

## Report on Corporate Governance 2013

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# Report on Corporate Governance 2013

Telenor is committed to sound corporate governance, vital to promote the greatest possible value creation over time in the best interests of Telenor's shareholders, employees and other stakeholders.

Svein Aaser, Chairman of the Board of Directors of Telenor ASA

#### BOARD STATEMENT ON CORPORATE GOVERNANCE

Telenor ASA hereby gives an account of the Telenor Group's corporate governance principles and practices, pursuant to Section 3-3 b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance dated 23 October 2012. This statement is part of Telenor's Annual Report for 2013.

This Report on Corporate Governance represents the governance in Telenor Group and its majority owned subsidiaries. For associated entities, Telenor's representatives on the Boards and in governance bodies seek to implement the same standards and governance principles through their positions.

Telenor ASA is a public limited liability company, established under Norwegian law. The Telenor shares are listed on the Oslo Stock Exchange. As an issuer of shares the company complies with rules governing the Norwegian stock exchange and rules regarding public limited liability companies. Telenor is subject to the rules that at any time are applicable: the Continuing Obligations of Listed Companies as approved by Oslo Børs ASA, with reference to the Norwegian Code of Practice for Corporate Governance (the «Code of Practice») issued by the Norwegian Corporate Governance Board (NCGB). The Code of Practice may be found at www.ncqb.no

The Board of Directors of Telenor ASA (the Board) is responsible for the management of the Telenor Group and for safeguarding the proper organisation of its operations. The Board emphasises the importance of maintaining a strong and effective corporate governance system across the Telenor Group, in line with Norwegian and international generally accepted rules and recommendations.

Telenor's principles and practices for Corporate Governance are subject to regular discussions and annual review by the Board of Directors. Furthermore, the Board shall observe such standards in its own work and decision-making.

Telenor operates in accordance with the Code of Practice. However, as the Government of Norway holds a majority ownership of 53.97% of Telenor, one exception is made with respect to section 14 (Take-overs).

The Norwegian Accounting Act Section 3-3 b stipulates that issuers with Norway as their home state shall in their annual reports, or in documents referred to in their annual reports, provide an account of their corporate governance principles and practices. A reference to this Report on Corporate Governance is provided in the Board of Directors' report published in the Telenor Annual Report for 2013: www.telenor.com/investors/ reports/2013.

Links to relevant information on Telenor's website are included in this Report on Corporate Governance.

The statement below with references refers to the account on corporate governance that Telenor is required to disclose pursuant to Section 3-3 b second paragraph nos. 1-8 of the Norwegian Accounting Act:

1. «a specification of corporate governance recommendations and rules that are applicable to the enterprise or that the enterprise otherwise chooses to comply with;»

Described in Section 1: Implementation and reporting on Corporate Governance 2013 (Compliance with the Norwegian Code of Practice for Corporate Governance).

2. «details of where recommendations and rules as mentioned under no. 1 are available to the general public;»

Described in Section 1: Implementation and reporting on Corporate Governance 2013 (Compliance with the Norwegian Code of Practice for Corporate Governance).

3. «an explanation of any deviations from recommendations and rules as mentioned under no. 1;»

Described in Section 1: Implementation and reporting on Corporate Governance 2013 (Compliance with the Norwegian Code of Practice for Corporate Governance).

4. «a description of the main elements of the internal control and risk management

systems associated with the accounting process of the enterprise and, for reporting entities that prepare consolidated accounts, of the group;»

Described in Section 10: Risk management and internal control.

5. «any provisions in the articles of association that, in full or in part, expand on, or deviate from, the provisions of Chapter 5 of the Public Limited Companies Act;»

Described in Section 6: General Meetings.

6. «the compositions of the executive board, the corporate assembly, the shareholders' committee, the audit committee, and any executive committees appointed by the said bodies, as well as a description of the main elements of the current instructions and guidelines governing the duties of such bodies and any executive committees thereof;»

Described in Section 8: Corporate Assembly and Board of Directors: composition and independence, and Section 9: The work of the Board of Directors.

7. «any provisions in the articles of association governing the appointment and replacement of members of the executive board;»

Described in Section 8: Corporate Assembly and Board of Directors: compensation and independence.

8. «any provisions in the articles of association and any authorisations permitting the executive board to decide that the enterprise shall repurchase or issue own shares or primary capital certificates.» Described in Section 3: Equity and dividends.

The corporate governance principles and practices as required by the Accounting Act Section 3-3b and the details of how Telenor complies with the NCGB's Code of Practice, including any deviations, are accounted for in this Report on Corporate Governance. The NCGB's Code of Practice covers 15 topics. The structure of this Report on Corporate Governance is aligned with the structure of the Code of Practice.

#### 1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE 2013

#### Corporate Governance Framework

Telenor's corporate values represent an important foundation for our corporate governance. To Telenor, good and sustainable corporate governance is a key success factor when conducting business in a global, highly competitive and changing market.

Transparency and trustful cooperation between all parties and stakeholders involved in the Telenor Group are prerequisites for good business ethics and corporate governance. The Board has a strong focus on implementing a high ethical standard across the Telenor Group.

To ensure that good and efficient corporate governance is implemented, Telenor has adopted a governance framework, including the Telenor Code of Conduct and a set of policies and manuals, processes and systems on monitoring and reporting. The governance framework is a key management tool, and is adopted and implemented in all subsidiaries where Telenor has operational control.

Telenor Group's Governing Principles describe the key governing bodies in Telenor ASA, the interaction between Telenor ASA and the business units and core global processes like strategy, financial reporting, forecasting, reviews, governance and risk management.

The Group Policies contain key business principles and requirements from Telenor ASA on selected subject areas and shall be reflected in Local Policies in each business unit. Local Policies shall include both Group requirements and any local requirements based on local risk assessments. Group Manuals provide more detailed and practical instructions on how to implement the principles in the Group Policies. Local Manuals can be developed in addition to Group Manuals. Telenor currently has 19 Group Policies covering Finance & Control, Operational Excellence, Asset Management and Sustainable Business Practice.

Telenor works continuously to improve its governance regime and to ensure that governing documents, training and control mechanisms are current and adequate.

#### Code of Conduct, Corporate Social Responsibility

The Telenor Group's commitment to integrity and transparency is clearly stated in our Code of Conduct. The Code of Conduct defines core legal and ethical standards by which we create value in Telenor and applies to members of the Board, managers and other employees as well as those acting on behalf of the Telenor Group. It sets out specific and practical rules and guidelines on how each individual is expected to conduct business. The Code of Conduct is owned and approved by the Board, and is signed by all employees. Read the Code of Conduct here: www.telenor.com/about-us/ corporate-governance/code-ofconduct

The Code of Conduct, Governing Principles and Governing Documents, Vision, Mission and Values and Leadership Expectations are an inherent part of the Telenor culture and form a platform that describes how we work. We call this way of working «The Telenor Way». The Telenor Way is how we want to conduct business in Telenor and sets out the foundation for behaviour and decision-making. Telenor is firmly committed to building and promoting ethical values and behaviour throughout our company. Awareness campaigns, capacitybuilding and regular training of all employees, including e-learning programmes, dilemma-training modules and other Telenor Way awareness activities are tools to make our culture known and lived by across the Group.

