Ganev and Cynthia Gordon as ordinary members. Cynthia Gordon was ordinary member until the merger between Tele2 and ComHem was registered with the Swedish Companies Registration Office. Pursuant to conclusion of the EGM, Lars-Åke Norling was appointed as a new ordinary member of the Audit Committee with immediate effect and Eva Lindqvist was elected new ordinary member of the Audit Committee with effect from registration of the Com Hem merger. With reference to the table "Composition of the Board" on page 4, 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 2018, the Audit Committee has met formally four (4) times to review, assess and approve the release of the group's financial results. Additionally, the Committee has met or participated

through call four (4) times to discuss the progress of the audit performed in accordance with standards established by the Public Company Accounting Oversight Board (United States) and the conclusion of this audit for the years 2015, 2016 and 2017. The President and Group CEO and the CFO together with the General Counsel, Head of Internal Control, the Head of Financial Reporting, Investor Relations and the company's external auditors were also present at the meetings, as required. Other management including that of Tax and of Security were also present in part or some of the meetings.

In 2018, the primary matters dealt with by the Audit Committee were the approval of financial reports, capital structure, tax, reports from the external auditor including PCAOB audit, follow-up of internal audits and risk assessments, corporate responsibility and compliance 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 executive management. These recommendations and guidelines regarding remuneration for executive management are also submitted to the President and CEO. The recommendations, including recommendations for long-term incentive programs, are submitted by the Board to the AGM for adoption.

Following their adoption at the AGM, the Board applies the remuneration guidelines.

As previously announced by Tele2 and as described in Tele2's 2017 Annual Report, the Board of Directors of Tele2 decided to introduce an Integration and Retention Incentive plan, including 10 senior executives in Tele2's leadership team due to the merger between Tele2 and Com Hem. Payment under the Integration and Retention Incentive plan corresponds to 12 – 24 months base salary per participant paid out in two tranches, (i) at completion of the merger in November 2018, and (ii) one year after the completion of the merger i.e. November 2019.

The President and Group CEO and the former Group CEO of Tele2, have not participated in the Integration and Retention Incentive plan. Instead, the former Group CEO was entitled to

an integration incentive award of 18 months base salary which was paid out in full when she left Tele2 in December 2018. The President and Group CEO was entitled to a similar integration incentive bonus of SEK 8.5 million, and did also receive SEK 8.1 million in cash compensation from early vesting of Com Hem Holding's long-term incentive plans at closing of the merger in line with the Plan Rules and as decided by the Com Hem Board of Directors which has been paid out in full by Tele2 when assuming Com Hem Holding AB in November 2018. Furthermore, the Tele2 Board of Directors have decided to introduce an Incentive Award to the President and Group CEO corresponding to up to 24 months base salary, with payment in three tranches in November 2019–2021. The Incentive Award is conditional upon that the President and Group CEO being continuously employed as the managing director of Tele2 and that Tele2 achieves established objectives in relation to synergy execution. In addition, the Incentive Award to the President and Group CEO include an extra incentive, which entitles him to 12 months base salary in November 2021 in case of exceptional performance of the Tele2 share.

The following deviations have been made to the remuneration guidelines for senior executives in 2018: the Integration and Retention Incentive plan for the senior executives and the incentive awards to the former Group CEO and the President and Group CEO have led to variable remunerations exceeding 100 percent of their respective fixed salary for 2018. The Integration and Retention Incentive plan for the senior executives and the Incentive Award to the President and Group CEO can also lead to variable remunerations exceeding 100 percent of their respective fixed salary for 2019, and, applicable only to the Incentive Award to the President and Group CEO, 2020 and 2021. The Board of Director's reasons for introducing these integration and retention incentives were to incentivize a successful integration of Com Hem and achievement of synergy execution targets for the combined company post-closing and ensure retention among key employees.

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, Georgi Ganev was appointed Chairman of the Remuneration Committee and Anders Björkman was appointed member of the Committee. Lars-Åke Norling and Andrew Barron were appointed member of the Committee later in 2018.

During 2018, the Remuneration Committee held five (5) meetings.

Refer to Note 33 in the Annual Report 2018 for information regarding remuneration to senior executives.

## **Executive Leadership Team**

Anders Nilsson was appointed by the Board as President and CEO, Tele2 Group effective as of November 5, 2018. Anders Nilsson, born in 1967, was previously CEO of Com Hem Holding AB. He has extensive experience of Scandinavian and international media, communications and digital services markets, developed over a 25-year career in senior leadership positions at Modern Times Group AB and Millicom International Cellular AB.

