



BUILDING A STRONG RISK MANAGEMENT AND ASSURANCE PROGRAM IN TELIA COMPANY

Håkan Kvarnström
Chief Risk Officer
Telia Company AB

2019-05-21



TELIA COMPANY IN BRIEF

RESULT OF A MERGER WITH TELIA & SONERA 2002

HEADOFFICE IN STOCKHOLM

20,400 EMPLOYEES

























2018 NET SALES SEK 83.6 BILLION

MARKET CAP SEK 181.8 BILLION

TELIA BRAND IN ALL MARKETS

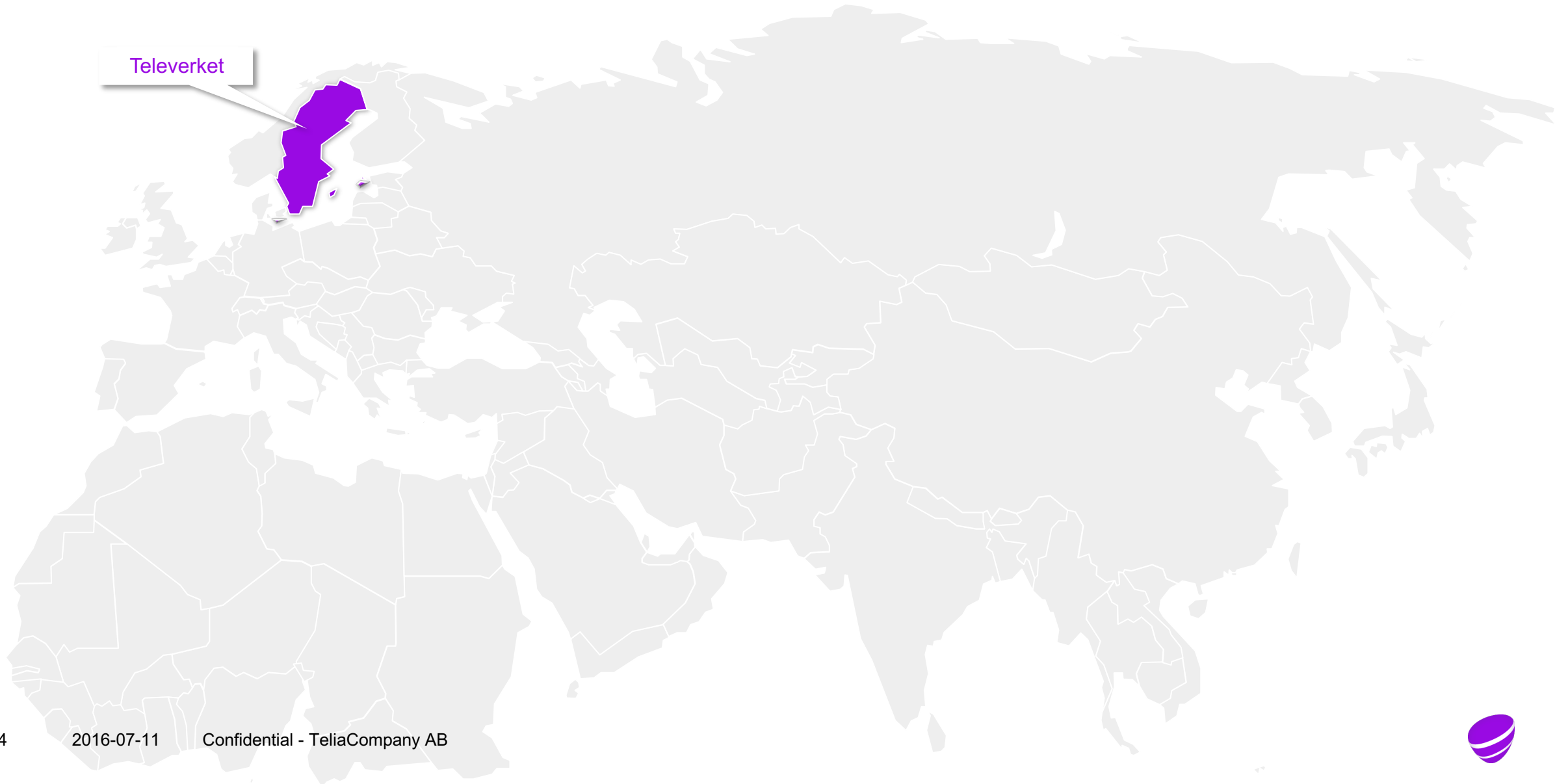


OUR BRANDS

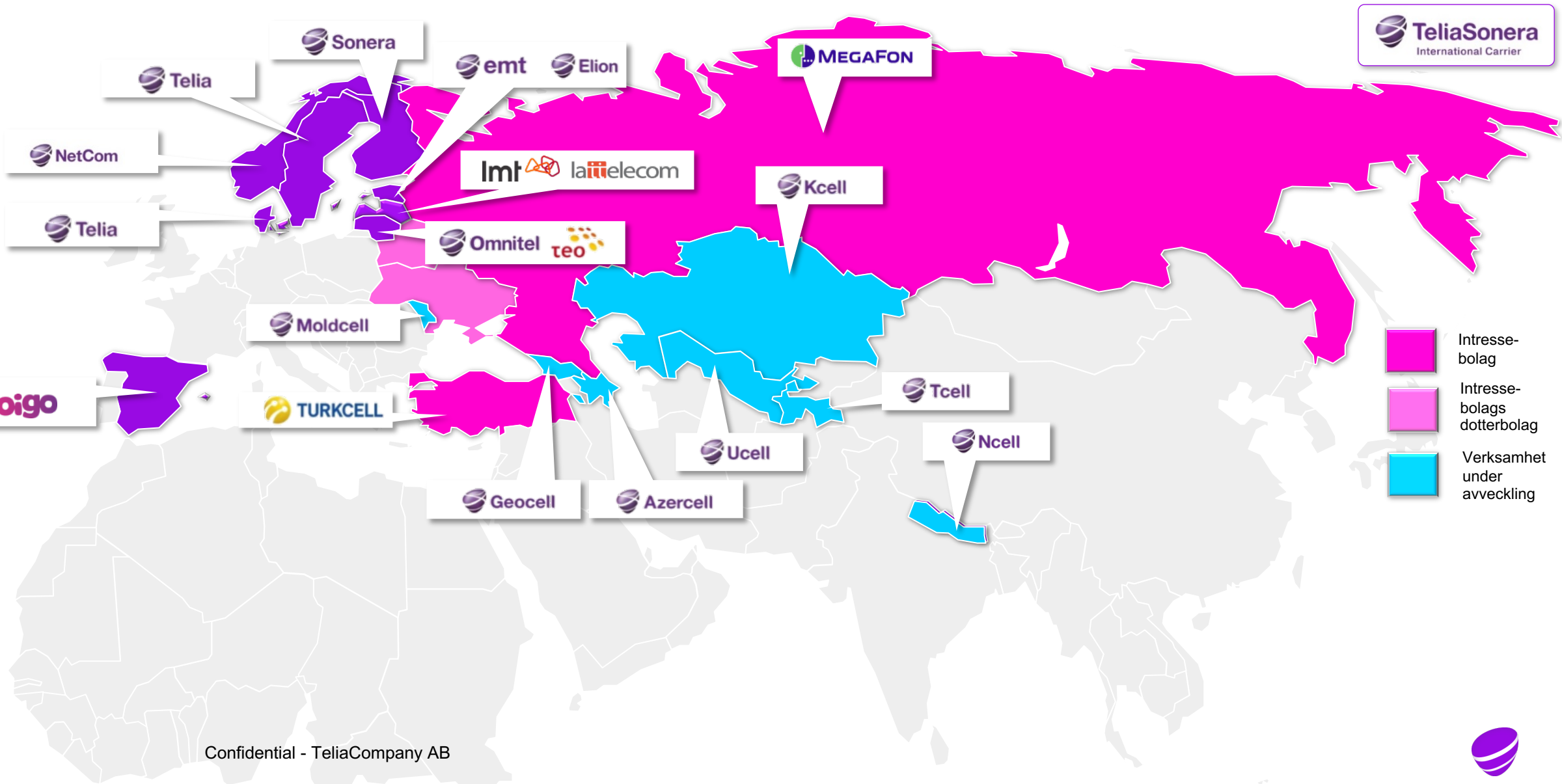
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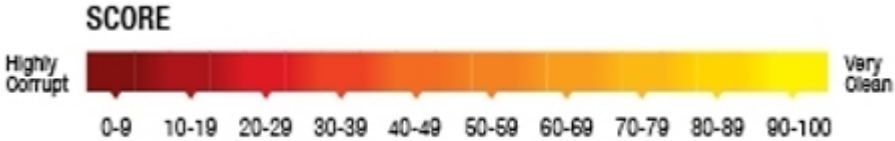
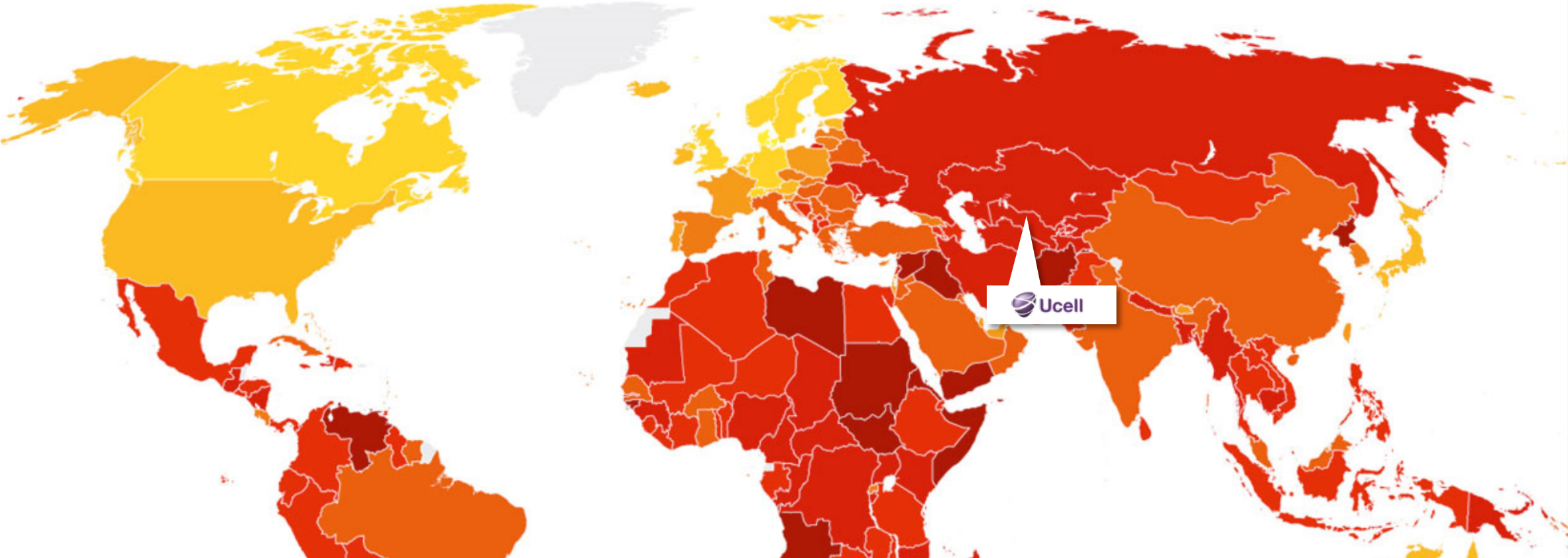
TELEVERKET – 25 YEARS AGO