Telenor strives to focus on responsible business practices across all markets. Our main goals are to ensure continuous improvements in all areas where we identify challenges and to comply with all relevant international standards. Telenor's requirements for sustainability are set out in our governance framework, which covers areas such as anti-corruption, human rights and labour rights, environment and climate, health, safety and security, supply chain sustainability and privacy and data protection.

With the introduction of the new Section 3-3c in the Norwegian Accounting Act in 2013, large enterprises are required to issue a presentation detailing what the enterprise does to integrate considerations relating to human rights, labour rights and social conditions, the external environment and anticorruption efforts in their business strategies, in their daily operations and in relation to their stakeholders. The report shall be provided by the Board of Directors and shall be published in the annual report or in another public document referred to in the report. Telenor ASA's social responsibility report as required by the Norwegian Accounting Act Section 3-3c is provided in a separate section in the Annual Report 2013, see: www.telenor. com/investors/reports/2013

The Board will continue to maintain and further develop our ethical platform and corporate governance standard as one key factor for Telenor's business integrity and continuing strong performance.

#### 2. BUSINESS

The business activity in which Telenor is engaged is clearly set out in the Articles of Association for Telenor ASA, Clause 3: www.telenor.com/about-us/corporategovernance/articles-of-association

«The object of the company is to engage in telecommunications and other related activities. These activities may be conducted by the company itself, by subsidiaries or through participation in other companies or in cooperation with others.»

Telenor's main operations and the main events during 2013 are described in the Report of the Board of Directors and the Annual Report for 2013. Telenor also updates the market through investor presentations made available online: www.telenor.com/ investors

The Board of Directors has defined clear objectives and strategies. Telenor Group's business strategy is built around maintaining our role as a predominantly retail operator, while adding new services to extend our reach into digital services.

Telenor will continue to focus on growth and value creation. To achieve this, Telenor focuses on three strategic ambitions for 2014-16:

1. Internet for All: Data represents the next growth curve. We will increase and monetize data usage and

selectively build new stand-alone services positions.

- Loved by Customers: To continue to deliver higher growth than peers, it is increasingly important to win and retain existing mobile subscribers, and to strengthen the ties we have with customers – delivering what customers truly value.
- Efficient Operations: We aim to utilize our resources to meet future customer needs better. Improving efficiency and changing how we operate will allow us to invest time and money in the customer experience. We are targeting gross operating expense savings of NOK 5 billion by 2015.

To deliver on its strategic ambitions, Telenor Group has prioritized a number of initiatives. In order to deliver on our growth and value creation ambitions for 2016, we focus on two key enablers: passionate employees and impact societies. Telenor Group's strategy is published at Telenor's website: www.telenor.com/about-us/ourstrategy

#### **3. EQUITY AND DIVIDENDS**

#### Share capital

The share capital of Telenor is stated in its Articles of Association, Clause 4. The company's share capital at year-end 2013 is NOK 9,099,745,626 divided into 1,516,624,271 shares, each with a par value of NOK 6.

Mandates granted to the Board to increase the company's share capital are restricted to defined purposes and are limited in time to no later than the date the next Annual General Meeting. This also applies to mandates granted to the Board for the company to purchase its own shares.

#### Equity

Telenor regards its consolidated equity to be at an appropriate level considering the company's objectives, strategy and risk profile. Telenor's objective is to create value for its owners and involves a continuous focus on ensuring that the company's equity is adapted to the company's objectives, strategy and risk profile.

According to the Annual General Meeting (AGM) resolution on 15 May 2013, the Board is authorized to purchase treasury shares, see: www.telenor.com/about-us/corporategovernance/about-the-generalmeeting/#Information

Information on acquisition of treasury shares in the course of 2013 is available in the Board of Directors' report published in the Telenor Annual Report for 2013: www.telenor.com/investors/ reports/2013

#### Dividend policy

The Board has established a dividend policy which forms the basis for the proposals on dividend payments that it makes to the AGM. The Board believes that it is in the best interests of Telenor to draw up a long-term and predictable dividend policy. This corresponds with the objective of providing its shareholders with a return on their investments at least equal to alternative investments with similar risk profiles. Such a return should come in the form of cash dividends and/or share buy-back if applicable, and increased share value.

The policy of Telenor is to distribute a dividend to its shareholders which is equal to 50-80% of normalised annual

profits, and the Group will be aiming for a year-on-year growth in the ordinary dividend per share.

A resolution on the distribution of the dividend is adopted by the AGM following the proposal from the Board of Directors. At the AGM on 15 May 2013, a dividend of NOK 6.00 per share was approved by the AGM.

#### 4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

#### One class of shares, equal rights

Telenor has only one class of shares. The Articles of Association have no restrictions on voting rights. All shareholders have the same rights. The Board endorses the principles of equal treatment of all shareholders and openness.

The AGM may authorise the Board to purchase treasury shares (see Section 3 above). The Board is free to decide how the acquisition of shares shall take place but shall ensure compliance with the general principles of equal treatment of shareholders.

### The Norwegian State as the main shareholder

The Norwegian State is the main shareholder in Telenor, with a holding of approximately 54% of the Telenor shares. The ownership interest is managed by the Ministry of Trade, Industry and Fisheries. The Norwegian State emphasises that state-owned companies should comply with principles for good corporate governance. The State's active exercising of its ownership policy is limited by the Norwegian legislation for companies and by accepted principles for exercising good ownership. This implies that it is the Board of Directors that is responsible for evaluating the expectations which the shareholders and others have towards the company, and for accomplishing the commercial targets which the Board thinks appropriate. More information about administration of the Norwegian State's ownership interests and the Government's Ownership Policies can be found on the Government's web pages: www.regjeringen.no/en/dep/ nfd/selected-topics/ownership. html?id=1336

#### Increase in share capital

Telenor practises the principle that any decision to waive the pre-emption rights of existing shareholders to subscribe for shares in the event of an increase in share capital should be justified. Where the Board resolves to carry out an increase in share capital and waive the pre-emption rights of existing shareholders on the basis of a mandate granted to the Board, the justification should be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital.

#### Transactions with close associates

Telenor's Code of Conduct sets out rules regulating loyalty, impartiality and conflict of interests. An employee shall never take part in or attempt to influence a decision or settlement if there is a conflict of interest or if other circumstances exist which could give grounds to question the employee's impartiality. Anything that would present a conflict for the employee would also present a conflict if it were related to a member of the employee's family. Should a conflict of interest arise, the employee shall at the employee's own initiative evaluate the circumstances and notify the

immediate superior of any possible impartiality or conflict of interest.