Anders Nilsson holds 220,839 Tele2 Class B shares, and 100,000 rights (2018 – Allocated share rights at grant date, before compensation for dividend and share issue.)

During 2018, numerous 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 3 ongoing incentive programs. For information concerning the long-term incentive programs, the LTI program 2016, the LTI program 2017 and the LTI program 2018, see Note 33 in the Annual Report 2018 and the corporate website, [www.tele2.com](http://www.tele2.com).

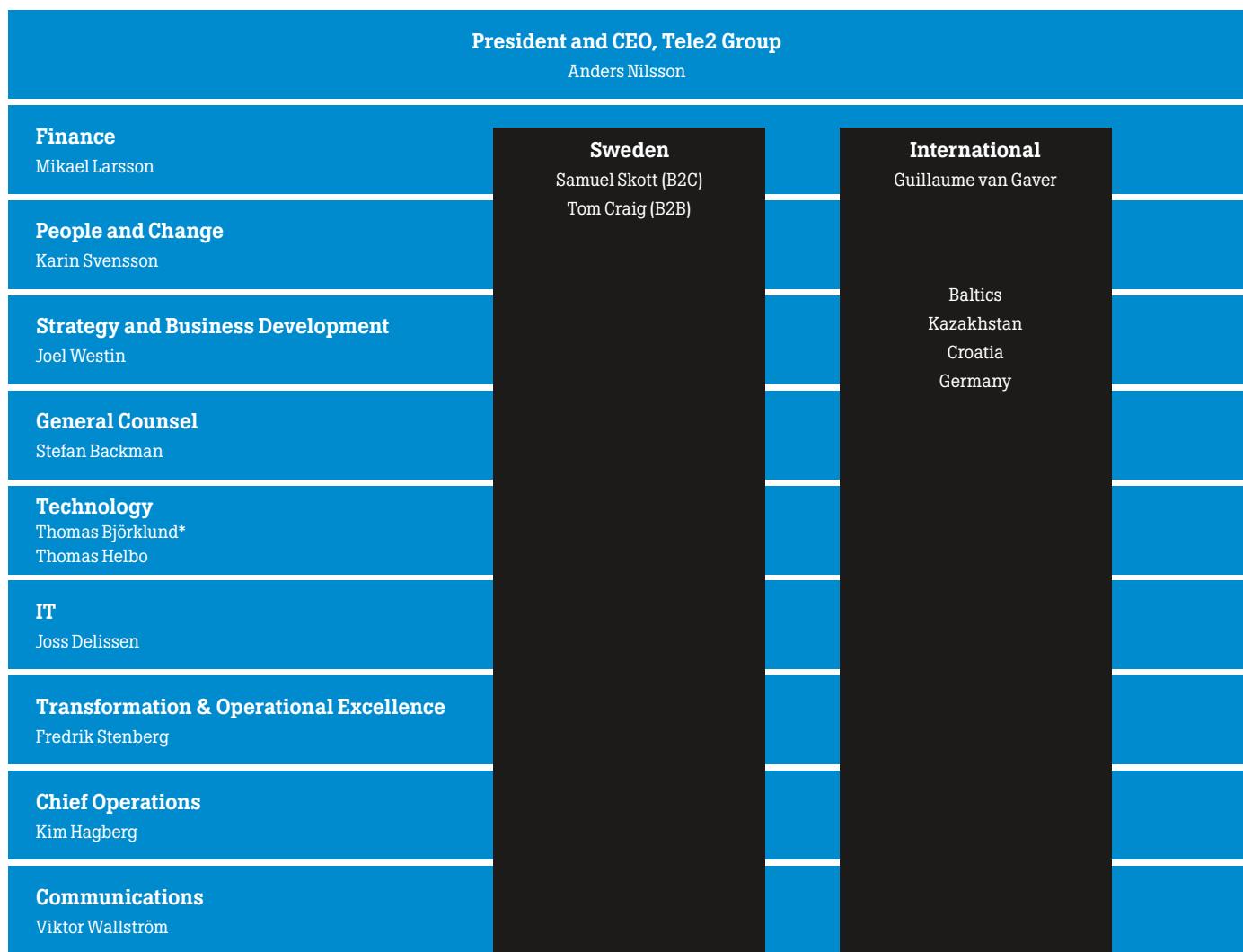
## **Auditor**

At the AGM 2018, the audit firm Deloitte AB, Sweden, was elected external auditor until the AGM 2019 in compliance with the proposal from the Nomination Committee. Pontus Pålsson is the auditor in charge. He is an authorized public accountant and partner at Deloitte responsible for audit quality in Deloitte's Nordic organization. In addition to his assignment at Tele2 he is, amongst others, part of the audit teams for Atlas Copco and Boliden.