... TELIA COMPANY TODAY, BUILT 1990-2010



CORRUPTION PERCEPTION INDEX 2018



TURBULENT AND DIFFICULT TIME

TeliaSonera i miljardaffär med diktatur
Teliasonera har betalat ut miljardbelopp till ett emansföretag i Gibraltar ägt av en kvinna från den uzbekiska modersonen i utbyte mot mobiltelefoner i Uzbekistan. Uppdrag granskning kan nu avslöja att kvinnan står mycket nära den uzbekiske diktatorns dotter och att schweiziska myndigheter insett en rakorator ekobrottsutredning där kvinnan, hennes bolag, diktatorns dotter och Teliasonera ingår. Åklagare har redan fryst konton med mycket stora belopp som misstänks tillhöra diktatorns dotter.

Hon ska städa upp Telias röra
Marie Ehrling har läst Biörn Rieses rapport och beskriver Teliasoneras situation som "väldigt allvarlig". Så gick det inte till när hon arbetade på Teliasonera, förklarar hon.

Höga chefer på Telia Sonera misstänks för mutbrott
Tre höga chefer på Telia Sonera i Sverige misstänks nu för mutbrott. Det kan uppstå granskning avslöja i dag.

TeliaSonera eyes shake-up as chief quits
By Richard Milne, Nordic Correspondent
Teliasonera is shaking up the chief executive of the S operator resigned amid corruption allegations in the Swedish government biggest shareholder with said a "fresh start" was that a bigger overhaul thought was now necessary.
Lars Nyberg, chief executive, said the new board refused to express He will be replaced on a temporary financial officer, Per-Arne Blomquist
A review by Mannheim Swarth firm commissioned by Telia sonera

"TeliaSonera in billion deal with Dictatorship"

"She is cleaning up The Telia mess"

"Hi ranked TeliaSonera managers suspected of bribery"

"TeliaSonera accused of bribery"

TeliaSonera was changed to Telia Company in April 2016



WHAT HAPPENED (2006-2014)



“...the Mannheimer Swartling review criticizes TeliaSonera, not least that we did not conduct a sufficiently in depth analysis into the identity of our local partner in Uzbekistan before we invested in the country or into how this partner came to own the assets that were later obtained by TeliaSonera.

Even if this transaction was legal, we should not have gone ahead without learning more about the identity of our counterparty.

This is something I regret”.

Lars Nyberg, CEO of TeliaSonera (2013)

The Mannheimer Swartling review could not rule out that bribery and corruption had occurred. However, it concluded that Telia had violated it's own code of conduct

Telia enters Uzbekistan

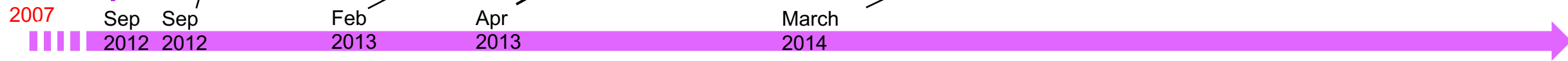
“TeliaSonera in billion deal with dictatorship”

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- Swedish prosecutor opens a criminal investigation.

External review released. Serious criticism on several points. Not able to confirm whether bribery / corruption occurred though.

