

Summary of the Board of Directors' review of transactions in Eurasia and measures taken during the past year

Background

In connection with TeliaSonera's Annual General Meeting on April 3, 2013 the Board of Directors announced that it intended to conduct a thorough review of the transactions conducted and agreements made in the past few years as well as the company's partners in Eurasia. Shortly thereafter, the Board announced that the international law firm Norton Rose Fulbright LLP ("NRF") had been assigned to conduct the review with the aim of giving the Board a clear picture of the company's transactions in Eurasia and to perform a risk assessment from a business ethical perspective.

The review was initiated in April 2013. At TeliaSonera's Annual General Meeting on April 2, 2014, Marie Ehrling, the Chairman of the Board, presented the outcome of the review, the scope and the methodology as well as the measures taken as a consequence of the review.

Scope and methodology

The review has covered TeliaSonera's business in Nepal, Kazakhstan, Azerbaijan, Tajikistan and Georgia. The review has focused on the first three aforementioned countries, and it is mainly the time period of 2007 to 2013 that has been under review. Afghanistan, Moldavia and Uzbekistan were excluded from the scope of the review. TeliaSonera's ownership in Afghanistan is limited, only 12 percent, and the transaction marking the company's entry into Moldavia was conducted over ten years ago. TeliaSonera's operations in Uzbekistan have previously been investigated by Mannheimer Swartling ("MSA").

It is primarily TeliaSonera's establishment and acquisition of businesses in these countries that has been subject to review and for that reason NRF has reviewed a number of transactions and agreements. During the course of the review, approximately 700 000 documents have been made available for review. Interviews have been conducted with individuals within TeliaSonera as well as external consultants and business partners.

NRF has regularly reported observations from the review to TeliaSonera. Initially, NRF reported to the Sustainability and Ethics Committee of the Board and eventually to a specific steering group chaired by Marie Ehrling and including the CEO. In addition to NRF, MSA has been engaged to provide the Board and Management with advice during the course of the review.

When the Board of TeliaSonera decided to initiate the review, the Board announced that the company would be as transparent as possible regarding the outcome of the review. The degree of transparency possible in a matter of this nature depends on a variety of factors, such as on-going investigations by Swedish and foreign authorities, the safety of the company's employees in the relevant countries, agreements with individual parties, the risk of disclosure leading to the initiation of legal proceedings as well as the risk of making accusations against individuals inside and outside of the company without them having been subject to judicial review. After consideration, the Board has found that the description of the NRF review made public by TeliaSonera is reasonable and appropriate given these factors.

Conclusions and measures taken

Based on the outcome of NRF's review, it has been determined that TeliaSonera has conducted its business in Eurasia in a manner that was inconsistent with sound business practice and TeliaSonera's ethical requirements. It cannot even be ruled out that certain conduct has been in violation of the law, something that will ultimately be decided by the judiciary.

Within TeliaSonera there has been a pattern of inadequately conducting transactions and dealings. Historically, it concerns;

- substantial payments to advisers and intermediaries for, among other things, lobbying activities;
- lack of control of business partners; and
- inadequate handling of warning signs.

From the review that NRF has conducted, it is clear that TeliaSonera had deficiencies in its governance and control in Eurasia in a number of areas;

- TeliaSonera failed to ensure that adequate risk assessments from an ethical and legal perspective were conducted.
- TeliaSonera failed to ensure that it had sufficient expertise and knowledge to act appropriately in the very difficult and complex business environment in Eurasia, where political risk is considered to be high and corruption is widespread.
- The culture and leadership that characterized the operations in Eurasia were not aligned with TeliaSonera's ethical requirements. The quest for growth and profitability was given precedence.
- TeliaSonera failed to ensure that sufficient transparency and control were exercised in this part of the group, with the result that a small group of people were able to make critical decisions with limited oversight from the company's own control function.

- According to the documentation available, it is clear that the former board was not given sufficient information, as should have been the case, and on several occasions received inadequate information on which to base its decisions.
- It has also been discovered that questionable lobbying activities have been conducted. They have been conducted by people outside the company but on behalf of TeliaSonera and without adequate oversight, control and follow-up by the company.

In order to reduce TeliaSonera's risk exposure the following measures have been taken.

- Agreements with business partners have been renegotiated and in some cases terminated.
- Agreements with an external advisor who since 2007 worked closely with the former management regarding certain transactions in Eurasia have been terminated.
- Changes in the Group Management have been implemented. As a consequence thereof, several people have had to leave the company.
- A number of changes have been made in terms of risk assessment, internal control, management and board involvement and the establishment of a compliance program. Work to develop leadership and culture of the company is ongoing.
- TeliaSonera continues its full cooperation with the Swedish prosecutor, who since previously is conducting an investigation into TeliaSonera's investment in Uzbekistan. Material from NRF's review has been handed over to the Swedish prosecutor.
- TeliaSonera is also cooperating with foreign governmental authorities investigating matters in the Eurasia region.

Additional actions taken by TeliaSonera to further strengthen governance and compliance

- The Board appointed a new committee, the Sustainability and Ethics Committee, tasked to work proactively with sustainability issues.
- The Board has decided to introduce a standing agenda item for each ordinary Board meeting to follow up, discuss and review the measures taken within the areas of ethics, compliance and sustainability. The Head of Eurasia and the Head of Ethics and Compliance will take part in that portion of the Board meeting.
- A new anti-corruption policy has been adopted by the Board and an instruction with additional guidance has been produced.
- A new policy on sponsorships and donations has been adopted by the Board and supplemented with instructions.
- New members of Group Executive Management have been appointed.
- A new Ethics and Compliance function began operations 1 September 2013. The head of the function reports directly to the CEO. The function currently has six employees and it includes a sub-section for special investigations, among other things, in the area of corruption.
- A new Head of Internal Audit took over 1 June 2013 and reports, since 1 September, to the CEO and the Board's Audit Committee.
- The new Head of Eurasia has, since he was appointed in December 2013, reviewed his organization and taken decisions necessary to strengthen and governance and culture.
- The newly created Group Staff Function Corporate Development will take over responsibility for M&A in order to further strengthen internal controls by separating the elements of execution and control.
- Group Executive Management meetings dealing exclusively with matters concerning governance, risk, ethics and compliance have been introduced. The meetings are held quarterly and are led by the CEO. In addition to Group Executive Management, individuals responsible for the CEO's office, the Ethics and Compliance group and Internal Audit will take part in the meetings. During the spring and summer of 2014, similar meetings will be introduced at the regional and local level.

- An extensive training program designed to make sure that everyone in the organization understands and complies with the TeliaSonera's Code of Conduct has been implemented. As of today, over 22 000 of the Group's 26 000 employees have undergone this training.
- A comprehensive anti-corruption program, consisting of several steps, is being rolled out.
 1. A thorough anti-corruption risk assessment has been conducted in all countries of the Eurasia region.
 2. A function with competence in, and responsibility for, anti-corruption measures has been established.
 3. Anti-corruption training has been conducted with over 2 000 employees, focusing on employees with key functions and relevant decision makers in Eurasia, from board level to procurement departments.
- The Group's system for whistleblowers has been improved, and will from now on provide for the possibility to report via an externally managed platform for improved independence and anonymity.
- A merger and acquisitions manual containing instructions and outlining a clear process for conducting acquisitions has been adopted.
- Stricter rules for controls of payments from holding companies implemented.
- It has been decided that TeliaSonera on 1 April 2014 will adopt a new organization and operating model which strengthens governance.