

# Report on Corporate Governance - Telenor ASA

## 1. Implementation and reporting on Corporate Governance 2012

The Board of Directors (the Board) of Telenor ASA emphasizes the importance of maintaining a high standard of corporate governance in Telenor. Good corporate governance ensures the greatest possible value creation over time in the best interests of Telenor's shareholders, employees and other stakeholders.

Good corporate governance implies responsible interaction between the owners, the Board of Directors and the management.

Telenor shares are listed on the Oslo Stock Exchange. As an issuer of shares Telenor complies with Norwegian stock exchange rules, including the rules on Continuous Obligations of Listed Companies, chapter 7 on Corporate Governance, with reference to the Norwegian Code of Practice for Corporate Governance issued by the Norwegian Corporate Governance Board (NCGB) from 23 October 2012, see [www.ncgb.no](http://www.ncgb.no).

Telenor operates in accordance with the Norwegian Code of Practice for Corporate Governance with the exception of point 14 on the drawing up of main principles for takeover bids. The background for this exception is the Kingdom of Norway's 53.97% ownership in Telenor, see the Board of Directors' report published in the Telenor Annual Report 2012:

<http://telenor.com/investor-relations/reports/>

Telenor refers to this report on Corporate Governance in the Board of Directors' Report, with reference to the Accounting Act (Regnskapsloven) section § 3-3b.

The rules in the Accounting Act section 3-3b, relating to the report on corporate governance, are specified below with references to where Telenor's principles and practices are described in this document:

1. *"a statement of the recommendations and regulations concerning corporate governance that the enterprise is subject to or otherwise chooses to comply with"*

Described in section 1: Implementation and reporting on Corporate Governance 2012 (Norwegian Code of Practice for Corporate Governance).

2. *"information on where the recommendations and regulations mentioned in no. 1 are available to the public":*

Described in section 1: Implementation and reporting on Corporate Governance 2012.

3. *"the reason for any non-conformance with recommendations and regulations mentioned in no. 1":*

Described in section 1: Implementation and reporting on Corporate Governance 2012.

4. *"a description of the main elements in the enterprise's and, for enterprises that prepare consolidated accounts, if relevant also the group's internal control and risk management systems linked to the accounts reporting process":*

Described in section 10: Risk management and internal control.

5. *“articles of association that completely or partially extend or depart from provisions stipulated in chapter 5 of the Public Limited Companies Act”:*

Described in section 6: General Meetings.

6. *“the composition of the board of directors, corporate assembly, shareholders’ committee/supervisory board and control committee and any working committees that these bodies have as well as a description of the main elements in prevailing instructions and guidelines for the bodies’ and any committees’ work”*

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

7. *“articles of association that regulate the appointment and replacement of directors”*

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

8. *“articles of association and authorisations that allow the board to decide that the enterprise is to repurchase or issue the enterprise’s own shares or equity certificates”*

Described in section 3: Equity and dividends.

The details of how Telenor complies with NCGB’s Code of Practice will be explained in this document, which includes the same sections as the Code of Practice. Strong and sustainable corporate governance is a key success factor when conducting business in a global, highly competitive and changing market. To

ensure good corporate governance, Telenor has established a governance framework including policies and manuals, processes and systems on monitoring and reporting which is applicable to all subsidiaries within the Telenor Group.

Telenor’s requirements for corporate social responsibility are included in the Telenor governance framework.

The Board of Directors focuses on a high standard of ethics. The Telenor Code of Conduct is a key management tool. The Code of Conduct covers areas that are important for securing good business ethics in all aspects of the activities of the Telenor Group. They contain specific and practical rules and guidelines, and set the standard for how individual employees should conduct business. The Code of Conduct applies to Board members, managers, employees, hired staff and anyone acting on behalf of Telenor.

The Code of Conduct, the Group policies and manuals, Vision and Values, Governing Principles and Leadership Expectations is an inherent part of the Telenor culture. This platform is named the Telenor Way Framework, which is setting the standard for how we do profitable business while upholding a high ethical standard.

Telenor continuously focuses on how to practice the standards and has worked out a Telenor Way handbook which is distributed to the employees within the Telenor Group. In addition to specific training programs, each employee has access to the Telenor Way internal web site, including a Telenor Way tool box that will help the employees in their everyday work.

## 2. Business

The business in which Telenor is engaged is clearly set out in the Articles of Association, clause 3:

“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 2012 are described in the Report of the Board of Directors. Telenor also updates the market through investor presentations made available at <http://www.telenor.com/en/investor-relations/>

The Board of Directors has defined clear objectives and strategies. The Telenor Group's ambition is to be a leading global mobile operator, while delivering attractive returns to our shareholders.