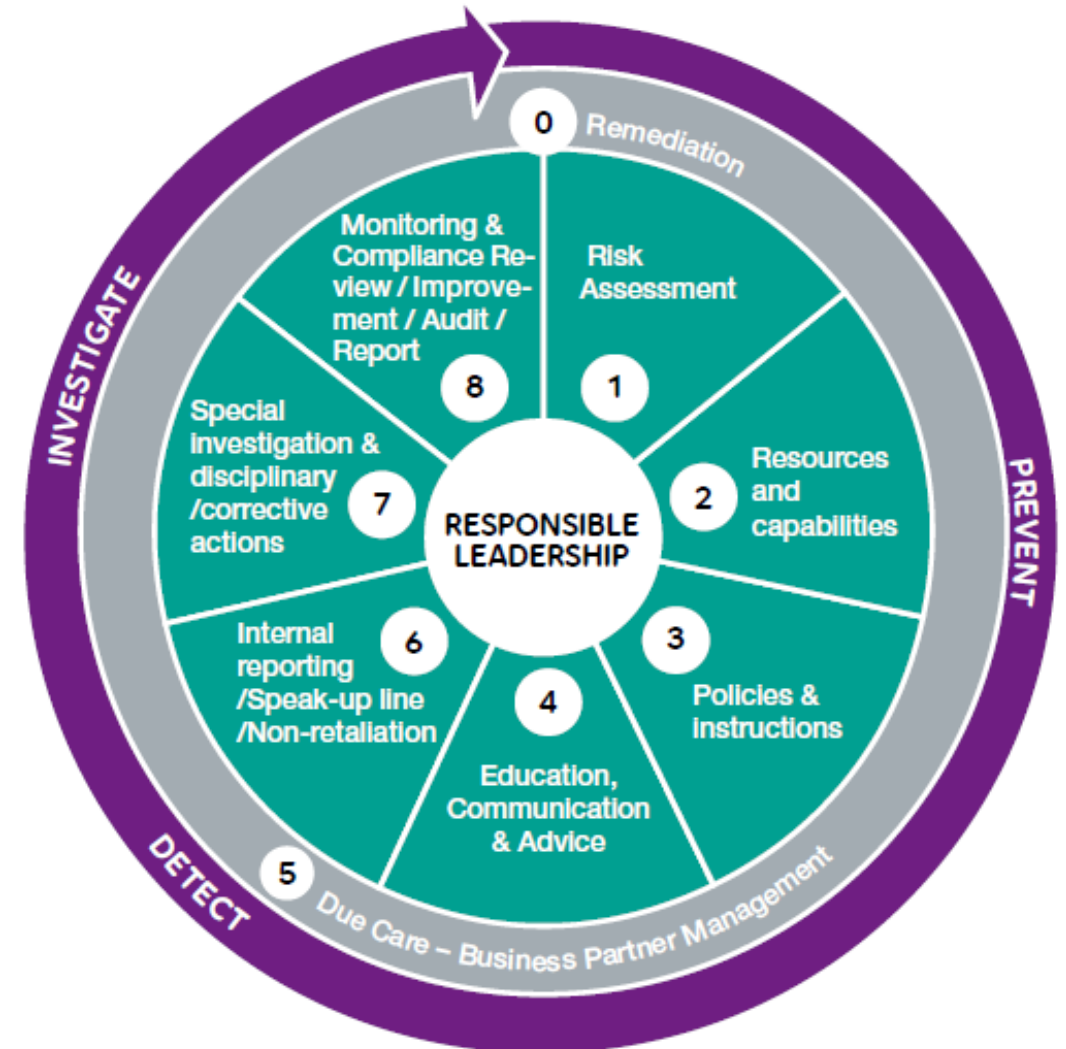
During 2013:
- CEO resigns
- AGM appoints a new Board + Chairman
- New CEO starts in July 2013
- CEO is appointed in Sep 2013
- E&C and A-BC Programs designed → implementation starts

March 2014:
- Letters from DOJ and SEC received
- Telia's office in Amsterdam raided by the Dutch Prosecutor
- A-BC Program up and running

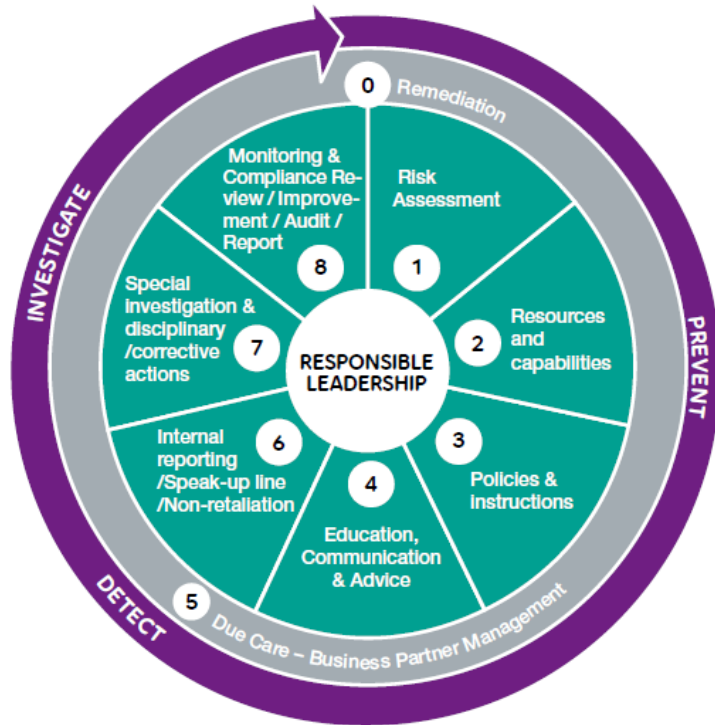


LAUNCHING A GROUP WIDE COMPLIANCE PROGRAM...

The compliance framework consists of eight elements that are founded on a sound and clear tone from the top. It is designed to adhere to international standards and is based on best-practice compliance program according to US Sentencing Guidelines (United States Sentencing Commission)



... AND A STRUCTURED APPROACH OF DOING BUSINESS RESPONSIBLY



Designed to follow international standards for an effective, adequate and achievable compliance program.

RESPONSIBLE BUSINESS FOCUS AREAS

- Anti-Bribery and Corruption
- Children's Rights
- Customer Privacy
- Environmental Responsibility
- Freedom of Expression and Surveillance Privacy
- Health and Wellbeing
- Responsible Sourcing

Prioritized risk areas, within the responsible business area, are identified based on risk assessments. The most significant risks in this area are monitored by the Group Ethics and Compliance and reporting accordingly to the framework to ensure consistency in policy implementation and follow-up.



1. RISK ASSESSMENT

- Doing it right from the beginning - Know your context
- Understand your environment and risks
- Risk assessment reports should include list of identified, analyzed and evaluated risks with risk response, e.g. accept, transfer, mitigate
- Named accountable risk owners
- Operations, governance and control processes needs to be designed to meet the challenges and demands arising from the environment

- Region Eurasia continued to follow up on the implementation of ABC action plans based on the results of ABC risk self-assessments carried out in 2016. Progress monitored quarterly and reported to the region GREC meetings.
- Companies in core markets also carried out risk self-assessments



2. RESOURCES AND CAPABILITIES

- Resources and competence needs to be secured, both in Group Functions and on regional and country level.
 - Project or other cross-functional resources and competence secured in a proper and timely manner.
 - Processes, solutions, systems.
 - Budgets
- ABC Program implementation is the responsibility of local organizations as well as group functions, with strong support from the ethics and compliance network.
 - Seven group and six country ethics and compliance officers and two third-party due diligence specialists certified
 - Continuous GREC meetings, group and local
 - Audit and Responsible Business Committee meetings



3. POLICIES AND INSTRUCTIONS

- Developing, maintaining and publishing policies and instructions as the foundation for a Code of Responsible Business Conduct that addresses the expectations regarding the conduct of the workforce.



<http://dontdothisatwork.teliacompany.com>



4. EDUCATION, COMMUNICATION AND ADVICE

- To ensure proper implementation of the Code of Responsible Business, the Group Policies and Group Instructions – such as conducting different forms of training programs, e-learning, internal and external communications.
- Purpose to raise awareness and insight, and to advise people concerning dilemmas.

DO THE RIGHT THING

MONEY € MONEY

RISK ! RISK

When a decision is made with a warning sign, as a risk, the risk must be taken and managed correctly.

One case - points

- 1 = -2
- 2 = -1
- 3 = 0
- 4 = +1
- 5 = +2

I work in a department where many payments are managed. Even though our procedures are fairly well protected against misuse, some of my co-workers are careless with their computer passwords. One day I see that one of my colleagues has left a post-it with his passwords on his desk during his vacation.

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What should I do?

1. I take the post-it and will talk to the colleague after his vacation.
2. I throw the post-it away and remind the whole team about the proper use of passwords in the next meeting.
3. I give the post-it to my boss and tell him about the carelessness of my colleagues.
4. I do not do anything.

- More than 22 000 employees have completed the e-learning Code of Responsible Business Conduct – the Responsible Journey, and more than 2,500 employees in defined target groups completed ABC-specific e-learning.
- Approximately 1500 employees have been trained in face-to-face Ethical blindness and dilemma training



5. DUE CARE - BUSINESS PARTNER MANAGEMENT

- Knowledge about who we are doing business with
 - Who we are paying to
 - What we are buying
- We have developed
 - Efficient risk screening process – Due Diligence (DD)
 - Ethical Compass to evaluate identified risks – “traffic lights”
 - Escalation paths for decisions related to 3rd parties/sponsorship– based on “traffic lights”

Introduction of third party due care guidelines.

The describes the checks that should be performed to meet the ABC requirements of third party due care. The primary goal is to gain knowledge of business partners and achieve reasonable assurance that existing and prospective third parties do not and will not engage in corrupt practices.