### Requirements for Board members and managers

The rules regulating loyalty, impartiality and conflict of interests stated in the Code of Conduct applies to all members of the Board of Directors, managers and other employees of Telenor, as well as others acting on behalf of Telenor.

The Telenor Rules of Procedure for the Board of Directors state that Board members are not permitted to take part in the processing of, or decisions on, issues that have such significance to them or any closely related parties that they must be regarded as having a distinct personal or financial special interest in the issue. The same applies to the Chief Executive Officer, cf also the Public Limited Liability Companies Act, Section 6–27. Neither the Board members nor the CEO can. under any circumstances, take part in any issues regarding loans or other credit to themselves or in relation to security for their own debt.

#### Other transactions

In relation to its ordinary business, Telenor also has regular transactions with certain entities in which Telenor has ownership interests. Such transactions are carried out on an arm's length basis.

Transactions with related parties, including transactions with associated companies, are accounted for in Note 32 in the financial accounts in the Annual Report for 2013: www.telenor. com/investors/reports/2013

#### **5. FREELY NEGOTIABLE SHARES**

Telenor shares are listed on the Oslo Stock Exchange and are freely negotiable. Telenor has one class of shares, and each share confers one vote at the General Meeting. The shares have no trading restrictions in the form of Board consent or ownership limitations.

The Articles of Association of Telenor ASA contain no restrictions on negotiability or voting rights and all shares have equal rights.

#### **6. GENERAL MEETINGS**

#### Supreme Governing Body

The General Meeting is the company's highest authority. Telenor's Articles of Association are adopted by the General Meeting.

The shareholders' interests are primarily ensured through Telenor's Annual General Meeting (AGM). The AGM is the main meeting place for shareholders and the officers they elect. According to the Articles of Association the AGM shall be held once a year before the end of June.

Telenor encourages as many shareholders as possible to exercise their rights by attending the AGM, and aims to ensure that the AGM remains an effective meeting place for shareholders and the Board. Any shareholder is entitled to have a question discussed at the AGM. The question is to be notified in writing to the Board of Directors at least seven days before the deadline for sending the notice convening the AGM, together with a proposal to a draft resolution or an explanation as to why the matter has been put on the agenda. The 2013 AGM of Telenor ASA was held on 15 May 2013. The pre-and post AGM meeting documents are available at: www.telenor.com/investors/generalmeeting/2013

#### The Annual General Meeting (AGM)

The AGM shall deal with the following matters, as stipulated in the Articles of Association, Clause 8:

- Approval of the annual report and accounts, including distribution of dividends.
- Any other matters that shall be dealt with by the General Meeting by law or pursuant to the Articles of Association.

According to the Norwegian Public Limited Liability Companies Act, Section 5-6, the AGM shall also deal with the Board's declaration regarding the determination of salary and other remuneration to management employees pursuant to Section 6-16a. At the AGM on 15 May 2013, the AGM adopted the following resolution: «The Board of Directors' declaration regarding the determination of salary and other compensation to senior employees is approved.»

According to the Norwegian Public Limited Liability Companies Act, Section 5-6 (4), the AGM shall deal with the Report on Corporate Governance pursuant to Section 3-3b of the Norwegian Accounting Act. A briefing on corporate governance was provided to the AGM on 15 May 2013.

### Extraordinary General Meeting (EGM)

The Board of Directors, the Corporate Assembly or the Chairman of the Corporate Assembly may decide to convene an Extraordinary General Meeting (EGM). The Board of Directors will convene an EGM if, in order to discuss a specified matter, the auditor or shareholders representing at least one twentieth of the share capital demand this in writing. The Board of Directors will ensure that the General Meeting is held within one month of the demand being made.

### Notice convening the General Meeting

Notice convening the General Meeting shall be sent no later than 21 days before the meeting is to be held.

According to Telenor's Articles of Association, Clause 8, the documents relating to items to be considered at the General Meeting, including documents that according to law shall be included in the notice of meeting or attached to the notice of meeting, are not required to be sent to the shareholders if the documents are available on Telenor's website. A shareholder may request that such documents be sent to him/her.

#### Attendance at the AGM

The AGM shall in accordance with the Articles of Association be chaired by the Chairman of the Corporate Assembly. The chairman of the board and the CEO shall also attend the AGM. Further, Telenor's auditor will attend the AGM. In addition, the representatives of the Nomination Committee shall attend the AGM in order to present their recommendations and answer any questions.

Shareholders who wish to attend the General Meeting must give notice to Telenor no later than three days prior to the General Meeting in accordance with the Board of Directors' detailed instructions, as stated in the Articles of Association, Clause 8.

Shareholders who are unable to attend

may vote by proxy. The person authorized to serve under proxy shall submit a written and dated instrument of proxy. If the proxy is presented using an electronic transmission, a secure method shall be utilised to authenticate the transmitter. The proxy is deemed valid only for the forthcoming general meeting unless it is otherwise clearly provided. The shareholder may at any time revoke the proxy.

### Written voting prior to General Meetings

The shareholders are able to cast their paper votes, or vote electronically, in a period preceding the General Meeting. The Board may provide guidelines for such voting. The summons shall include the guidelines adopted by the Board, as stated in the Articles of Association, clause 8.

#### Minutes of the General Meetings

The minutes of the Annual General Meetings and Extraordinary General Meetings are made available online at: www.telenor.com/about-us/corporategovernance/about-the-generalmeeting

#### 7. NOMINATION COMMITTEE

The appointment of a nomination committee is not required by legislation. The Nomination Committee of Telenor ASA is established pursuant to the Articles of Association, Clause 9.

The Nomination Committee of Telenor nominates shareholder representatives to the Corporate Assembly and Board of Directors, as well as the Nomination Committee. The members of the Board are elected by the Corporate Assembly and the members of the Corporate Assembly are elected by the General Meeting of Shareholders.

#### Composition

The Nomination Committee is independent of the Board of Directors, the Corporate Assembly and the Executive Management.

The Nomination Committee consists of four members that shall be shareholders or representatives of shareholders and that shall be independent from the Board of Directors and the Company's management. The members shall be elected by the General Meeting, however, so that the chairman of the Corporate Assembly shall be elected as the chairman of the Nomination Committee. Of the other three members, one shall be a shareholderelected member or substitute of the Corporate Assembly.

When appointing members to the Nomination Committee, representation of broad shareholders' interests shall be taken into consideration.

The members of the Nomination Committee are elected for a period of two years. The shareholder-elected members of the Corporate Assembly determine the remuneration for the

#### Nomination Committee Members at year-end 2013

Anders Skjævestad Chairman Elected from the Corporate Assembly 2009

#### Mette Wikborg

Member Elected by the Annual General Meeting 2009

#### Rune Selmar

Member Elected by the Annual General Meeting 2007

Silvja Seres Member Elected from the Corporate Assembly 2012 Nomination Committee.

Proposals to nominate candidates for the Corporate Assembly, Board of Directors and Nomination Committee of Telenor should be submitted to the Nomination Committee.