The Telenor Group key ambitions for 2012-2014 are:

1. Create top-line growth through being preferred by customers
2. Be a highly cost efficient operator
3. Create value and growth from financial and asset management

The Telenor Group’s strategy is published at Telenor’s website: <http://www.telenor.com/en/about-us/our-strategy/>.

Through the Going Dynamic process, Telenor links the strategy to quarterly performance monitoring and forecasting. In addition, a combined financial and non-financial scorecard has been established at Group level.

## 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 2012 is NOK 9,359,686,836 divided into 1,559,947,806 shares, each with a par value of NOK 6.

Mandates granted to the Board of Directors 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. The objective of Telenor to create value for its owners 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 AGM resolution on 16 May 2012, the Board is authorized to purchase treasury shares. Further information is made available in the minutes of the AGM:

<http://telenor.com/about-us/corporate-governance/about-the-general-meeting/>

### Dividend policy

The Board of Directors has established a dividend policy which forms the basis for the proposals on dividend payments that it makes to the Annual General Meeting. 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 objective is to distribute 50-80% of normalised net income and aim for a nominal increase in the dividend per share.

A resolution on the distribution of dividend is adopted by the General Meeting following the proposal from the Board of Directors. The proposed dividend for 2012 is NOK 6.00 per share.

#### **4. Equal treatment of shareholders and transactions with close associates**

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 of Directors endorses the principles of equal treatment of all shareholders and openness.

The AGM may authorise the Board to purchase treasury shares. The Board is free to decide how the acquisition of shares shall take place but shall ensure that the general principles of equal treatment of shareholders shall be complied with.

The Norwegian state owns approximately 54 per cent of Telenor – refer to section 14.

#### **Increase in share capital**

Telenor practices 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 of Directors 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 between related parties**

In Telenor's Code of Conduct there are rules concerning loyalty, impartiality and conflict of interests. The employee shall never take part in or attempt to influence a decision or settlement if there is a conflict of interest or other circumstances exist, which could give grounds to question one's impartiality. Anything that would present a conflict for the employee would also present a conflict if it is related to a member of the employee's family. Should a conflict of interest arise, the employee shall on his/her own initiative evaluate and notify the immediate superior of any partiality or conflict of interest. This principle is stated in the Code of Conduct which also applies to all the members of the Board of Directors, managers and other employees of Telenor as well as others acting on behalf of Telenor.

According to the Public Limited Liability Companies Act, section 6–27 a member of the Board of Directors may not participate in the discussion or decision of issues which are of such special importance to the Board member in question or to any party closely related to said Board member that the Board member must be regarded as having a major personal or financial special interest in the matter. The same applies to Chief Executive Officer.

Transactions with related parties are described in the Annual Report for 2012.

#### **5. Freely Negotiable shares**

Telenor shares are listed on Oslo Stock Exchange and are freely negotiable. The shares have no trading restrictions in the

form of Board consent or ownership limitations.

No form of restriction on negotiability is included in the Articles of Association of the Telenor Group.

## **6. General Meetings**

### **Supreme Governing body**

The General Meeting is the supreme governing body in Telenor. The shareholders' interests are primarily ensured through Telenor's Annual General Meeting (AGM). According to the Articles of Association the AGM shall be held once a year before the end of June.

The Company's AGM shall in accordance with the Articles of Association be chaired by the Chairman of the Corporate Assembly. Members of the Board of Directors and Telenor's auditor are present at the AGM, as are the representatives of the Nomination Committee in the event of an election appearing on the agenda of the AGM.

The 2012 AGM of Telenor ASA was held on 16 May 2012.

### **Tasks**

Telenor's Articles of Association are determined by the General Meeting.

The AGM shall deal with the following matters, ref. 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 Act relating to Public Limited Liability Companies 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. An advisory vote is to be held on the Board's guidelines for determining managers' salaries.

According to the Norwegian Public Limited Companies Act section 5-6 (4) the Ordinary General Meeting deals with the Report on Corporate Governance pursuant to section 3-3b of the Norwegian Accounting Act.

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 draft resolution or the reason for the question being put on the agenda.

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**

The 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 at Telenor's website. A shareholder may request that such documents are sent to him/her.

## **Attendance at the General Meeting**

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, ref the Articles of Association, clause 8.