In connection with the introduction of the guidelines, case-based advanced ABC training was developed and a first round of training was conducted for ethics and compliance professionals in region Eurasia.

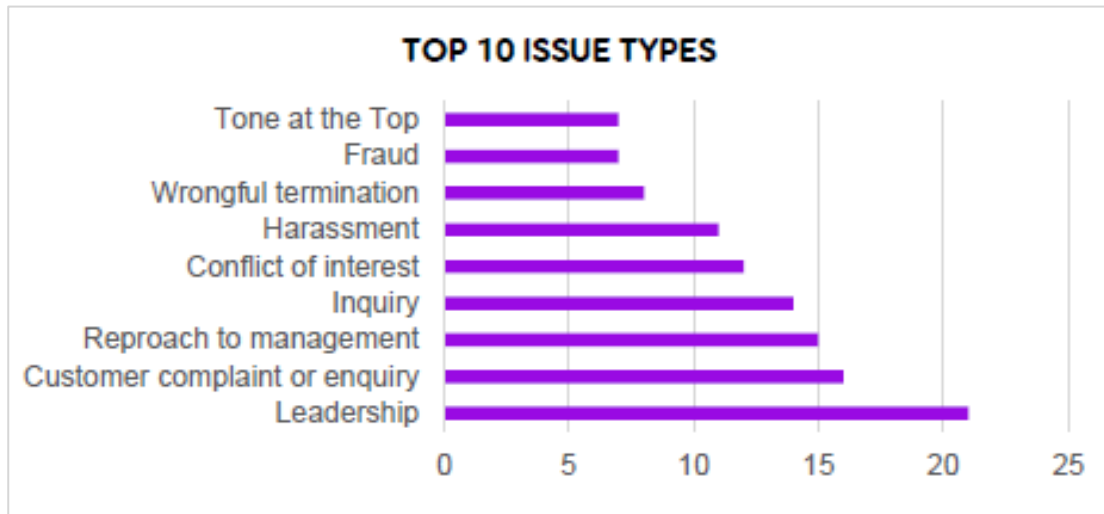
The training material includes:

- A case study of a listed company’s failures to adhere to local corruption legislation
- Methodology in identifying and determining high-risk third parties
- Levels of due diligence to apply in accordance with the associated risk
- Examples of potential corruption red flags



6. INTERNAL REPORTING/ SPEAK-UP LINE/ NON-RETALIATION

- Implementing confidential reporting lines for misconduct, intended to be used by employees, business partners and customers, without fear of retaliation or retribution.



- 2018 is the fourth full year of operation of Telia Company's Speak-Up Line
- During 2017, 179 whistle-blowing reports were recorded (123 reports in 2016). The reported issues related mainly to reproach to management, leadership, conflict of interest, and customer complaint or enquiry. Most of the reports were received through the Speak-Up Line, through direct contact with group or local ethics and compliance officers, or through line managers.



7. SPECIAL INVESTIGATION & DISCIPLINARY/CORRECTIVE ACTIONS

- Managing the reports from the Speak-Up Line and other reporting channels making proper confidential investigations, taking immediate disciplinary action to address misconduct, and making corrective actions to prevent recurrence.
 - Telia Company has a group-wide standard for performing internal investigations.
 - The guiding principle is to ensure that investigations are conducted objectively and impartially; are carried out in a way to swiftly establish the facts with minimum disruption to the business or the personal lives of employees; and to make sure that confidentiality and non-retaliation are respected at all times.
- 51 internal investigations were conducted by the Special Investigations Office of Group Ethics and Compliance (35 cases during the same period in 2016).
 - Consolidated case reports are presented to the Audit and Responsible Business Committee throughout the year. The reports included allegations of certain significance, progress of investigations and the final results of the investigations.



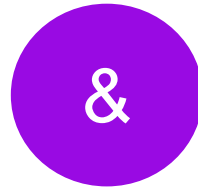
8. MONITORING & COMPLIANCE REVIEW/IMPROVEMENT/AUDIT/REPORT

- Ongoing testing of the controls established to minimize risks and ensure that controls are working and to ensure best practices and improvements, in cooperation with external stakeholders.
- It also refers to measuring compliance and identifying gaps against external and internal requirements.

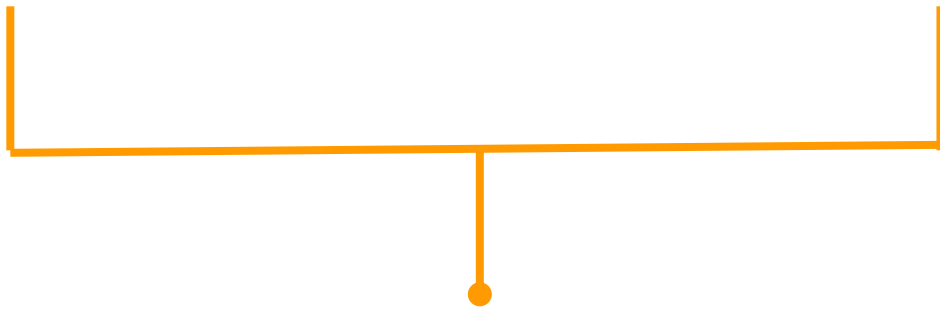


REMAINING DIFFICULTIES

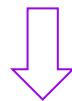
Unwanted
partner
relationships



Difficulties with
cash
repatriation



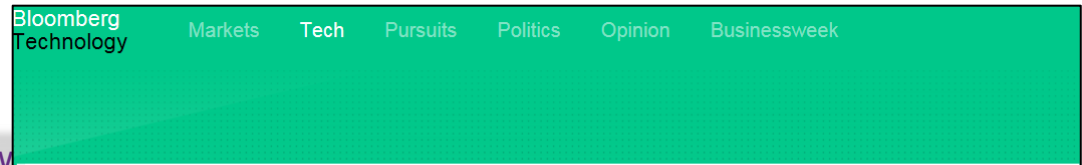
Not sustainable



Divesting our Eurasia operations



DOJ SETTLEMENT (2017)



Teliasonera betalade 2.2 miljard kronor till ett bolag med kopplingar till den uzbekistanska regimen. Foto: SVT

Teliasonera i miljardaffär med diktatur

Telia enters Uzbekistan

“...the Mannheimer Swartling review sufficiently in depth analysis into the company's investments in the country or into how they were managed by TeliaSonera. Even if this is not true, it is still about the company's reputation. This is something that Lars Nyberg is concerned about.”

Telia Says U.S., Dutch Propose

Telia Agrees to Pay at Least \$965 Million Over Uzbek Bribes

By Tom Schoenberg and Chris Dolmetsch
21. syyskuuta 2017 17:01 Updated on 21. syyskuuta 2017 22:09

- First big FCPA resolution under Trump, who has criticized law
- Telia agrees to deferred prosecution; subsidiary pleads guilty

The Mannheimer Swartling review
However, it is not clear if the review was sufficiently in depth.