During 2018, Deloitte performed services for Tele2 besides the ordinary audit assignments, for example with regard to comfort letters. All non-audit services performed by the auditor are approved by the Audit Committee.

Refer to Note 34 in the Annual Report 2018 for information regarding fee to the auditors.

## The Tele2 Leadership Team



\* Leaving Tele2's leadership team as of April 1, 2019

## RISK MANAGEMENT AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Tele2 works proactively to identify and monitor the most significant risks through an enterprise risk management process, in relation to strategy, financial reporting and operations. The purpose of this process is to minimize surprises, improve decision making in order for Tele2 to achieve its strategic, financial, compliance and operational objectives and actively work to reduce the impact and likelihood of identified risks.

The section begins with a description of the Strategic Risk Management process. This is followed by a section that describes the process of Internal Controls over Financial Reporting. The process related to risk management for financial reporting and other operational risks is elaborated in the sub-section 'Risk Assessment'.

### Strategic Risk Management

Risks which could threaten Tele2's ability to achieve its strategic objectives are assessed by the Leadership Team (LT). These risks could relate to our strategic initiatives, financial targets or the overall vision & mission, but they could also relate to other risks in the Risk Universe on Page 13 considered to have a potential material effect on the group's strategic objectives.

The strategic risk management process begins with identification of risk areas. Each of these risk areas are then assigned to a risk owner (an individual LT member) who is responsible for breaking down the risk into quantifiable risk scenarios, for which potential impact and likelihood is then calculated. The risk owners are also responsible for identifying actions to mitigate the risks, where possible and to monitor and report any development to the rest of the LT.

### The Strategic Risk Management Process



The strategic risks are also reported and discussed quarterly by the Audit Committee and/or the full Board of Directors. During 2018, the Audit Committee has also had separate sections in their meetings dedicated to certain risks identified (including M&A topics such as the merger of Tele2 and Com Hem and the merger of Tele2 Netherlands with T-Mobile NL, regulations such as GDPR, spectrum availability and auctions, partnerships and joint ventures) in order to get a better understanding of the risks and related actions. During 2018, the full Board also had dedicated sessions relating to the statutory merger between Tele2 and Com Hem, the merger of Tele2 Netherlands with T-Mobile NL and the put option in Tele2 Kazakhstan.

For an elaboration of the strategic risks, please refer to the section Risks and Uncertainty Factors in the Administration Report of the Annual Report 2018.

### 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 the "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 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. Results of internal and external audits, which are reported to the Audit Committee, as well as management's reporting on risks and incidents forms the basis for the Board's evaluation of the internal controls over financial reporting.

### Responsibilities for maintaining Internal Control over Financial Reporting

#### *Local management – 1st line of defence*

The responsibility for maintaining an effective control environment and ongoing work on internal controls has been assigned to the President and Group CEO and documented in the "Instructions to the Managing Director of Tele2 AB". The President and Group CEO has, in turn, allocated responsibility for maintaining internal controls to the respective line managers. Heads and CEOs of local operations 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.

#### *Centralized Functions – 2nd line of defence*

A number of centralized functions are responsible for promoting 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 Financial Reporting, Planning and Control, Accounting, Tax, Treasury and Investor Relations) plays a particularly important role in ensuring correct and timely financial reporting. Other central departments vital to maintaining a sound control environment are for example Legal and Regulatory, Security, Purchasing, Corporate Responsibility and People & Change (HR).

#### *Internal Control – 3rd line of defence*

Independently of area of responsibility, be it geographic or corporate, Internal Control (Tele2's internal audit function) is responsible for evaluating the operations of the company to identify any shortcomings in internal controls over financial reporting as well as in other areas. Significant findings are reported to the Board of Directors through the Audit Committee.

#### **Internal Control Responsibilities**

1st line of defence	2nd line of defence	3rd line of defence
Local Management	Centralized Functions	Internal Control

#### **Control environment, Tele2 values and the Tele2 Code of Conduct**

The overall control environment in Tele2 (including that over its financial reporting) is much influenced by our common values which are reflected in all parts of our business, from trainings for new employees to developing corporate strategy. 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.