Shareholders who are unable to attend may vote by proxy. The proxy must present a written, dated letter of proxy. If the letter of proxy is presented using an electronic means of communication, a satisfactory method of authenticating the sender must have been used. The letter of proxy shall only apply for the first general meeting unless expressly stated otherwise. The shareholder may revoke the letter of proxy at any time.

## **Written voting prior to AGM**

The shareholders are able to cast their votes in writing, including by electronic means, in a period preceding the General Meeting, ref the Articles of Association, clause 8. The Board of Directors may provide guidelines for such voting. The summons shall include the guidelines adopted by the Board of Directors.

## **Minutes of the AGM**

The minutes of the General Meeting (AGM and EGM) is made available at

<http://telenor.com/about-us/corporate-governance/about-the-general-meeting/>

## **7. Nomination committee**

The appointment of a nomination committee is not required by legislation.

In accordance with a resolution of the AGM, Telenor has established a Nomination Committee. It is stipulated in the Articles of Association that Telenor shall have a Nomination Committee.

### **Composition**

When appointing members to the Nomination Committee, consideration is given for example to the fact that broad shareholders' interests should be represented.

The Nomination Committee is independent of the Board of Directors and the Executive 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 member shall be a shareholder elected member or alternate of the Corporate Assembly.

Current members of the Nomination Committee are: Anders Skjævestad (Chairman of the Nomination Committee, elected from the Corporate Assembly), Mette Wikborg (member elected by the AGM), Rune Selmar (member elected by the AGM) and Silvja Seres (member elected from the Corporate Assembly).

The members of the Nomination Committee are elected for a term of two years.

## **The work of the Committee**

According to the Article 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 alternates 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 alternates 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 General Meeting may adopt instructions for the Nomination Committee.

In 2012 the Nomination Committee held 15 meetings.

The Nomination Committee places emphasis on the Board of Directors' total competences. The Board's annual self-evaluation report is dealt with separately by the Nomination Committee.

Telenor provides further information about the members of the Nomination Committee, as well as information regarding deadlines for the submission of proposals to the Committee, on the website <http://www.telenor.com/en/about-us/corporate-governance/nomination-committee/>.

## **8. Corporate Assembly and Board of Directors: composition and independence**

### **Corporate Assembly**

Pursuant to Norwegian law, Telenor has a Corporate Assembly.

### **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 the Telenor shareholders.

The Corporate Assembly has a total of fifteen members who are appointed for a period of two years; ten members and three alternates are elected by the shareholders and five members and two observers, with alternates are elected from and by 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 Corporate Assembly of public limited companies.

Current members elected by the shareholders are: Anders Skjævestad (Chairman), Olaug Svarva (Deputy Chairman), Jostein Devold, Signe Marie Jore Ritterberg, Siri Pettersen Strandenes, Stener Lium, Elin Merete Myrmel-Johansen, Silvija Seres, Tore Onshuus Sandvik. The current members elected by the employees are: Roger Rønning, Astri Skare, Jan Riddervold, Stein Erik Olsen, Magnhild Øvsthus Hanssen.

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 on

website <http://www.telenor.com/en/about-us/corporate-governance/corporate-assembly/>

### **The work of the Corporate Assembly**

The Corporate Assembly supervises the management of the company by the Board of Directors and the CEO. In 2012 the Corporate Assembly held 5 meetings.

The duties of the Corporate Assembly are defined in section 6-37 of the Public Limited Liability Companies Act.

In order to exercise its supervisory function, those who attend Corporate Assembly meetings as members or observers are entitled to request the information on Telenor's operations that they believe is necessary. As part of the exercise of its control authority, the Corporate Assembly can also initiate investigations itself or via a committee.

In addition, the Corporate Assembly states its views to the AGM on the Board's proposed profit and loss account and balance sheet and, if relevant, on whether or not the Telenor Group's profit and loss account and the Telenor's Group balance sheet should be adopted.

The Corporate Assembly may decide to make recommendations to the Board or the management on any issue.

The Corporate Assembly decides the Board of Director's remuneration.

The Corporate Assembly has some more 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 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. The AGM cannot influence, change or reverse the Corporate Assembly's decisions regarding the election of the Board and Chairman of the Board.

The role of the Corporate Assembly is not to act as a general "top management". Other tasks may not, therefore, be assigned to the Corporate Assembly unless the law specifically requires it.

### **Board of Directors**

The Board of Directors comprises the supreme management of Telenor and is responsible for ensuring that the business activities are soundly organized. The Board of Directors supervises the day-to-day management and the company's activities in general.

### **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 thirteen members, who are to be elected for a period of two years.