“Teliasonera in billion deal with dictatorship”

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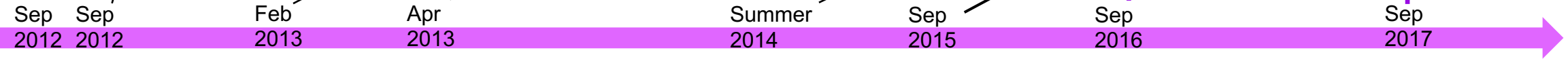
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- A-BC Program up and running

Decision to divest all Eurasian operations

2006-2007



INVESTIGATION PROCESS ACTIVITIES TO OUR FAVOR

Telia Company received full credit in the process for its cooperation that included:

- *“conducting a thorough internal investigation,*
- *making regular factual presentations to the authorities,*
- *providing to the authorities all relevant facts known to it, including information about the individuals involved in the conduct described in the attached “Statement of Facts”,*
- *voluntarily assisting in making former employees available for interviews in the United States,*
- *producing documents to the authorities from foreign countries in ways that were consistent with relevant foreign data privacy and security laws and*
- *collecting, analyzing, translating, and organizing voluminous evidence and information for the authorities”*



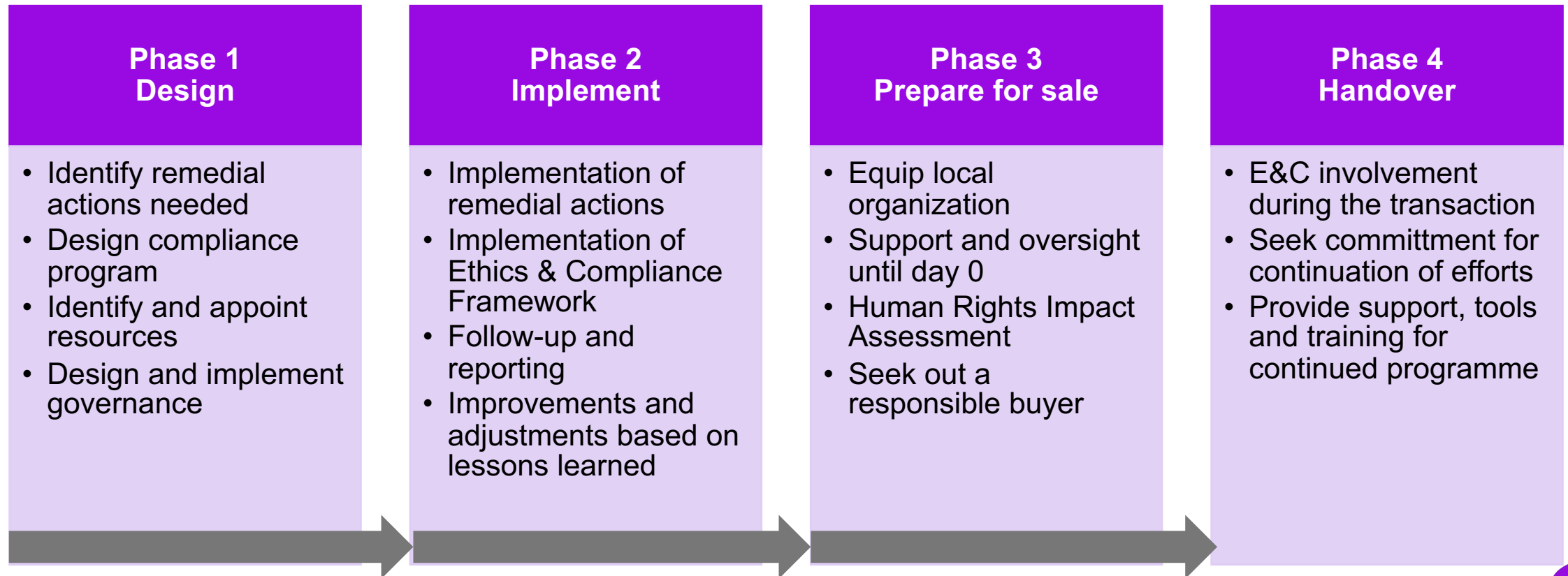
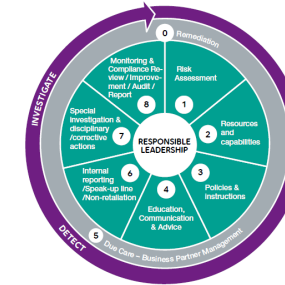
INVESTIGATION PROCESS ACTIVITIES TO OUR FAVOR

- *“the Company engaged in extensive remedial measures, including **terminating all individuals involved in the misconduct** and all individuals who had a supervisory role over those engaged in the misconduct, including every member of the Company’s board who took part in the decision to enter Uzbekistan or failed to detect the corrupt conduct described in the attached Statement of Facts,*
- *creating a new and **robust compliance function** throughout the company,*
- *implementing a **comprehensive anti-corruption program,***
- *overhauling the Company’s **corporate governance structure,***
- *the Company has enhanced and has committed to continuing to enhance its compliance program and internal controls.*
- → An independent compliance monitor was determined unnecessary by the authorities.



EXIT ACTIVITIES- AMBITION AND OVERVIEW

- Substantial investments during the last five years to improve corporate governance as well as ethics and compliance work.



ENTERPRISE RISK MANAGEMENT (ERM)

OVERVIEW & GOVERNANCE

- Risk and ERM definition
- ERM framework
 - ❖ Governance
 - ❖ Processes
 - ❖ Risk Universe



HOW DO WE DEFINE RISK ↔ ERM?

The word “**Risk**” derives from the early Italian *risicare*, which means to “dare.” In this sense, risk is a choice rather than a fate. The actions we dare to take, which depend on how free we are to make choices, are what the story of risk is all about.

The capacity to manage risk, and with it the appetite to take risk and make forward-looking choices, are the key elements that drive enterprises forward.

Although enterprises use the term **risk management** frequently, it can be misleading because risk is never actually managed. It is the enterprise that is managed in anticipation of the uncertainty (and opportunities) presented by the risk.

Our definition of risk:

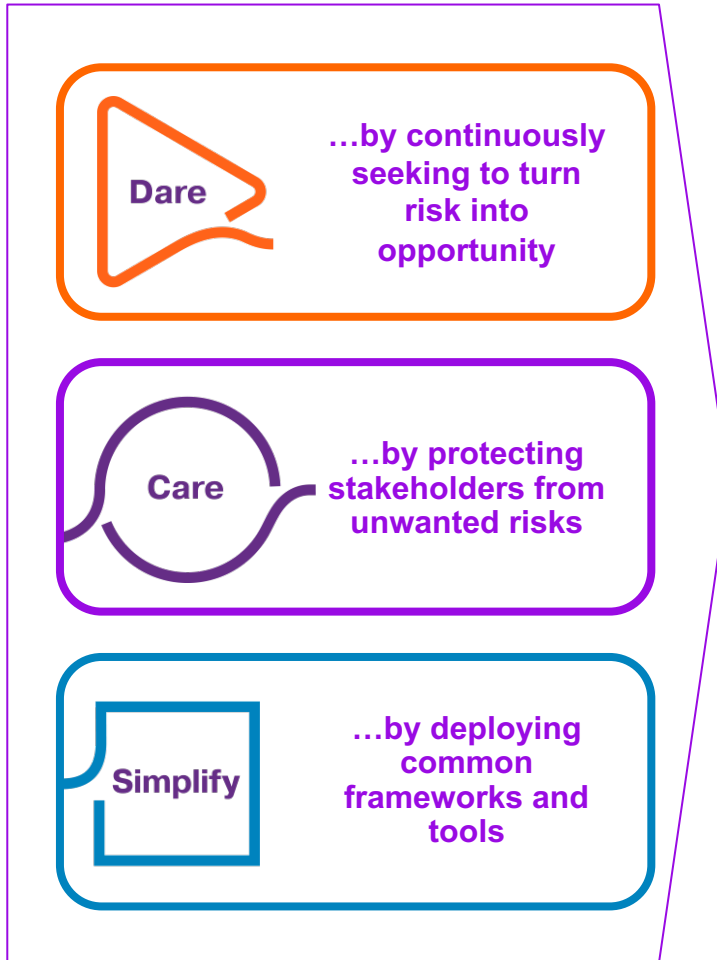
Risk is any uncertainty that may significantly affect Telia Company’s objectives and the achievement of desired results.

Enterprise risk management (ERM) is the process of planning, organizing, leading, and controlling the activities of an organization in order to optimize the effects of risk on our objectives



OUR ERM STRATEGY

Our Vision...



