

2009 Corporate Governance Report

Tele2 AB ("the Company") offers mobile services, fixed broadband and telephony, data network services, cable TV and content services. In 2009, we had net sales of SEK 39,265 million and reported an operating profit (EBITDA) of SEK 9,185 million. Tele2 is a Swedish joint-stock Company with shares listed on the OMX Nordic Exchange and thus applies the Swedish Code of Corporate Governance ("the Code") as amended on July 1, 2008. This Corporate Governance Report is prepared in accordance with the provisions of the Code, and it contains information regarding the following deviations:

Reference from the Code	Deviation and Explanation
2.4 A member of the Board shall not chair the nomination committee	Cristina Stenbeck, who is the Chairman of the nomination committee, is considered to be dependent in respect of being a member of the Company's Board. However, the other members of the nomination committee have declared their decision regarding the election as being in the Company's and the shareholders' best interest and a natural consequence of Cristina Stenbeck representing the Company's largest shareholders.
9.1 The members of the remuneration committee, apart from the Chairman, must be independent of the Company and the corporate executives.	Mia Brunell Livfors and Vigo Carlund, members of the remuneration committee, are not considered independent in respect of the Company and its executive management. The Board however considers that their experience will benefit the Company and make them suitable committee members. The code notwithstanding, the Board believes that they will be as free of conflict as if they were independent.

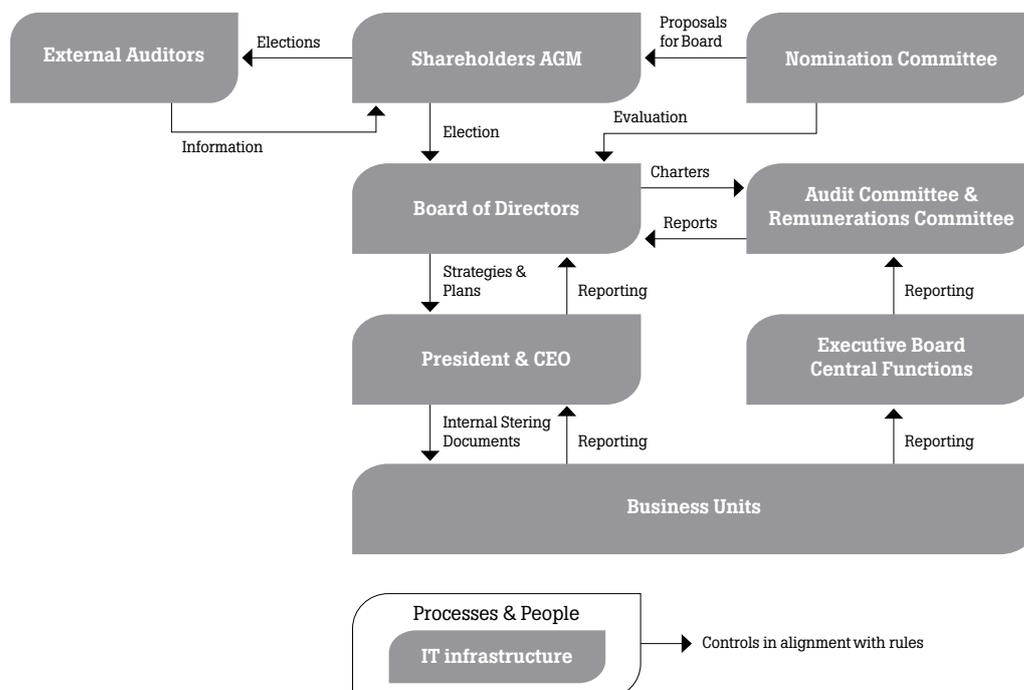
The Corporate Governance Report is not part of the formal Annual Report and has not been reviewed by the Company's auditor.

OVERVIEW OF CORPORATE GOVERNANCE AT TELE2

Sound corporate governance at Tele2 involves ensuring that the right framework for decision making has been determined, responsibility has been assigned and there is transparent reporting to understand and monitor the development of the Company. Tele2's overall framework of corporate governance can be visualised below:

Tele2's Governance Structure

External Steering Documents, such as Swedish Companies Act, the Annual Accounts Act, the Swedish Code of Corporate Governance, industry regulations etc.