The work of the Nomination Committee

According to the Articles of Association, Clause 9, the tasks of the Nomination Committee are to make recommendations to:

- The General Meeting regarding the election of shareholder-elected members and substitutes to the Corporate Assembly and remuneration for the members of the Corporate Assembly;
- The General Meeting for the election and remuneration of members of the Nomination Committee;
- The Corporate Assembly regarding the election of shareholder-elected members and substitutes to the Board of Directors, and remuneration of the Board of Directors; and
- The Corporate Assembly for the election of chairman and deputy chairman of the Corporate Assembly.

The Nomination Committee's recommendations regarding the election of shareholder-elected members and substitutes to the Board of Directors, places emphasis on the Board of Directors' total competences. The Board's annual self-evaluation report is dealt with separately by the Nomination Committee.

The General Meeting may adopt instructions for the Nomination Committee. The Nomination Committee held 20 meetings in 2013.

Further information about the members

of the Nomination Committee, as well as information on deadlines for submission of proposals to the Committee, is available at: www.telenor. com/en/about-us/corporategovernance/nomination-committee

#### 8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

Pursuant to Norwegian law, Telenor has a Corporate Assembly and a Board of Directors. The Corporate Assembly is a distinctly Norwegian body. It is primarily a supervisory body which supervises the Board's management of company business. The Corporate Assembly also has decision-making powers in limited, but important areas. One important task for the Corporate Assembly is to elect members to the Board, including the Chairman of the Board. The duties of the Corporate Assembly are defined in the Public Limited Liability Companies Act, Section 6-37.

### Composition of the Corporate Assembly

The composition of the Corporate Assembly is determined with a view to ensuring that it represents a broad cross-section of Telenor shareholders.

The Corporate Assembly consists of a total of 15 members. The members and substitutes are elected for a term of two years. Ten members and three substitutes for these members are elected by the General Meeting. Five members and two observers, with substitutes, are elected by and from among the employees pursuant to the rules in the regulations relating to the provisions of the Norwegian Public Limited Companies Act concerning the employees' right to representation on the board of directors, corporate assembly, etc. of public limited companies.

Due to the independence of the Corporate Assembly, members and observers of the Board of Directors and the CEO cannot be a member (or an observer) of the Corporate Assembly.

Further information about the members of the Corporate Assembly, is published at: www.telenor.com/about-us/ corporate-governance/corporateassembly

#### The work of the Corporate Assembly

The Corporate Assembly supervises the management of the company by the Board of Directors and the CEO. The Corporate Assembly held 4 meetings in 2013.

The Corporate Assembly also makes decisions on limited, but important, areas. One important task for the Corporate Assembly is the election of members to the Board, including the Chairman of the Board. The AGM cannot influence, change or reverse the Corporate Assembly's decisions regarding the election of the Board and Chairman of the Board.

In order to exercise its supervisory function, those who attend Corporate Assembly meetings as members or observers may demand information on Telenor's operations to the extent they consider necessary. As part of the exercise of its control authority, the Corporate Assembly may also undertake investigations on its own or through a committee.

The Corporate Assembly shall issue an opinion to the AGM as to whether the Board's proposal for the income statement and balance sheet (and if appropriate also the Telenor Group's consolidated income statement and balance sheet) should be adopted, and as to the Board's proposal for the allocation of the profit or coverage of the loss.

At the proposal of the Board, the

Corporate Assembly may adopt resolutions in matters that concern investments that are substantial compared with the company's resources, and any efficiency measures or alteration of the operations that would entail a major change or reallocation of the labour force.

The Corporate Assembly may adopt recommendations to the Board or the management on any matter.

The Corporate Assembly decides the Board of Directors' remuneration.

The Corporate Assembly has some other specific tasks such as to present proposals regarding the choice of auditor, receive proposals regarding any merger or demerger plans and elect a liquidation committee in the event of a decision to wind up the company. The role of the Corporate Assembly is not to act as a general «supreme management". Other tasks may not, therefore, be assigned to the Corporate Assembly unless the law specifically requires it.

### Composition of the Board of Directors

According to the Company's Articles of Association, the Telenor Board of Directors shall consist of a minimum of five and a maximum of 13 members. The Members of the Board are to be elected for a period of two years. By year-end 2013, Telenor ASA's Board of Directors consisted of 11 Board Members, of which three are employee-elected members as required by Norwegian company law.

The Nomination Committee makes recommendations to the Corporate Assembly regarding the election of shareholder-elected members and substitutes to the Board of Directors.

#### **Corporate Assembly** Members at year-end 2013 elected by the shareholders

Anders Skjævestad Chairman Elected 2012 – member of the Corporate Assembly since 2009

Olaug Svarva Deputy Chairman Elected 2007, re-elected 2013

Silvija Seres Elected 2011, re-elected 2013

Siri Pettersen Strandenes Elected 2008, re-elected 2013

Tore Onshuus Sandvik Elected 2011, re-elected 2013

Elin Merete Myrmel-Johansen Elected 2009, re-elected 2013

John Gordon Bernander Elected 2013

Kirsten Idebøen Elected 2013

Didrik Munch Elected 2013

Widar Salbuvik Elected 2013

### Members at year-end 2013 elected by the employees

Roger Rønning Elected 2007, re-elected 2011

Astri Skare Elected 2002, re-elected 2011

Jan Riddervold Elected 1997, re-elected 2011

Stein Erik Olsen Elected 2000, re-elected 2011

Magnhild Øvsthus Hanssen Elected 2007, re-elected 2011 The Corporate Assembly elects the Company's Board, including the Chairman of the Board.

In May 2013, the Corporate Assembly re-elected Svein Aaser as Chairman of the Board for a period of up to two years. Marit Vaagen was elected as new member of the Board for a period of up to two years, replacing Liselott Kilaas. The other Board members were re-elected as members of the Board for a period of up to two years. The three employee representatives to the Board were re-elected by the employee representatives by the Corporate Assembly in December 2013.

### Expertise and Independence of the Board of Directors

Telenor's Board of Directors has a diverse composition and expertise tailored to meet the company's needs. Information regarding the background, education and other board positions of each Board member is available on Telenor's website: www.telenor.com/ about-us/corporate-governance/ board-of-directors

None of the Board members, apart from the employee representatives, is an employee of Telenor or has carried out work for Telenor. The management is not represented on the board, and all shareholder representatives on the board are independent.

In addition to having the appropriate expertise, it is important that the board of directors has sufficient capacity to carry out its duties. The commitment involved in being a member of a board can vary from company to company, and it is therefore no set limit for the number of board appointments an individual should hold.