...is enabled through our Strategy



KEY SUCCESS FACTORS

Start small,
then expand

*Develop proof of concept by focusing on the **critical few risks** and organizational areas to learn success factors and pitfalls before embarking on full transformation*

Use proven
approach

***Leverage industry accepted models**, frameworks and approaches (e.g. ISO 31000, COSO, IRM etc.) to apply leading practice and accelerate implementation*

Re-use good
practice

***Re-use good risk management practice** and knowledge capital within TeliaSonera to reduce the hurdle of redefining all at once*

Ensure
management
support

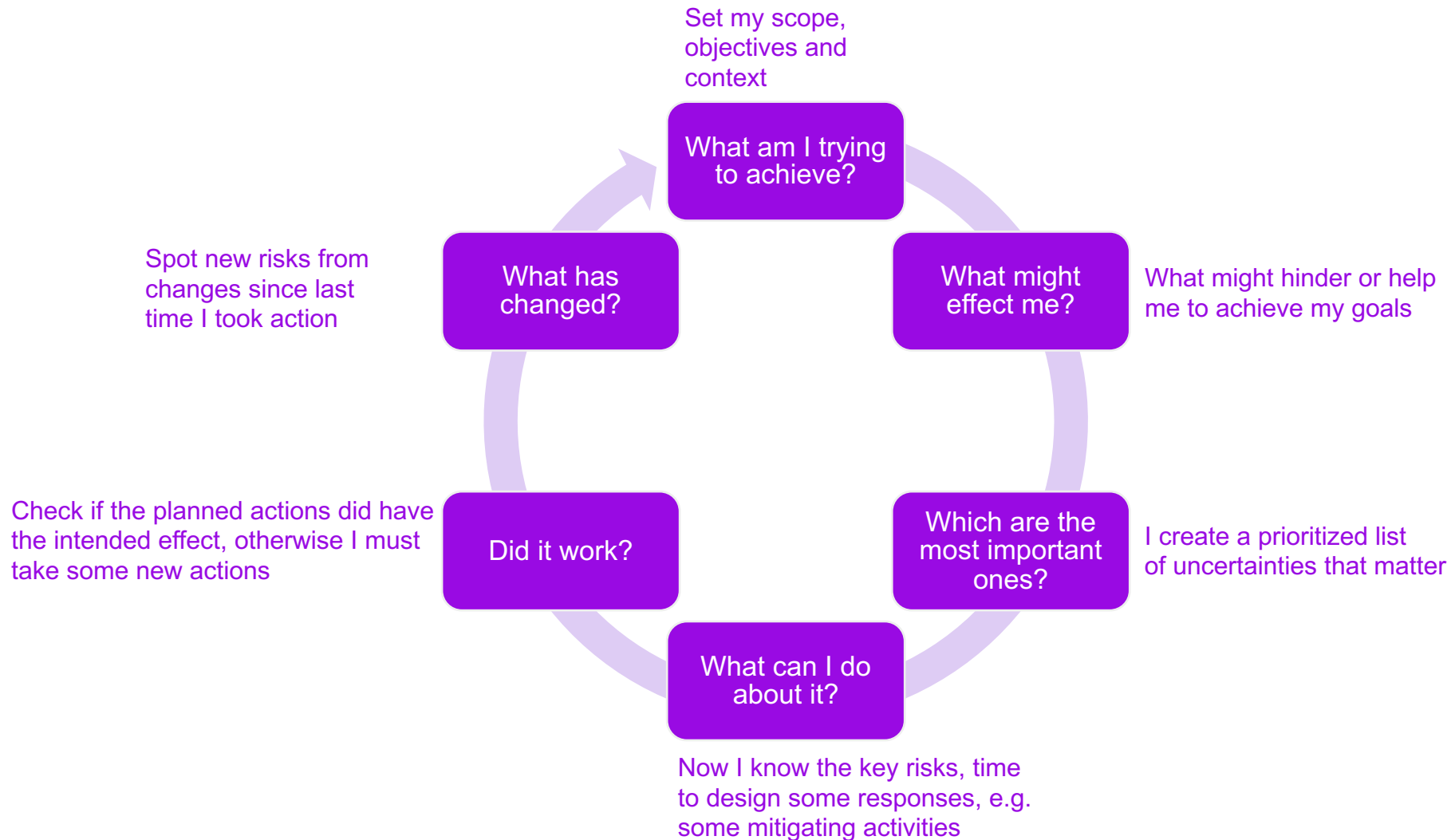
*Ensure senior management and board of directors support to create **sense of urgency, importance and risk awareness***

Simplify
where
appropriate

*Simplify frameworks and approach when appropriate to **ensure understanding and acceptance** amongst organizational stakeholders*



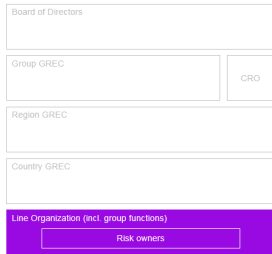
RISK MANAGEMENT – SIX BASIC QUESTIONS TO ANSWER



ERM FRAMEWORK

Our Governance

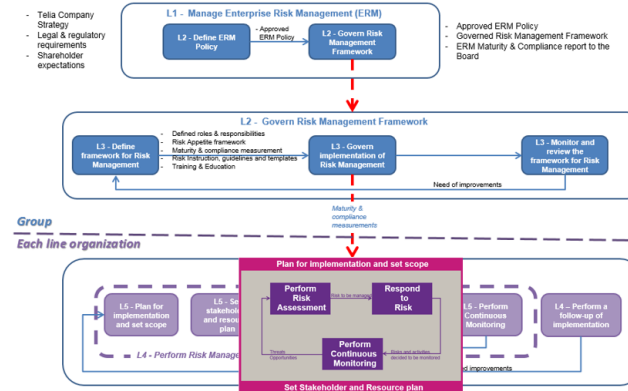
ROLE AND RESPONSIBILITIES - LINE ORGANIZATION



- Role is to...**
- The role of the line organization is to act as the **first line of defense** and own the responsibility of managing risks
- Responsibilities include...**
- Monitor and respond to non-compliance to internal and external requirements
 - Identify, analyze and evaluate risks
 - Respond to risks, communicate and execute risk management activities
 - Document and report risks to Risk Committee (e.g. GREC)
 - Anchor the Enterprise Risk Management policy and related instructions and guidelines
 - Build risk awareness throughout the line organization
 - Delegate and communicate risk appetite throughout the line organization
 - Appoint Risk Management Coordinators
- Risk ownership must ultimately reside within the line organization who is accountable for decision which generate and mitigate risks**

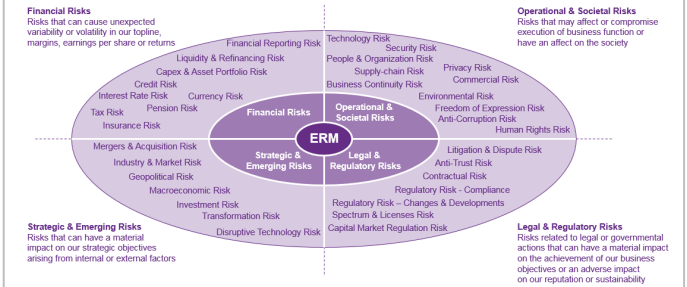
Definition of
roles & responsibilities
within the organization

Our Processes



ERM process and Risk Management framework
creates a basis for a
consistent way of assessing,
mitigating, monitoring and
reporting risk