Corporate Governance Report

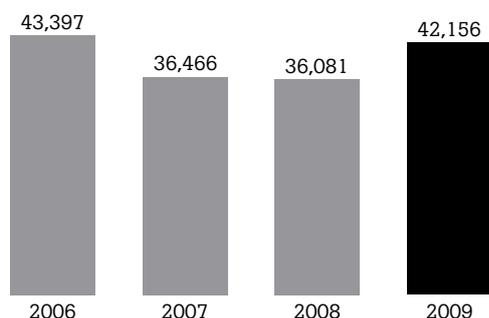
SHAREHOLDER INFORMATION

Tele2's A and B shares were first listed on the O-List of the Stockholm Stock Exchange in May 1996. Tele2 has been listed on the OMX Nordic Exchange Large Cap List since October 2006. As at the end of 2009, Tele2 had approximately 42,100 shareholders and the market value of the Company was SEK 48,590 billion. In addition to Shareholder meetings, Tele2 provides information to shareholders primarily by publishing financial reports such as interim reports, full year report and annual report and by press releases. The Company also holds regular analyst meetings. During 2009, Tele2 has improved its corporate web site www.tele2.com to make information more easily accessible to various stakeholders. The financial reports have also been updated to augment the reader's understanding of the Company's strategies and results.

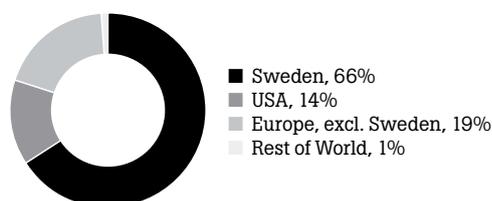
	Par value	Share capital	Shares owned as per Euroclear's share register	% of total count	Votes per share	% of total votes
A Share	1.25	25,131,996	25,074,920	6	10	37
B Share	1.25	415,249,343	413,501,229	93	1	62
C Share	1.25	5,798,000	5,798,000	1	1	1

Graphs showing ownership structure

NUMBER OF SHAREHOLDERS



SHAREHOLDERS, BY NATIONALITY

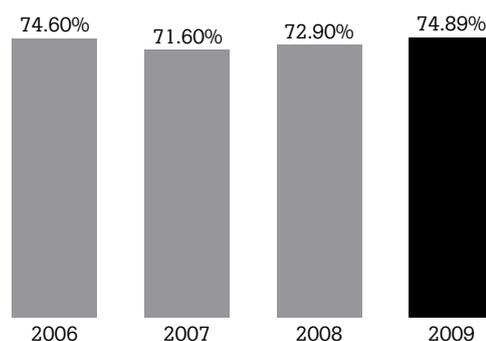


For further shareholder information including information on share capital, voting rights, trade and market value, see the sections 'The Share' and 'Ownership structure' on the corporate website www.tele2.com.

ANNUAL GENERAL MEETING

The 2009 Annual General Meeting ("AGM") was held on May 11, 2009. At the meeting, 382 shareholders were in attendance, personally or by proxy, representing 74.89 percent of the votes. Martin Börresen was elected Chairman of the meeting. All Board members elected by the AGM were present.

ATTENDANCE, % OF VOTES



The following significant resolutions were adopted at the AGM:

- It was resolved to adopt the income statements and balance sheets for the Company and the group in respect of 2008.
- In accordance with the proposal of the Board of Directors, an ordinary dividend of SEK 3.50 per share and SEK 1.50 per share as extraordinary dividend (in total: 8,982,994,428) were approved.
- The Board of Directors and the CEO were discharged from liability for the 2008 financial year.
- The existing Board of Directors was re-elected and Mike Parton was elected as Deputy Chairman.
- The remuneration to the Board of Directors was set for the period until the close of the next AGM. Furthermore, remuneration to the auditor shall be paid in accordance with an approved bill which specifies time, persons who worked and tasks performed.
- A procedure for the election of the Board of Directors and auditor was adopted.
- Conditional upon that an amendment of the Companies Act (SFS 2005:551) has come into force, section 9 of the Articles of Association regarding the procedure for issuing a notice of a General Meeting of shareholders should be amended.
- The guidelines on remuneration for senior executives were approved.
- An incentive programme for allocation to senior executives and other key employees in the Tele2 group, in accordance with the Board's proposals, were adopted.
- To reduce the Company's share capital by not more than 5,625,000 shares by redemption without the repayment of 4,500,000 Class B shares which the Company has repurchased and that the redemption amount shall be transferred to non-restricted equity.