#### Shares

The members of the Board of Directors are encouraged to own shares in the company. Details of the number of shares held by Board members are disclosed at: www.telenor.com/ about-us/corporate-governance/ board-of-directors and in note 34 of the consolidated financial statements for 2013: www.telenor.com/investors/ reports

#### **Telenor ASA Board of Directors** Members at year-end 2013

Svein Aaser Chairman Appointed 16 May 2012

Frank Dangeard Deputy Chairman Appointed 19 May 2011

Hallvard Bakke Appointed 19 May 2011

Burckhard Bergmann Appointed 29 May 2008

Sally Margaret Davis Appointed 23 November 2011

Dag J. Opedal Appointed 19 May 2011

Barbara Milian Thoralfsson Appointed 11 May 2009

Marit Vaagen Appointed 15 May 2013

**Bjørn Andre Anderssen** Employee representative Appointed 23 August 2007

Brit Østby Fredriksen Employee representative Appointed 20 January 2010

Harald Stavn Employee representative Appointed 20 June 2000

#### 9. THE WORK OF THE BOARD OF DIRECTORS, THE CHIEF EXECUTIVE OFFICER AND THE GROUP EXECUTIVE MANAGEMENT

#### Role and Responsibility of the Board

The Board of Directors of Telenor ASA is responsible for the administration of the Telenor Group and for safeguarding the proper organization of the business. The Board of Directors shall supervise the day-to-day management and the company's business in general.

The Board of Directors draws up plans and financial frames and goals for the activities of Telenor. The Board of Directors keeps itself informed of Telenor's financial position and ensures that its activities, accounts and asset management are subject to adequate control. The Board ensures that Telenor has good internal controls with respect to the rules and regulations which apply to the company. The Board of Directors initiates those examinations it finds necessary for the performance of its duties and if so demanded by one or more of the members of the Board of Directors.

The Board adopts a plan for its work, with special emphasis on objectives, strategy and implementation, once a year. The Board shall, to the degree necessary, approve strategies, business plans and rolling forecasts for the activities of the company and its subsidiaries. Telenor's strategy is described in this Report on Governance Section 2. Further information on the Telenor Group strategy (2012-2014) is available at: www.telenor.com/ about-us/our-strategy

The Board of Directors issues instructions for its own work as well as for the Chief Executive Officer, with particular emphasis on clear internal allocation of responsibilities and duties. The Board emphasises the importance of gaining valuable insights and being well informed on relevant technological, regulatory and market developments. During 2013, the Board conducted visits to several Telenor operations in Asia

#### Board meetings in 2013

Information about the attendance of each of the members of the Board at each of the 12 Board meetings held in 2013 is reported in the minutes of each Board meeting. The minutes from the Board meetings are distributed to selected members of management, the Head of Internal Audit and Telenor's external Auditor.

The Board shall normally hold eight ordinary Board meetings during the calendar year, but the minimum is four. Individual Board members may, at any given time, request a Board meeting to be held to discuss specific matters. In the event that a Board member is unable to attend a Board meeting, the member must notify the Secretary of the Board, who will invite substitutes as appropriate. Directors unable to attend a Board meeting are provided with the preparatory board documents.

The Board constitutes a quorum if more than half of its members are present or participate in the discussion of the matter in question. However, the Board may not adopt a resolution without all Board members having been given an opportunity, in so far as possible, to participate in the discussion of the matter in question. Where the Chairman of the Board finds it appropriate, Board members may attend a meeting by phone, video conference or other means.

The Board of Directors held 12 Board meetings in 2013. The average attendance at the Board meetings was 97%.

#### Board self-assessment

The Board systematically evaluates its performance, activities and expertise by undertaking a yearly selfassessment. External resources are used to facilitate the self-assessment and the evaluation of the selfassessment, as recommended by the NCGB's Norwegian Code of Practice for Corporate Governance. The Board's self-assessment is presented to the Nomination Committee.

#### Working committees of the Board

In order to help ensure thorough preparation of specific issues, the Board of Directors has appointed three preparatory working committees of the Board: The Governance and Remuneration Committee, the Ethics and Sustainability Committee, and the Audit Committee. The Board of Directors has issued a Charter for each committee regarding composition and tasks. The committees report to the Board of Telenor ASA in connection with the scope of work described in the Charters. Each member of the Board has access to all working documents including the minutes from the committee meetings.

### Governance and Remuneration Committee

The Governance and Remuneration Committee is composed of the following four members of the Board: Svein Aaser (Chairman of the Committee), Burckhard Bergmann, Sally Davis and Bjørn Andre Anderssen (employee representative).

The Committee oversees Telenor's adherence to generally accepted high standards of Corporate Governance. It is also the task of the Committee to ensure that Telenor has relevant management and control bodies and processes. Further, the Committee considers Telenor's remuneration policy and programmes, including bonus programmes and share-based schemes, and presents recommendations to the Board of Directors for decision. The Committee evaluates annually the President and CEO's total remuneration and presents recommendations to the Board of Directors for decision.

The Committee held eight meetings in 2013. The average attendance at the Committee meetings was 91%.

During 2013, the Committee has had a particular focus on executive bonus plans, Succession Planning and development of governance processes. The work on executive bonus plans was initiated in order to simplify the bonus plans and strengthen how different aspects of short and long-term performance were rewarded. The revised executive bonus plan has been simplified both with regards to the number of compensation elements and with regards to KPI structure and design. Succession Planning was discussed based on detailed evaluation about the performance and potential of executive management in the whole Group. The process has contributed to a robust leadership pipeline in the Telenor Group. The Committee also discussed corporate governance and plans for assessing the governance processes and results. In 2014, the Committee will focus particularly on monitoring and reviewing governance processes.

#### Ethics and Sustainability Committee

The Ethics and Sustainability Committee is composed of four members of the Board. At year-end 2013, the members were Frank Dangeard (Chairman of the Committee), Hallvard Bakke, Marit Vaagen and Brit Østby Fredriksen (employee representative). The Committee supports the Board in fulfilling its responsibilities with respect to ethics and compliance as stated in law, code of practices and the Code of Conduct and accompanying governing documents. The Committee also supports the Board with respect to corporate responsibility; the manner in which Telenor's activities affects people, society and the environment. The Committee further oversees Telenor's efforts to ensure good internal occupational Health, Safety, Security and Environment (HSSE) practices throughout the Group, as well as Telenor's processes and performance for HSSE and sustainability in the supply chain.

The Ethics and Sustainability Committee held eight meetings in 2013. The average attendance at the Committee meetings was 91%.

During 2013, the Committee had a particular focus on Ethics and Compliance, Corporate Responsibility, Occupational Health, Safety and Security, internal audits and Risk Assessments. Special attention was given to personnel safety, cyber security, Telenor Group's investment in VimpelCom and Telenor's preparations for entry into Myanmar. For 2014, the Committee will continue to monitor these processes including use of internal audits, and with a particular focus on cyber security and our entry into Myanmar.

#### Audit Committee

The Audit Committee is composed of the following three members of the Board: Dag J. Opedal (Chairman of the Committee), Barbara Milian Thoralfsson and Harald Stavn (employee representative).

The Committee supports the Board in

fulfilling its responsibilities with respect to financial reporting, internal control over financial reporting and auditing matters. The Committee oversees the procedures to identify financial and operational risks as well as understand and assess risk exposures and mitigating actions. The Committee also supports the Board in fulfilling its responsibilities with respect to ethics and compliance, as related to accounting and auditing matters according to the Code of Conduct and accompanying governing documents.