Our Risk Universe

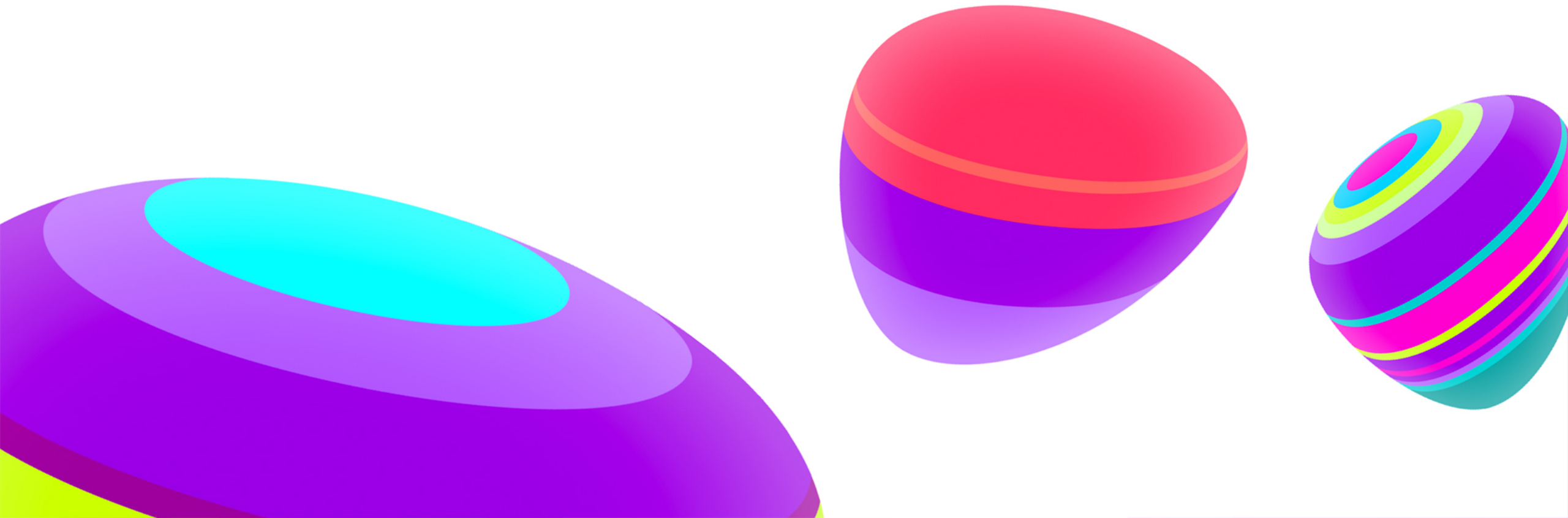


Risk areas and risk appetite framework



ERM FRAMEWORK

GOVERNANCE



ERM'S ROLE IN THE THREE LINE OF DEFENSE

ERM is a Second Line function, distinguished from Internal Audit, and is meant to provide frameworks, guidelines, and general assistance to management in addressing enterprise risks.

The First Line (Line management)

Objective

Setting strategy, performance measurement, and establishing and maintaining risk management, control, and governance across the business.

- ❖ Identify the risks
- ❖ Consider risks in operational decision making
- ❖ Align decisions with risk appetite
- ❖ Implement and maintain controls
- ❖ Report on the adequacy of risk mitigation

The Second Line (ERM)

Objective

Providing a risk framework to improve decision making, planning, and prioritization of business activities

- ❖ Conduct enterprise risk assessments and group risk reporting
- ❖ Develop ERM frameworks
- ❖ Deliver ERM training
- ❖ Facilitate the setting of risk appetite

Note: Risk Area Coordinators is part of Second Line, e.g. to provide guidance and clarify risk appetite for the specific Risk Area.

The Third Line (Internal Audit)

Objective

Providing independent and objective assurance of the overall adequacy and effectiveness of governance, risk management, and control within the organization.

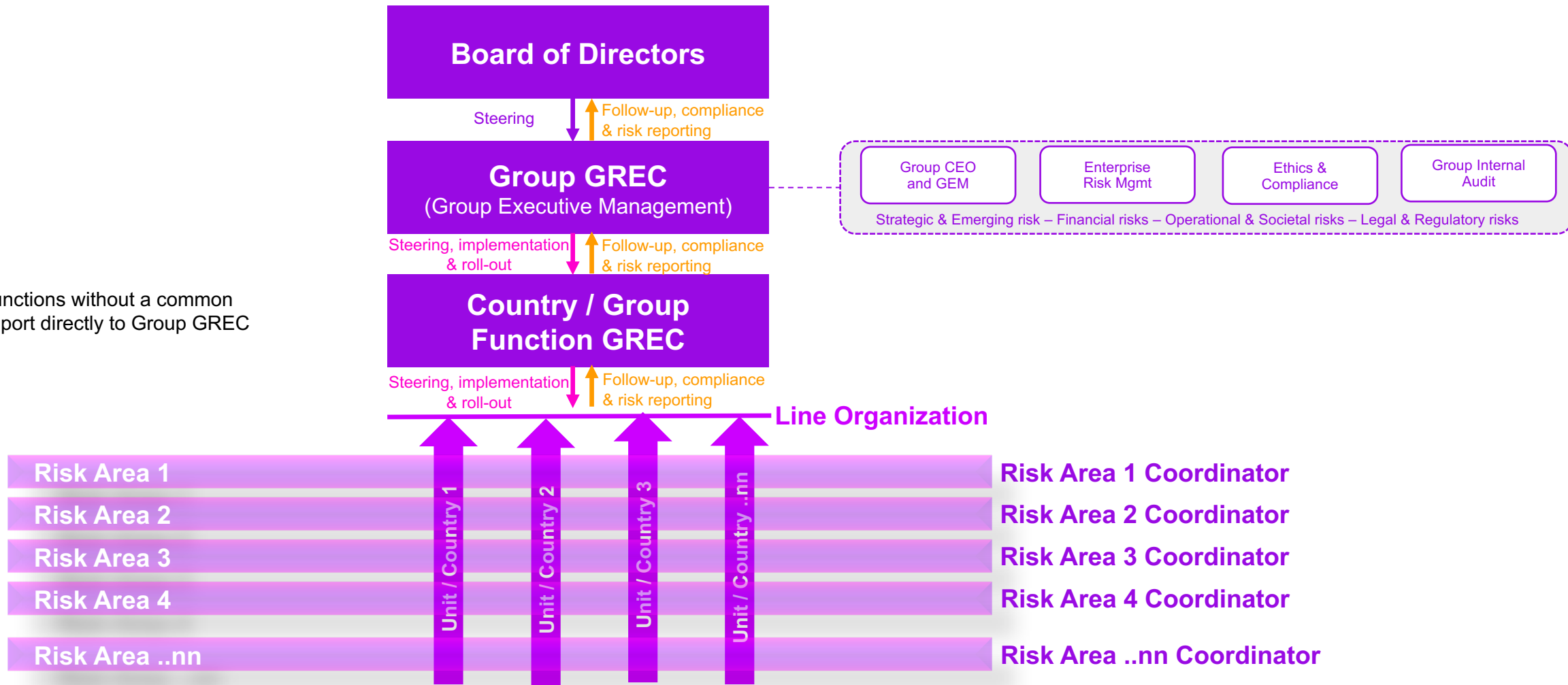
- ❖ Assess the risk environment
- ❖ Provide independent assurance on internal control system
- ❖ Communicate residual or unacceptable risk exposure for remediation

Note: External parties, such as the external auditors and regulatory bodies, provide assurance in relation to specific objectives and requirements.