- The Board of Directors was authorised to pass resolutions, during the period up until the next AGM, on purchasing or transferring so many Class A and/or Class B shares that the Company's holding not at any time exceed 10 percent of the total number of shares in the Company. The authorisation includes the right to resolve on purchases or transfers of shares on NASDAQ OMX Stockholm pursuant to applicable trading rules, as well as on transfers of shares in connection with acquisition of companies or businesses in which case payment for transferred shares may be made in other forms than cash.
- That holders of Class A shares shall, during the period May 12, 2009 through May 29, 2009 be entitled to request to reclassify their Class A shares into B shares, upon which time one Class A share shall be eligible for reclassification into one Class B share.

On August 26, 2009 an extra shareholders' meeting (EGM) was held. At the meeting, shareholders representing 56.1% of the shares were in attendance, personally or by proxy.

At the EGM it was resolved:

- That holders of Class A shares shall, during the period August 26, 2009 through December 31, 2009 be entitled to request to reclassify their Class A shares into B shares, upon which time one Class A share shall be eligible for reclassification into one Class B share.

The minutes from the AGM and EGM are available in the section 'Sustainability & Governance' of the corporate website www.tele2.com.

THE NOMINATION COMMITTEE

The principles for appointing members of the Company's Nomination Committee were determined at the AGM 2009. In accordance with these principles, Cristina Stenbeck convened a Nomination Committee during the autumn 2009 in preparation for the AGM in 2010, consisting of the major shareholders in Tele2 AB as per September 30, 2009. The Nomination Committee consists of Cristina Stenbeck, as representative of Investment AB Kinnevik; Åsa Nisell as representative of Swedbank Robur; Ramsay Brufer as representative of Alecta, and Peter Lindell as representative for AMF Pension. The four shareholder representatives in the Nomination Committee jointly represented more than 50 percent of voting rights in the Company.

Nomination Committee for the 2010 AGM

Name	Representing	Share of votes as on December 31, 2009
Cristina Stenbeck	Investment AB Kinnevik,	47.6%
Åsa Nisell	Swedbank Robur Fonder	2.2%
Ramsay Brufer	Alecta Pensionsförsäkring	2.2%
Peter Lindell	AMF Pension	1.3%

The Board member Cristina Stenbeck has been appointed as Chairman of the Nomination Committee, which deviates from what the Code prescribes. The other members of the Nomination Committee have declared their decision regarding the election of the Chairman of the Nomination Committee as being in all the shareholders' best interest and a natural consequence of Cristina Stenbeck representing the Company's largest shareholders. Shareholders can submit proposals to the Nomination Committee ahead of the AGM 2010 in writing to agm@tele2.com or to the Company Secretary, Tele2 AB (publ.), P.O. Box 2094, SE 103 12 Stockholm.

The work of the Nomination Committee

The Nomination Committee for the AGM 2010 has been assigned the following tasks by shareholders' AGM:

- Proposing the Board of Directors and its Chairman to the AGM,
- Proposing the remuneration to members of the Board and its committees and auditor remuneration for approval by the AGM in 2010,
- Nominating a Chairman to lead the AGM, and
- Proposing a procedure for appointing members of the Nomination Committee in advance of the 2010 AGM.

The Nomination Committee for the AGM 2010 has held 4 meetings as of 11th March 2010, with additional contact between meetings. As the basis for the Nomination Committee's work regarding the nomination of a Board, the Chairman of the Board, Vigo Carlund, has presented the results of the evaluation of the Board and its members' performance in 2009. 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. At the AGM 2009, Tele2's shareholders re-elected Vigo Carlund, Mike Parton, Mia Brunell Livfors, Jere Calmes, John Hepburn, John Shakeshaft, Cristina Stenbeck and Pelle Törnberg as board members. Further, Vigo Carlund was re-elected as Chairman and Mike Parton was elected Deputy Chairman of the Board of Directors. The Articles of Association of Tele2 are available in the 'Sustainability & Governance' section of the corporate website, www.tele2.com.

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

The composition of the Board

The Board's assessment, regarding each member's position of dependence in relation to the Company, its shareholders and the management is presented in the table "Composition of the Board 2009". None of the Board members is part of senior management in the Company nor is a union representative. 25 percent of the Board's members are women. Tele2 meets the Code requirement that the majority of the Directors are independent of the Company, its executive management and major shareholders.