The Nomination Committee makes recommendations to the Corporate Assembly regarding the election of shareholder-elected members and alternates to the Board of Directors. The Corporate Assembly elects the Company's Board and the Chairman of the Board. In May 2012, the Corporate Assembly elected Svein Aaser to succeed Harald Norvik as new Chairman of the Board for a period of up to one year.

The Telenor Board consists of eight shareholder elected members and three employee elected members. Board members pr. 31 December 2012 are:

Svein Aaser (Chairman, appointed: 16 May 2012 ), Liselott Kilaas (Deputy-Chairman appointed: 8 May 2003), Hallvard Bakke (appointed: 19 May 2011), Burckhard Bergmann (appointed: 29 May 2008 ) Frank Dangeard (appointed: 19 May 2011), Sally Margaret Davis (appointed: 23 November 2011), Dag J. Opedal (appointed: 19 May 2011), Barbara Milian Thoralfsson (appointed: 11 May 2009), 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).

### **Independence**

None of the Board members, apart from the employee representatives, are employees of Telenor or have carried out work for Telenor.

### **Expertise**

Telenor's Board of Directors has a diverse composition and competence tailored to the company's needs. The expertise and capacity of the company's Board members are highlighted in the Annual Report and Accounts. Information regarding the background and education is available on Telenor's website:

<http://www.telenor.com/en/about-us/corporate-governance/board-of-directors/>

### **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 in note 36 of the consolidated financial statements for 2012:

<http://telenor.com/investor-relations/reports/>

## **9. The work of the Board of Directors, the Chief Executive Officer and the Group Executive Management**

### **Board meetings**

Telenor's Board of Directors held 20 Board meetings in 2012.

The Board of Directors draws up plans and financial frames and goals for the activities of the Telenor. The Board of Directors keeps itself informed of the 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 in respect of those provisions which apply to the company.

The Board of Directors initiates examinations as it finds necessary for the performance of its duties. The Board of Directors initiates such examinations if so demanded by one or more of the members of the Board of Directors.

### **Instructions**

The Board of Directors issues instructions for its own work as well as for the The Chief Executive Officer with particular emphasis on clear internal allocation of responsibilities and duties.

### **Strategy**

The Board adopts a plan for its work, with special emphasis on objectives, strategy and implementation, once a year. Telenor's strategy is described in section 2.

The full summary of the Telenor Group strategy is published on Telenor's website <http://www.telenor.com/en/about-us/our-strategy/>.

## **Board Self-Assessment**

The Board of Directors evaluates its performance and expertise annually. The self-assessment is reviewed by an external consultant firm and presented to the Nomination Committee.

## **Board Committees**

In order to help ensure thorough preparation of specific issues, the Board of Directors has appointed Board committees. These three preparatory working committees of the Board are: Governance and Remuneration Committee, 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 four members of the Board. Svein Aaser is the Chairman of the Committee.

The Committee oversees that Telenor adheres to generally accepted high standards of Corporate Governance.

With regard to remuneration issues, the Committee considers Telenor's remuneration policy and programs, including bonus programs, share-based schemes and present recommendations to the Board of Directors for decision. The Committee evaluates annually the CEO's remuneration and presents

recommendations to the Board of Directors for decision.

The Committee held 5 meetings in 2012.

### **Ethics and Sustainability Committee**

The Ethics and Sustainability Committee is composed of four members of the Board. Liselott Kilaas chairs the Committee.

The Committee was established in 2011 as a continuation of the previous HSSE committee, with extended scope. The Committee supports the Board in fulfilling its responsibilities with respect to ethics and compliance as stated in law, code of practices, the Code of Conduct and accompanying governing documents. The Committee also supports the Board with respect to corporate responsibility. The Committee further oversees Telenor's efforts to ensure good internal occupational Health, Safety, Security and working 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 7 meetings in 2012.

### **Audit Committee**

The Audit Committee is composed of three members of the Board. Dag J. Opedal is the Chairman of the Committee.

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 Audit Committee held 7 meetings in 2012.

## **The Chief Executive Officer**

The Board appoints the Group CEO.

The Chief Executive Officer (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, Articles of Association and decisions adopted by the Board, the Corporate Assembly and the AGM.

The Board has established instructions for the CEO, covering the management of the Telenor Group, the management of ownership interests, the powers of the CEO, the CEO's submission of issues to be determined by the Board and the CEO's obligation to report to the Board

## **Group Executive Management**

The Group Executive Management consists of heads of key business areas and functions at Telenor. Each Executive Vice President Region is a member of Group Executive Management. In addition Executive Vice President and CFO, Executive Vice President and Head of Group People Development, Executive Vice President and Head of Group Industrial Program, Executive Vice President and Head of Digital Services, Executive Vice President and Head of Telenor Norway, as well as Executive Vice President and Head of Strategy and Regulatory Affairs, see further information available on the website:

<http://telenor.com/about-us/corporate-governance/group-executive-management/>

Important strategic or financial issues or other matters fundamental to Telenor, are dealt with at the Group Executive Management's 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.