The Committee held seven meetings in 2013. The average attendance at the Committee meetings was 100%.

In addition to fulfilling its responsibilities as described above, the Audit Committee had a particular focus on financial priorities and ambitions for the period 2014-16.

#### The Chief Executive Officer (CEO)

The Managing Director of Telenor ASA is the authoritative head of the day-today management of Telenor ASA and is the Group Chief Executive Officer («CEO») of the Telenor Group. The CEO is appointed by the Board of Directors.

The CEO is in charge of the day-to-day management of operations at Telenor ASA and across the Telenor Group, and is responsible for ensuring that the company and Group are organised, run and developed in accordance with the law, Telenor's Articles of Association and decisions adopted by the Board, the Corporate Assembly and the AGM.

The Board has provided instructions for governance to the CEO covering the management of the Telenor Group, financial reporting and the management of ownership interests, the management of Telenor ASA in subsidiaries and other companies in the Telenor Group, the power of attorney of the CEO, submission of proposals for decisions for the Board from the CEO and the CEO's responsibilities for reporting to the Board.

#### Group Executive Management (GEM)

The Group Executive Management (GEM) of Telenor ASA is an advisory management body for the Group CEO. The GEM consists of heads of key business areas and functions at Telenor.

Strategic, operational, financial or other matters fundamental to Telenor are dealt with at the GEM meetings, including the preparation of items for the Board, the Corporate Assembly and the AGM. This also includes strategy, ongoing follow-up of activities and coordination between Telenor's senior managers. The GEM members report to the Group CEO.

The GEM is chaired by the Group CEO. Further members of the GEM consist of Executive Vice President and Chief Financial Officer (CFO), Executive Vice President Asia Region, Executive Vice President Europe Region, Executive Vice President and Head of Telenor Norway, Executive Vice President and Head of Strategy and Regulatory Affairs. Executive Vice President and Head of Digital Services, Executive Vice President and Head of Group People Development and Executive Vice President and Head of Group Industrial Development. In addition, Group General Counsel. Senior Vice President and Head of Group Communications and the Corporate Advisor meet as associated members of the GEM. See further information on GEM at: www.telenor.com/about-us/corporategovernance/group-executivemanagement

### A subsidiary's relationship to Telenor ASA

The Board of Directors of a subsidiary is obliged to provide the Board of Directors of Telenor ASA with any information which is necessary for an evaluation of the Telenor Group's position and the result of the Group's activities.

Telenor ASA notifies a subsidiary's Board of Directors of matters which may be of importance to the Group as a whole. Telenor ASA also notifies the subsidiary's Board of Directors of decisions which may be of importance to the subsidiary before a final decision is made.

To ensure implementation of good and efficient corporate governance in Telenor's subsidiaries, Telenor's governance framework shall be adapted and implemented in all subsidiaries where Telenor has majority ownership (see further Section 1 above).

#### 10. RISK MANAGEMENT AND INTERNAL CONTROL

Risk management and internal control are given high priority at Telenor. Key aspects encompass embedding risk management, designating risk ownership and implementing risk responses throughout the organization. Business units provide the Group with risk information through channels such as business reviews and strategy processes.

The Group Governing Principles set out key principles related to Risk Management and Internal Control. Risk Management shall be systematically integrated into Telenor's business and strategy processes to earn competitive returns from our various business activities at acceptable risk levels and without compromising the Telenor Way Framework. Strategic, operational and legal risks of importance shall be taken into consideration. All managers shall assume responsibility for risk management within their areas, and ensure that risk management is embedded in the day-to-day business processes.

From 2006 to 2007, Telenor complied with the Sarbanes Oxley Act (SOX), as a listed company on the NASDAQ Stock Market on the US stock exchange. Despite delisting from NASDAQ in May 2007, Telenor decided to continue its strong focus on internal controls over financial reporting (ICFR) and has established a process for ensuring that sufficient internal control-related activities are integrated into Telenor's financially significant business operations worldwide. This process is overseen by the Board of Directors through the Audit Committee.

Management performs an annual

evaluation of ICFR. The evaluation includes identification and assessment of all material financial reporting risks, as well ensuring that relevant controls to address these risks are implemented, executed and tested with a certain frequency throughout the year. For controls that are not operationally effective at year-end the potential impact and financial exposure on the consolidated financial statements are evaluated. Telenor Group Internal Audit regularly conducts audits to identify any deviations from established ICFR best practice and to ensure continuous improvement in the business units' internal control over financial reporting.

#### **Risk factors**

Operating across multiple markets exposes the Telenor Group to a range of financial, regulatory, operational, industry, and reputational risks that may adversely affect our business. Further information regarding such risk factors is disclosed in the Board of Directors' report in the Telenor Annual Report for 2013 published at: www. telenor.com/investor-relations/reports

#### The Disclosure Committee

The Disclosure Committee supports the company's efforts to meet the requirements for external financial reporting. The Disclosure Committee reviews the quarterly and annual reports for the Telenor Group and ensures that external reporting requirements are met. The Committee is chaired by the CFO, and includes the following members: Group General Counsel, Head of Investor relations, Group Controller, Head of Group Accounting and Head of Group Communications. The Disclosure Committee meets in connection with reviews of the quarterly reports and the Annual Report.

### The Group Ethics & Compliance Officer

The Group Ethics & Compliance Officer shall support the President and CEO and the Board of Directors in ensuring that the Code of Conduct sets the appropriate standards and that they are implemented and enforced. The Code of Conduct shall set a high ethical standard, promote proper business practices and reflect relevant laws, regulations and widely recognised treaties.

The upgraded Ethics & Compliance framework approved in 2012 defines a set of design requirements that are vital to the effectiveness of the Ethics & Compliance function. The framework shall contribute to high quality and consistency in the handling of Compliance Incidents. It also introduces a common model for disciplinary actions aiming at a uniform practice across the Group.

The Ethics & Compliance Officers monitor the implementation of the Code of Conduct and shall handle any possible breaches of the Code of Conduct, Telenor's Governing Documents and relevant laws and regulations. With a few exceptions, all business units have an Ethics & Compliance function headed by an Ethics & Compliance Officer reporting to local Management and Board/Board Committee. The Group Ethics & Compliance Officer sets the direction and coordinates the activities of the Ethics & Compliance network.

The Group Ethics & Compliance Officer reports to the Group General Counsel with a dotted line to the Group President and CEO and the Ethics & Sustainability Committee of the Telenor ASA Board of Directors.

#### Group Internal Audit (GIA)

Group Internal Audit (GIA) is an independent, objective, assurance and advisory unit that assists the organization to accomplish objectives by bringing a disciplined, systematic approach to evaluate and improve the effectiveness of the company's risk management, control, reporting and governance processes.