Corporate Governance Report

Composition of the Board 2009

Name	Born	Position	Elected	Remuneration committee	Audit committee	Independence	Shareholding as on December 31 2009
Vigo Carlund	1946	Chairman	1995	Member	–	No*	26,000 B-shares
Mike Parton	1954	Deputy Chairman	2007	–	Member	Yes	9,400 B-shares
Mia Brunell Livfors	1965	Member	2006	Member	Member	No*	1,000 B-shares
Jere Calmes	1969	Member	2008	Member	Member	Yes	3,000 B-shares
John Hepburn	1949	Member	2005	Chairman	–	Yes	166,395 B-shares
John Shakeshaft	1954	Member	2003	–	Chairman	Yes	1,200 B-shares
Cristina Stenbeck	1977	Member	2003	–	–	No**	1,400 B-shares
Pelle Törnberg	1956	Member	2007	–	–	Yes	1,400 B-shares

* Not independent in relation to the Company and the Company's management, nor in relation to the Company's major shareholders.

** Not independent in relation to the Company's major shareholders. At the time of the nomination committee's evaluation of the board members' independence for the AGM 2009, Cristina Stenbeck was not considered independent in relation to the Company and the Company's management. However, the conditions for this evaluation have changed during the year and it is therefore the Company's opinion that Cristina is now to be considered independent in relation to the Company and the Company's management.

Vigo Carlund

Chairman of the Board

Swedish.

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

Presently, he is Chairman of the Board of Korsnäs AB, and moreover a member of the boards of Investment AB Kinnevik, Academic Work Solutions AB and Net Entertainment NE AB.

Mike Parton

Deputy Chairman of the Board

British.

Trained as Chartered Management Accountant.

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

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

Mia Brunell Livfors

Swedish.

Studies in economics and business administration, Stockholm University.

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

Mia Brunell Livfors had various managerial positions within the Modern Times Group MTG AB 1992-2001 and served as Chief Financial Officer between 2001 and 2006. She is the Chairman of the Board in Metro International S.A and member of the Board of Korsnäs AB, Transcom Worldwide S.A, Millicom International Cellular S.A., Modern Times Group AB and Hennes & Mauritz AB.

Jere Calmes

American.

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

From 2007 to 2009 he was president of Pharmacy Chain 36.6 and CEO of its management company.

During 2006 he was COO at Wind Telecomunicazioni S.p.A, Italy. Before that he was Executive Vice President and General Manager at Vimpelcom, a Russian telecom operator.

Between 1995 and 2001 he held various senior positions within Motorola Inc, in London, Cairo and St Petersburg. Mr Calmes was a member of the Board of Directors from 2007 to 2009 for Loyalty Partners Vostok, the leading coalition loyalty program in Russia.

John Hepburn

Canadian.

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

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

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

John Shakeshaft

British.

MA Cambridge University, UK.

John Shakeshaft has more than 24 years experience as a banker. He was Managing Director, Financial Institutions, ABN AMRO, 2004-2006. Managing Director and Partner, Cardona Lloyd, 2002-2004, Lazard, 2000-2002 and Barings Bank, 1995-2000.

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

Member of the Board of TT Electronics plc, Xebec Inc and the Economy Bank NV. Also Director of The Alternative Theatre Company Ltd, Trustee, Institute of Historical Research, London University and an external member of the Audit Committee of Cambridge University.

Cristina Stenbeck

American and Swedish.
B.Sc. Bachelors of Science.

Chairman of the Board of Investment AB Kinnevik since May 2007. Member of the Board of Metro International S.A., Modern Times Group MTG AB, Korsnäs AB and Modern Holdings Inc.

Pelle Törnberg

Swedish.

Studies at the School of Journalism at Gothenburg University.

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

Between 1997 and 2000 he was the President and CEO of Modern Times Group (MTG) AB and between 1993 and 1997 he was the President and CEO of Kinnevik Media.

He is currently President and Chairman of Seabay Capital Ltd and member of the Board of Sofia Pankki Oyj and Oype GmbH.

The Board's responsibility and work procedures

The Board has adopted new work and delegation procedures for the Board of Directors of Tele2 AB, at the constituent Board meeting following the AGM. This procedure outlines the organisation of the Board's duties and its meetings as well as written instructions for the Board's work and evaluation of its work. Further, the Board has issued, "Instructions to the Managing Director", to the President & CEO regarding his responsibilities towards the Board and 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 acquisition and disposal of business interests,
- Monitors the CEO's work and the Company's performance, and
- Evaluates the quality of the Company's internal control functions, financial reports and communicates with the Company's auditors through regular reports from the Audit Committee and the Company's CFO.

In order to carry out its work more effectively, the Board has at the constituent Board Meeting, appointed members for a Remuneration Committee and an Audit Committee with special tasks. These committees are the Board's preparatory bodies and do not reduce the Boards overall and joint responsibility for the handling of the Company and the decisions made. All Board members have access to the same information, enabling them to be jointly and severally liable.