Another key aspect of the overall control environment is the Executive Management's enforcement of the Tele2 Code of Conduct and, as part of this, the four-eyes principle, which means that important decisions and contracts signed on behalf of Tele2 should always be made by at least two persons. The Code of Conduct is signed by all employees upon joining Tele2 and then reconfirmed annually. All employees are accountable for compliance with the 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 Business Partner Code of Conduct.

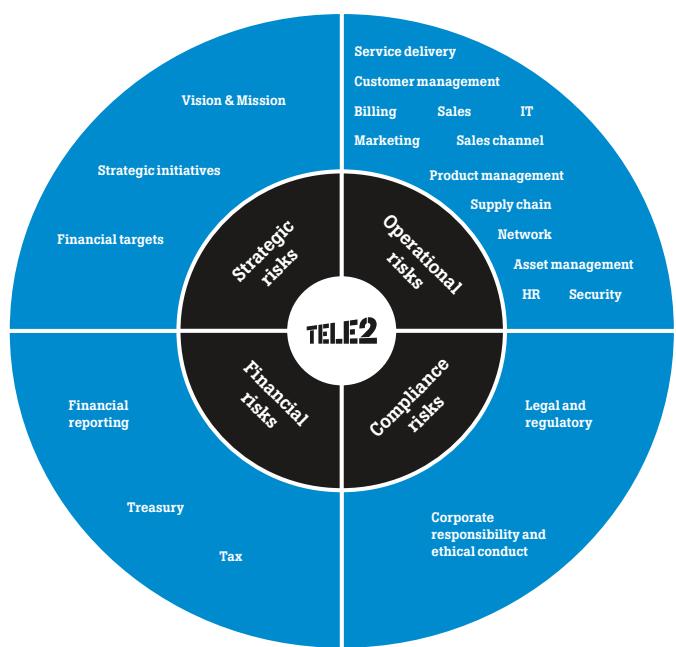
The Code of Conduct is available on the company's intranet and on Tele2's corporate website [www.tele2.com](http://www.tele2.com).

#### **Risk assessment**

Tele2's operational risk management is integrated into the financial reporting and operational processes to ensure accountability, effectiveness, efficiency, business continuity and compliance with corporate governance, legal and other requirements.

First and second "line of defence" is inherently responsible for the risk identification and risk mitigation related to their respective market or corporate area for financial reporting and other operational processes. On top of this, Internal Control performs an independent risk assessment for each market and function (including financial reporting) 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 in the Risk Universe below. Other inputs to this risk assessment and the internal audit plan include results of prior audits, known incidents and reporting issues, external risk benchmarks and external assessments of countries' general corruption levels etc. The internal audit plan is reviewed and approved by the Board through the Audit Committee.

#### **Tele2 Risk Universe**



#### **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 preceded 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. Requirements

related to these areas are described in policies and standards. Compliance to these requirements are followed up on a continuous basis.

### **Control activities**

The line managements in the markets bear the responsibility for the implementation of control activities in compliance with central policies and governance documents (including the Financial Manual), as well as for managing any further risks that they may identify. This includes 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, 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.

### **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 line organisation in the markets**

The line managers in the markets follow up on controls in their respective areas with the help of their own staff.

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

In addition to the follow-up performed by line organisations in the markets, the centralized 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 Security organisation identifies risk of fraud and the procurement organisation together with the Legal department follows up on the application of Tele2's Code of Conduct for business partners. Also, matters related to financial reporting and instructions in the Financial Manual are clarified through regular interactions between finance teams of countries and Financial Reporting).

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

Independently of line responsibilities and without any limitation by area of responsibility, 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 Manual, particularly when reviewing the account-closing process.

Significant risks and issues noted by 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 2018, around 560 man days of internal audit were performed.

Stockholm March 29, 2019

Georgi Ganev  
*Chairman*

Andrew Barron

Sofia Arhall Bergendorff

Anders Björkman

Cynthia Gordon

Eva Lindqvist

Lars-Åke Norling

Eamonn O'Hare

Carla Smits-Nusteling

Anders Nilsson  
*President and CEO, Tele2 Group*

## Auditor's report on the Corporate Governance Statement

To the general meeting of the shareholders in Tele2 AB (publ) corporate identity number 556410-8917

### **Engagement and responsibility**

It is the board of directors who is responsible for the corporate governance statement for the financial year 2018 and that it has been prepared in accordance with the Annual Accounts Act.

International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### **The scope of the audit**

Our examination has been conducted in accordance with FAR's auditing standard RevU 16. The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with

### **Opinions**

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, March 30, 2019

Deloitte AB

Pontus Pålsson  
*Authorized Public Accountant*

## **Contacts**

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**TELE2**