GIA is empowered by the Board of Directors to perform engagements in Telenor ASA and any subsidiary in which Telenor ASA, directly or indirectly, owns more than 50% of the voting shares, or the power of control is possessed and exercised by or on behalf of Telenor ASA.

GIA reports functionally to the Audit Committee and administratively to the Group CFO.

#### Group Investment Committee (GIC)

The Group Investment Committee (GIC) shall provide quality assurance of the company's investments, including acquisitions and sales of activities. Investments of a certain size are dealt with by the Investment Committee. All Telenor units shall be familiar with the mandate and workings of the Group Investment Committee as laid out in the Group Investment Committee Charter.

The Committee, which functions in an advisory capacity to the CEO and Group Executive Management, is chaired by the CFO and consists of members who have relevant expertise. The Telenor Group Policy Investment, M&A and other Financial Commitments shall be used in the processing of such matters.

#### Group Treasury

In order to ensure overall management and control of the company's financial affairs, the company has set up Group Treasury as a central finance function. Group Treasury functions in accordance with its mandate set out in the Group Treasury Policy which is approved by the Telenor Board of Directors.

The purpose of the Group Treasury Policy is to mitigate treasury risks in the Telenor Group and to secure efficient management and control of treasury activities, as well as provide an overall framework for managing treasury risks including liquidity risk, counterparty risk, currency risk and interest rate risk. Further, the Group Treasury Policy sets the main principles for the activities such as the capital structure of the Telenor Group, equity and debt funding, cash management, working capital management, bank relationship management, treasury risk management, issuance of guarantees, treasury reporting requirements, as well as the capital structure and financing of subsidiaries and financial investments.

#### **Financial Reporting Standards**

Telenor prepares its consolidated financial statements in accordance with International Financial Reporting Standards («IFRS»), as adopted by the European Union. The consolidated financial statements shall give a true and fair view of the Company's and Group's assets, liabilities, financial position and results of operations.

Telenor ASA is a holding company and contains the Group Management, Corporate Functions, Research and Development and Group Treasury. The financial statements for Telenor ASA are prepared in accordance with the Norwegian Accounting Act section 3-9 and regulations regarding simplified application of IFRS issued by the Ministry of Finance on 21 January 2008. Financial Reporting Standards and accounting principles are further described in the Telenor Group Annual Report for 2013: www.telenor.com/ investors/reports/2013

### Business Reviews and Financial Reviews

Business Reviews and Financial Reviews are conducted regularly.

The Business Review is normally held twice a year, unless more frequent reviews are required, and is chaired by the Group CEO. The Business Review shall mainly focus on reviewing the business unit's strategic and operational performance and review development in trends versus strategic ambitions and actions planned to reach these ambitions. The purpose is to understand key operational challenges and the path to reach the strategic ambitions. Once a year the Business Review shall focus on the three-year strategy plan as part of the strategy process (referred to as Strategy Review).

The Financial Review is held on a quarterly basis and is chaired by the Group CFO. The Financial Review shall mainly focus on reviewing the business unit's actual financial performance including reporting of the status of Internal Control over Financial Reporting (ICFR); with the intention to quality assure the published financial results.

### Sustainability, Anti-Corruption and Supplier Conduct Principles

Sustainable growth and corporate responsibility is an important part of how the Telenor Group operates. The mobile industry has proven positive effects on economic and social welfare. The telecom industry has the power to transform society, which is why corporate responsibility is an important part of how Telenor operates. At the Telenor Group, our Corporate Responsibility efforts rest on two key strategic pillars: extending the benefits of mobile communications across all our markets and integrating responsible business practices in all aspects of our operations.

Telenor is a long-time member and signatory to the UN Global Compact initiative. Telenor adheres to the UN's 10 principles within human and labour rights, environmental protection and anti-corruption. Telenor reports in accordance with the Global Reporting Initiative (GRI). The latest GRI Report is published at: www.telenor.com/ sustainability/reporting

Telenor's Anti-Corruption Program is rooted in our Code of Conduct and Group Policy Anti-Corruption. Its design, implementation and enforcement are risk-based and tailored to prevent corruption throughout Telenor's business activities. It applies to all persons working for or on behalf of Telenor. Ethics and anticorruption considerations are integrated into Telenor's business activities and decisions across all functions and levels. Telenor has an organization with clearly defined roles and responsibility for implementation of the Anti-Corruption Program, both at Group and business unit level. The Group Policy Anti-Corruption and the effectiveness of the Anti-Corruption Program are assessed and revised on a regular basis.

In 2013, Telenor launched its Anti-Corruption Handbook: a practical guide to help all Telenor employees to understand and live Telenor's values and formal policy relating to anticorruption. The Anti-Corruption Handbook is available at: www.telenor. com/about-us/corporate-governance/ anti-corruption-handbook Read more on Telenor's Anti-Corruption Program at: www.telenor.com/ about-us/corporate-governance/anticorruption

Supply Chain Sustainability (SCS) is a key focus area for Telenor. We require responsible business conduct from all our suppliers in accordance with our Supplier Conduct Principles (SCPs). This is supported by systematic monitoring and risk management. In 2013, Telenor carried out 2,000 supplier inspections across the Group. A group-wide Business Assurance function is established across the Telenor Group to oversee implementation and monitoring of supply chain sustainability in every business unit on an ongoing basis. This comprises permanent local Business Assurance functions in every Telenor business unit, overseen by a Group Business Assurance function. Read more at: www.telenor.com/about-us/ corporate-governance/supplierconduct-principles

The Telenor Group continues to rank among the global leaders in terms of sustainability on the Dow Jones Sustainability Indexes (DJSI) in the telecom industry. This is the 12th consecutive year that the Telenor Group has been recognized as one of the top members in the DJSI universe of telecommunications companies. The 2013 indexes reveal that the Telenor Group's total score was 90 (out of 100), up seven points from last year. The results reflect the Telenor Group's commitment to continuously develop our non-financial performance.

In addition the CDP's Global 500 Climate Change Report 2013 ranks the Telenor Group 3rd among the world's largest telecommunications companies – up from 10th place last year. For the first time, the Telenor Group has also been included in the Carbon Disclosure Project's (CDP's) Global 500 Climate Performance Leadership Index (CPLI). This annual index highlights those companies listed on the FTSE Global Equity Index Series (Global 500) that demonstrate commitment to the environment.

Telenor's strategy, initiatives and reporting in relation to sustainable operations are described in extensive detail at: www.telenor.com/ sustainability and in the separate section on Sustainability in the Annual Report for 2013, see: www.telenor.com/ investors/reports/2013. See also the description on Telenor's compliance with the new Section 3-3c in the Norwegian Accounting Act in 2013 in this Report on Corporate Governance section 1 above as well as section 9 on the Board of Director's Ethics and Sustainability Committee.

### Health, Safety, Security and Environment (HSSE)

As an international company with a diversified workforce, the Telenor Group places great emphasis on Health, Safety, Security and the Environment (HSSE). We have adopted a systematic approach to the way we manage this internally in Telenor and towards our contractors, vendors and suppliers.