THE BOARD'S WORK IN 2009

During the financial year 2009 the Board convened five times at different locations in Europe. In addition three per capsulam meetings and eight telephone conference meetings were held.

Below is a summary of the main topics handled by the Board during 2009:

- Review and approval of financial reports
- Review and follow-up of internal control and corporate governance
- Treasury matters; including approval of new credit facility agreement
- Human resources matters; including talent management, succession planning and remuneration guidelines (including remuneration to executive management)
- Strategy review; including review of expansion and marketing strategies
- Several matters regarding acquisition and divestment opportunities
- Review and approval of budget for 2010
- Evaluation of Board and of CEO and executive management
- Auditors report and corporate sustainability matters

Evaluation of the Board

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

The Board also receives reports from the Audit and Remuneration Committee and evaluates their work. Finally, a summary of the evaluation is also presented to the Nomination Committee.

Attendance of Board members

Name	Board meetings	Audit Committee	Remuneration Committee
Number of meetings, including telephone and per capsulam meetings	16	5	5
Vigo Carlund	16	–	5
Mike Parton	15	5	–
Mia Brunell Livfors	14	5	5
Jere Calmes	15	5	5
John Hepburn	13	–	5
John Shakeshaft	16	5	–
Cristina Stenbeck	15	–	–
Pelle Törnberg	14	–	–

The Board members are all compensated for their board work in accordance with the resolution passed at the AGM 2009. Details of compensation are shown in the table 'Remuneration to the Board during 2009'. In addition, Board members are also reimbursed travelling expenses for board work, according to submitted receipts. There is no outstanding share or share-price related incentive program for the Board.

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Remuneration to the Board during 2009

SEK	Fees to the Board		Fees to the Audit Committee		Fees to the Remuneration Committee		Total Fees	
	2009	2008	2009	2008	2009	2008	2009	2008
Vigo Carlund	1,200,000	1,200,000	–	–	25,000	32,535	1,225,000	1,235,535
Mike Parton	600,000	450,000	100,000	100,000	–	–	700,000	550,000
Mia Brunell Livfors	450,000	450,000	100,000	100,000	25,000	25,000	575,000	575,000
Jere Calmes	450,000	450,000	100,000	100,000	25,000	25,000	575,000	575,000
John Hepburn	450,000	450,000	–	–	50,000	42,465	500,000	492,465
John Shakeshaft	450,000	450,000	200,000	200,000	–	–	650,000	650,000
Cristina Stenbeck	450,000	450,000	–	–	–	–	450,000	450,000
Pelle Tornberg	450,000	450,000	–	–	–	–	450,000	450,000
Total	4,500,000	4,350,000	500,000	500,000	125,000	125,000	5,125,000	4,975,000

THE AUDIT COMMITTEE

The Board appoints the members and the Chairman of the Audit Committee. The Audit Committee has the primary task of assisting the Board in its supervision and review of the internal and external audit process as well as to review and ensure the quality of the Company's external financial reporting. Further, the Audit Committee also supervises the internal control functions of the Company.

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

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

At the constituent Board Meeting following the AGM 2009, the Board re-appointed John Shakeshaft as the Chairman of the Audit Committee and Mia Brunell Livfors, Mike Parton and Jere Calmes as ordinary members. The membership of the Audit Committee meets the independence requirements laid out in the Code.

The Audit Committee usually meets in connection with the Board meetings or the publication of external financial reports. During 2009, the Audit Committee had five meetings. All the members were present at all meetings. The CFO together with other Company personnel, as required, and the Company's auditors have also been present at these meetings.

In 2009, the primary issues for the Audit committee were review and approval of financial reports, capital structure review, receipt of feedback from the external auditor, follow-up of internal audits performed and receiving 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 regularly reported to the Board of Directors.

THE REMUNERATION COMMITTEE

The Remuneration Committee's main work includes presenting recommendations to the Board regarding all aspects of remuneration and terms of employment for executive management. These recommendations are also submitted to the President & CEO. The recommendations, especially with regard to long term incentive programs, are submitted by the Board to the AGM for approval. Following their approval by the AGM, the President & CEO applies the remuneration proposals.

In performing its work, the Remuneration Committee is guided by a written charter and instructions that the Board has determined. The Board has not delegated any decision making powers to the Remuneration Committee.