## **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.

## **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 Group with risk information through channels such as business reviews and strategy 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 operational 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 systems.

### **Risk factors**

Operating across multiple markets exposes 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 the Board of Directors' report published in the Telenor Annual Report 2012 on the website:

<http://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: Head of Group Legal, 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 accounts 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 a high ethical standard, promotes proper business practices and reflects relevant laws, regulations and widely recognised treaties. An upgraded Ethics & Compliance framework was approved in 2012. It 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 Group Ethics & Compliance Officer reports administratively to the Group General Counsel.

### **Group Internal Audit**

Group Internal Audit 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.

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

### **The Investment Committee**

The Investment Committee 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. 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 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 a central finance function, the Group Treasury. The Group Treasury functions in accordance with the mandate of the Group Treasury Policy approved by the Telenor Board, which provides the necessary requirements relating to interest and currency risks, the capital structure of the Telenor Group, debt structure, liquidity and counter risks, 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 financial statements for the parent company 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.

### **Business Reviews and Financial Reviews**

Business Reviews and Financial Reviews are conducted regularly.

Business Reviews are conducted within each of the business areas of the Telenor Group. The purpose is to ensure strategic control and follow-up of results based on the prevailing strategic objectives and value drivers and key changes to risk exposure.

Financial Reviews provide the internal quarterly results follow-up for the Telenor Group, additional to the follow-up of the boards of the business units. The purpose

is to provide an analysis of the economic and financial situations, which will then form the basis for external reporting and presentations, and to provide quality assurance for the financial reporting.

### **Sustainability**

As described in section 9 Telenor has since 2011 had an Ethics and Sustainability Committee.

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 has implemented an HSSE management system in accordance with OHSAS 18001(occupational health & safety) and ISO 14001 (Environment) across all our Business units. Telenor has since 2009 had Supplier Conduct Principles (SCP) that are being followed up with our suppliers. In 2012, Telenor carried out 2,235 supplier inspections across the Group.

In 2012 Telenor Group was once again named a member of the Dow Jones Sustainability Indexes (DJSI) Mobile Sector. This is the 11th year running that Telenor was named among the top performers on the DJSI.

Telenor reports in accordance with the Global Reporting Initiative (GRI). Further information on Telenor's CR strategy, initiatives and reporting is published in the Telenor Group Sustainability Report, Telenor Annual Report and on the Telenor corporate website: <http://www.telenor.com/cr>

## **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.

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 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**

The Telenor 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 note 36 to the consolidated financial statements for 2012:

<http://telenor.com/investor-relations/reports/>

## **12. Remuneration of the executive management**

### **Guidelines**

The Board of Directors has established guidelines for the remuneration of the

Group Executive Management. These guidelines are communicated to the AGM.

The Board of Directors' declaration regarding the determination of salary and other compensation to senior employees was approved by the AGM on 16 May 2012, see the minutes of the AGM.

<http://telenor.com/about-us/corporate-governance/about-the-general-meeting/>

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

Performance-related remuneration of the Group Executive Management 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 arrangements, 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 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 programs 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 law and in line with good corporate governance, all aspects relating to remunerations for the CEO and total remunerations for other managerial employees are shown in note 36 to the consolidated financial statements for 2012: <http://telenor.com/investor-relations/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, open presentations and the payment of any dividends etc.

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](http://www.telenor.com/ir).

## **14. Take-overs**

The Norwegian state owns approximately 54 per cent of Telenor. Any reduction in 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 Report No.13 (2010-2011) from the Ministry of Trade and Industry.

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 auditor's independence.

Telenor has pre-approval policy and procedures in place for approval of non-audit services performed by the external auditor that has 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, ref. the Audit and Auditors Act § 5a-3 3.

On a regular basis 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 status of his/her work to the Audit Committee.

The external auditor attends all meetings of the Audit Committee, the Board meeting that approves the annual Financial Statements 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 dealing with the annual report, including presentation of any material changes in the company's accounting principles, significant accounting estimates and report any material matters on which there has been disagreement between the auditor and Telenor's Executive Management.

Annually 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 statutory auditing work and remuneration linked to other services as disclosed in the annual financial statements.