Telenor has implemented an HSSE management system in accordance with OHSAS 18001 (Occupational Health & Safety) and ISO 14001 (Environment) across all our business units. Among the Telenor Group's thirdparty certifications is also Uninor's SA 8000 certification; it was official from April 2013. This demonstrates our approaches to human rights in the workplace and providing safe and ethical work practices as well as supporting compliance with social accountability standards across our supply chain. This is a strong testimony to Telenor's commitment towards Social Accountability and Corporate Responsibility.

#### Diversity

Four of the total of the 11 Board members are women, thus constituting a share of 36% of the Board members in 2013 (36% in 2012). The share of women in the Telenor Group total workforce was 34% in 2013 (34% for 2012). The share of women in management positions in 2013 was 21% by year-end 2013 (23% in 2012).Two out of nine members of Group Executive Management per year-end 2013 are female (constituting 22%).

Telenor includes people regardless of gender, religion, nationality or disability. By supporting men and women in harmonizing work and individual needs, Telenor believes it becomes more attractive as an employer while employee performance increases. Telenor encourages a balanced mix of male and female candidates when recruiting for internal leadership development programmes and executive positions, see: www.telenor. com/people-and-opportunities/workenvironment

#### 11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors reflects the responsibilities of the members of the Board, their expertise, time commitment and the complexity of the company's activities. Remuneration of the Board of Directors (the Board) consists of a Board fee which is fixed for the year depending on role in the Board as well as compensation for other Board-elected committees. The Board's fees are set by the Corporate Assembly.

The remuneration of the Board of Directors is not linked to the performance of Telenor. Telenor does not grant share options to Board members. Telenor does not provide loans to the Board members.

#### Additional assignments

Members of the Board of Directors and/ or companies with which they are associated, apart from the employee representatives, do not ordinarily take on specific assignments for Telenor in addition to fulfilling their responsibilities as members of the Board. Any additional assignments will be disclosed to the full Board. Any remuneration for such additional assignments will be approved by the Board of Directors.

#### Disclosure

Telenor's Annual Report provides information on all remuneration paid to each member of the Board of Directors. Any remuneration in addition to the normal directors' fees is specifically identified in note 34 to the consolidated financial statements for 2013, see:

www.telenor.com/investors/reports.

In 2013, none of the members of the Board received compensation from any other Group companies, apart from the employee representatives. None of the members of the Board of Directors has loans in the company.

### 12. REMUNERATION OF THE EXECUTIVE MANAGEMENT

#### Guidelines

The Board has established guidelines for the remuneration of the Group Executive Management. These guidelines are communicated to the AGM.

The Board's declaration regarding the determination of salary and other compensation to senior employees was approved by the AGM on 15 May 2013, see the minutes of the AGM at: www.telenor.com/about-us/corporategovernance/about-the-generalmeeting

The guidelines for the remuneration of the Group Executive Management (GEM) set out the main principles applied in determining the salary and other remuneration of the GEM. The guidelines help to ensure convergence of the financial interests of the GEM and the shareholders.

Performance-related remuneration of the GEM in the form of incentive programmes, bonus programmes or similar is linked to value creation for shareholders or the earnings performance of Telenor over time. Such arrangements, including incentive programmes, will motivate performance and be based on quantifiable factors over which the employee in question can have influence.

### Determination of salary and other remuneration

The Governance and Remuneration Committee considers the CEO's total salary and presents its recommendations to the Board of Directors, which in turn determines the CEO's salary and other benefits. The Governance and Remuneration Committee further considers the total remuneration package for the executives who report directly to the CEO.

The Board's declaration regarding the determination of salary and other remuneration to the CEO and other management employees encompasses salary and also remuneration in the form of:

- Payments in kind,
- Bonuses,
- The allocation of shares, subscription rights, incentive programmes and other forms of remuneration linked to shares or developments in the price of the company's shares or of the shares of other companies within the Group,
- Pension schemes,
- Termination payment schemes,
- All forms of variable elements in the remuneration, or special remunerations payable in addition to the basic salary.

#### Disclosure

According to the Norwegian Act on Public Limited Liability Companies, the Accounting Act, the Government's policy on the remuneration of leading personnel issued by the at the time Norwegian Ministry of Trade and Industry with effect from 1 April 2011, and in line with the Code of Practice, all aspects relating to remuneration of the CEO and total remuneration of other executive management employees are presented in note 34 to the consolidated financial statements for 2013: www.telenor.com/investorrelations/reports

### 13. INFORMATION AND COMMUNICATION

A regular flow of information from Telenor will help shareholders and other investors to make informed decisions on the purchase and sale of the company's shares based on equal access to information.

The Board provides guidelines for the company's reporting of financial and other information based on openness and transparency, and in accordance with requirements relating to equal treatment of players in the share market.

Each year, Telenor announces the dates of important events, such as the AGM, the publication of interim reports, public presentations and the payment date of any dividends.

Information sent to the company's shareholders is made available on the Telenor website at the same time as it is sent to the shareholders. The Investor Relations function at Telenor ensures that contact with the company's shareholders is maintained outside the AGM, see: www.telenor.com/ir

#### **14. TAKE-OVERS**

The Norwegian State owns approximately 54% of Telenor. Any reduction in the stake by the state will require a special resolution of the Norwegian Parliament that will safeguard the intentions set down in the NCGB (Norwegian Corporate Governance Board) principles. For further information regarding the Norwegian State's ownership, see Section 4 above.

In the event of a take-over, the Board of Directors will comply with the NCGB principles on this issue.

#### **15. AUDITOR**

In accordance with Norwegian regulations, Telenor complies with strict requirements for oversight of the auditing and auditors, including the auditor's independence.

Telenor has pre-approval policy and procedures in place for approval of non-audit services performed by the external auditor that have been established by the Board of Directors. The external auditor provides the Audit Committee with an annual written confirmation of independence. The auditor presents to the Audit Committee, on a bi-annual basis, a summary of all services, in addition to the audit, provided by the external auditor. The auditor also presents any threats to his/her independence and document measures implemented to reduce these, as required by the Audit and Auditors Act Section 5a-3 3.

The Company's external auditor presents the main features of the plan for the execution of the audit to the Audit Committee and reports interim and final results of the external auditor's work to the Audit Committee.

The external auditor attends all meetings of the Audit Committee, the Board meeting that approves the Annual Report and other meetings on request. The external auditor presents the result of the audit to the Audit Committee and the Board of Directors in the meeting approving the Annual Report, including presentation of any material changes in the company's accounting principles, significant accounting estimates and reports any material matters on which there has been disagreement between the auditor and Telenor's Executive Management, if any.

Each year the auditor presents to the Audit Committee and the Board of Directors significant internal control weaknesses and improvement opportunities, if any.

The external auditor meets with the Audit Committee and the Board of Directors at least annually where neither the CEO nor other members of management are present.

At the AGM, the Board of Directors gives an account of the auditor's remuneration divided into audit fees and other services as disclosed in the Annual Report.





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