The Board appoints the members and the Chairman of the Remuneration Committee. During 2009, the Remuneration Committee consisted of Vigo Carlund, Mia Brunell Livfors, John Hepburn and Jere Calmes. At the constitutional board meeting held after the 2009 AGM John Hepburn was elected Chairman of the Remuneration Committee.

Mia Brunell Livfors and Vigo Carlund are not considered independent of the Company and its executive management, which is a deviation from the provisions in the Code. Nevertheless, the Board believes that their experience will benefit the committee and the exercise of their responsibilities will be as free of conflict as if they were independent.

During 2009, the Remuneration Committee held five meetings.

Refer to Note 36 in the Annual Report for information regarding remuneration to senior executives in 2009.

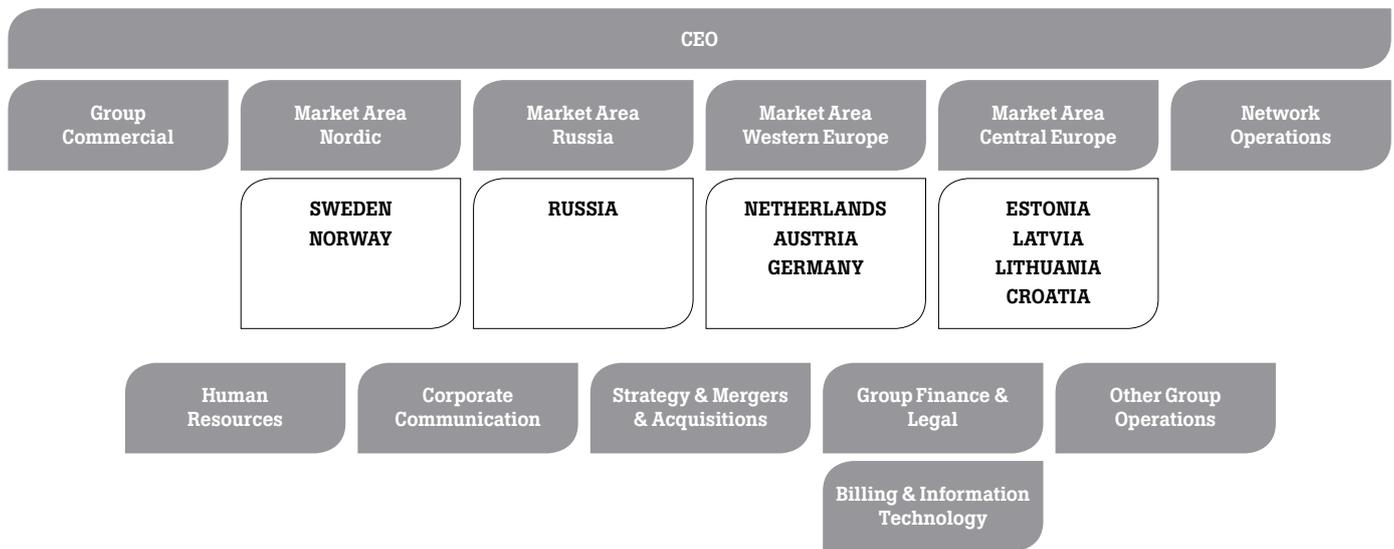
Refer to Note 37 in the Annual Report for information regarding remuneration to the auditors in 2009.

COMPANY MANAGEMENT

On February 18, 2010 Tele2 announced that the incumbent President & CEO, Harri Koponen has left the Company with immediate effect, due to irreconcilable differences over leadership. The Board of Directors has appointed Lars Nilsson, the Chief Financial Officer as the interim CEO.

Lars Nilsson, born in 1956, joined the company in 2007 with a strong financial background from his previous roles as Executive Vice President and CFO at Axfood AB, CFO of Fritidsresgruppen, President and CEO of Aros Fondkommission and CFO of ABB Financial Services. Lars Nilsson is also a board member of Filippa K AB. Lars holds 14,000 Tele2 B-shares.

TELE2 GROUP



The President & CEO is responsible for leading the work conducted by the Company's management and renders decisions in consultation with other senior executives in an Executive Board.

For further information on members of the Company management, please see the Annual Report 2009 or the section 'Company Facts' on the corporate website, www.tele2.com.

During 2009, 16 Executive Board meetings were held, which focused on the Company's strategic and operational development and follow-up on financial performance. Besides this, key market developments and internal projects are also evaluated at the Executive Board meetings. Other personnel and external consultants participate in these meetings, as required.

Long-term incentive program

Tele2 has four outstanding incentive programs. For information concerning the incentive program 2006–2011, the incentive program 2007–2012, the incentive program 2008–2011 and the incentive program 2009–2012, see Note 36 in the Annual Report and the section 'Sustainability & Governance' on the corporate website www.tele2.com.

AUDITOR

The Nomination Committee reviews the auditor's appointment and remuneration each year and made a proposal to the shareholder's AGM. Based on this proposal, it was resolved at the AGM 2008 to re-elect the registered audit firm Deloitte AB as Tele2's auditor for a period of four years.

The head of audit for Tele2, Jan Berntsson, is the CEO of Deloitte Sweden and is also auditor for amongst others, Elekta, ICA AB, and Poolia. He has no assignments in businesses that are related to Tele2's major owners or CEO. During 2009, Deloitte has performed services for Tele2 besides the ordinary audit assignments with regard to advice in accounting and tax issues. The scope of work is further described in Note 37 in the Annual Report. All non-audit services performed by the auditor are communicated to the Audit Committee and subject to their approval.

THE BOARD'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Report on internal control and risk management over financial reporting for the year 2009 has been prepared and submitted by the Board in accordance with the Swedish Code of Corporate Governance.

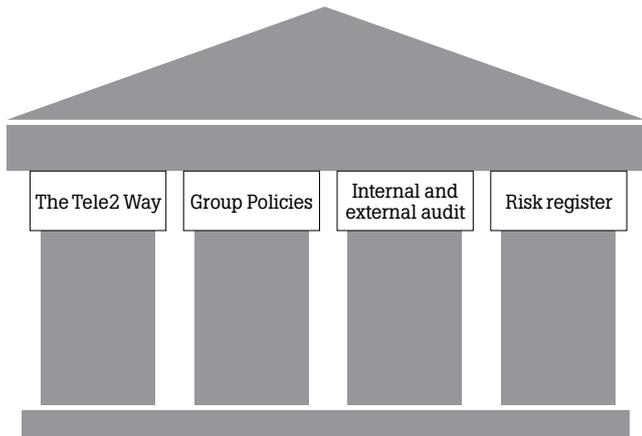
Internal control

At Tele2, internal control is a process that involves the Board, the Company's executive management and other employees. Tele2's control environment is affected by shareholders exercising their right to make decisions regarding the Company through the AGM. In addition to these decisions, external laws and regulations guide the Board and management in determining the Company's affairs. Reporting and monitoring mechanisms have also been setup at different levels to provide information regarding the conduct of business.

Internal Control over Financial Reporting

Internal control regarding financial reporting aims to provide reasonable assurance of the reliability of external financial reporting, and that external financial reporting is prepared in accordance with legislation, applicable accounting standards and other requirements on listed companies. Internal control is based on four important cornerstones which are constantly being developed, implemented and monitored at Tele2.

Corporate Governance Report



We have in this report, highlighted various important initiatives and activities that will enable a better understanding of our internal control structure.

Control environment

The Board of Directors' bears overall responsibility for internal control related to financial reporting. As a result, the Board has established a written work plan, "Work and delegation procedures for the Board of Directors of Tele2 AB", that clarifies its responsibility and regulates the Board and its committees' internal distribution of work. Furthermore, the Board has appointed an Audit Committee with a written charter, the primary task of which is to ensure that established principles for financial reporting and internal control are adhered to and appropriate relations are maintained with the Company's auditors. The responsibility for maintaining an effective control environment and ongoing work on internal control has been delegated to the President and CEO and documented in the "Instructions to the Managing Director of Tele2 AB".

The basis for Tele2's internal control environment is the values and practices outlined in "The Tele2 Way". For a growing company, attitudes and values are as important as competence and experience and we are strongly committed to having operations which are marked by frankness (openness), flexibility and cost-consciousness. All employees participate in a program aimed at regularly evaluating how we measure up to our values. Tele2 also has an internal e-learning platform to communicate and enhance the understanding of our values.

THE TELE2 WAY

"Tele2 provides the Best deal"

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

There are internal steering documents such as a clear written instruction from the Board to the President & CEO, internal Code of Conduct as well as Company and local policies, standards and guidelines for major operational disciplines, including a Financial Reporting Manual.

Monitoring of financial performance requires good planning. Financial planning and follow-up include strategic plans based on the Company's long-term goals, annual budgets, 12 months rolling forecasts and regular monitoring of results against these plans.

Risk assessment

At Tele2, we believe that every risk also presents an opportunity. Risk assessment, i.e. identification and evaluation of the Company's strategic, operational, financial and compliance risks, is an annual and integral part of Tele2's internal control and monitoring. The purpose of Tele2's risk management process is to achieve the following objectives:

- Fewer surprises – to ensure that all key business risks are identified, evaluated, controlled and monitored.
- Reduced loss and increased reward – to assist the Board and management with their prioritisation and understanding of risks
- Effective decision making – to assist management at all levels with prioritising their activities
- Improved corporate governance

Risk assessments were conducted during the year by central functions as well as by subsidiaries to encompass the Company's processes as a whole.

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

- **Common understanding of risk** – A basic requirement for risk management is a common understanding of risk, which at Tele2 means uncertainties that would restrict us from achieving our strategic objectives. Since our strategy is customer-focused, so is our risk analysis.
- **Risk Information** – Tele2 continuously gathers risk information from internal and external sources, which is analyzed regularly by executive management. Based on the risk importance and probability, management strategies are evolved or adjusted.
- **Risk Response** – Risk owners at Tele2 devise risk responses to effectively manage the risk level. A risk response could be to prevent or avoid, accept, reduce or share the risk depending on risk information gathered. Each of these types of responses lead to a number of control actions that are implemented.
- **Risk Monitoring** – Tele2 has put in place formal and informal internal reporting mechanisms that provide information to executive management on the key risks. These include risk reviews, financial planning, financial reporting, regional management structures and financial or business review meetings. Tele2 also works in close cooperation with its insurers to prevent personal and property damage as well as to reduce the impact of business interruption.

Key risks and risk responses were subsequently reported to the Audit committee. For an elaboration of the key risks, please refer to the section Risks and Uncertainty Factors in the Administration Report 2009.

Control activities

Tele2 performs both manual and automated controls through its business processes affecting financial reporting, to mitigate risks. These control activities are based on the internal steering documents defined by Company management. The important control activities are documented and updated regularly.

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

Control activities are designed to prevent, detect and correct errors and irregularities, and include, for example, analytical follow-up on decisions, a comparison between income statement items, check lists and automatic controls through IT systems. Also, there is a "hard close-process" that well in time before the year end secures the quality of the annual accounts.

A division of work tasks is preferred so that different individuals conduct or respectively, control, an element. Thus, the "four eye principle" is applied throughout Tele2, whereby authority is always devolved to at least two persons.

The Company's security department works with preventive security measures and continuity management to protect the Company's physical and information assets. During 2009 improvements were made in crisis management and business continuity plans for processes affecting the customer.

Information and communication

The Company has clear information and reporting channels, which form the basis of the internal review and external financial reporting. Manuals and guidelines of significance to financial reporting are regularly updated and communicated to the employees concerned. Feedback is also provided to the reporting subsidiaries regarding their financial reporting processes. The Company management reports regularly to the Audit Committee and the Board according to established procedures. There are also guidelines which ensure accuracy in the Company's external communication.

Monitoring

Monitoring to ensure the effectiveness of internal control over financial reporting includes the follow-up of monthly financial reports on budgets and targets by Company management and the Board as well as quarterly reports to the shareholders.

In preparation for financial statements issued externally, Tele2 involves a cross-section of Company and subsidiary management in determining and drafting the disclosures included in its financial reports. The Audit Committee reviews every interim and annual report prior to publication. The Company's financial reporting procedures are also evaluated annually.

The Company also applies a self-certification process in relation to the annual accounts, whereby the CEO's and financial managers of subsidiaries certify that they have not withheld information of importance in the financial statements and have complied with legislation and applicable accounting principles.

The Internal Audit function works in accordance with an annual plan that is approved by the Audit Committee. The plan is based on a risk analysis and encompasses prioritized companies, business areas and processes. A new audit approach implemented during the year has made the audits more risk focused than control centric. During 2009, 120 weeks of internal audits were performed across Tele2 subsidiaries. Tele2's CFO and Internal Control department regularly report to the Audit Committee regarding the findings from internal audit and steps being taken to improve internal control.

The Group Internal Control function monitors all control improvements, including reports from internal and external auditors, which are supplemented by self-evaluations or independent examination by consultants. Follow-up of control improvements is also actively led by executive management, with regular reports to the Audit Committee. To further improve monitoring, the Group Internal Control function has been expanded during the year. In 2009, focus areas for the Internal Control function were the implementation of a platform to improve collaboration between auditors and management, expansion of the risk assessment process and ensuring compliance with minimum control requirements.