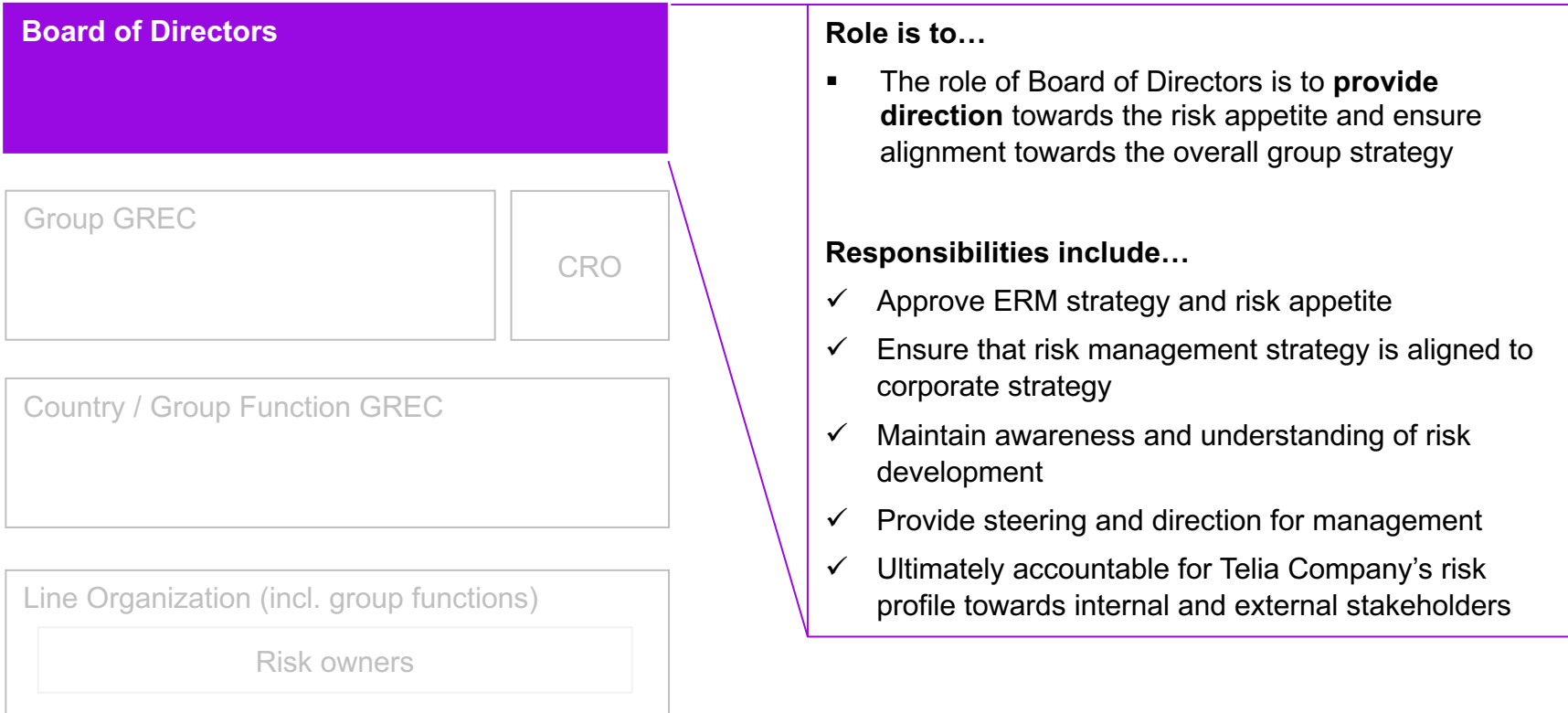


GOVERNANCE ORGANIZATION

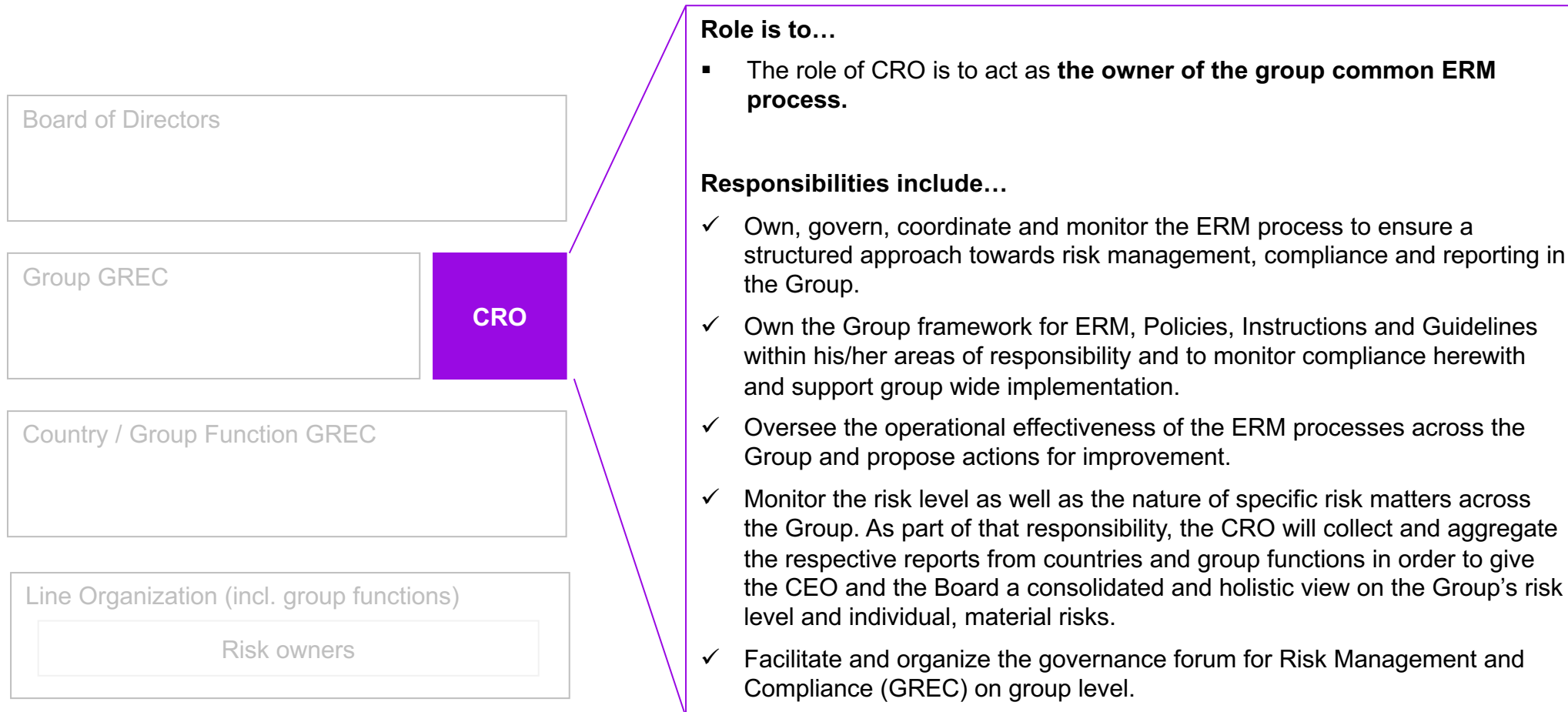
Note: Group Functions without a common GREC report directly to Group GREC



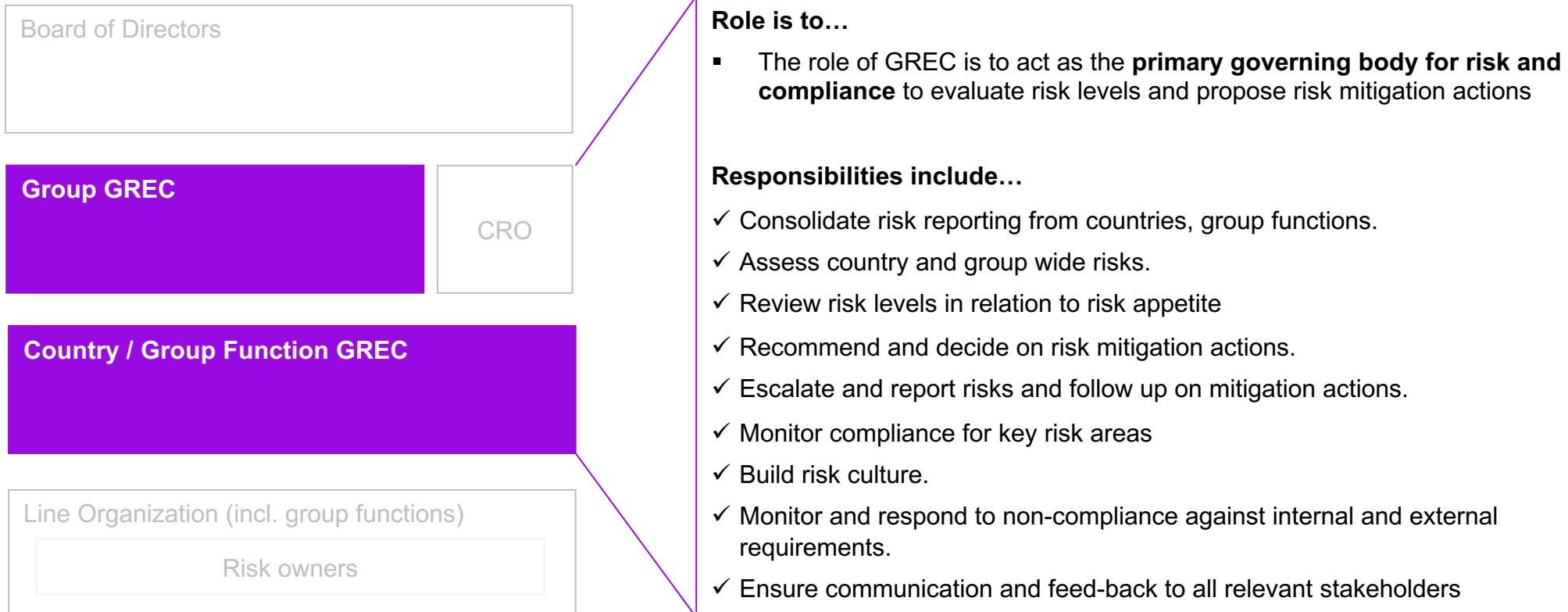
ROLE AND RESPONSIBILITIES - BOARD OF DIRECTORS



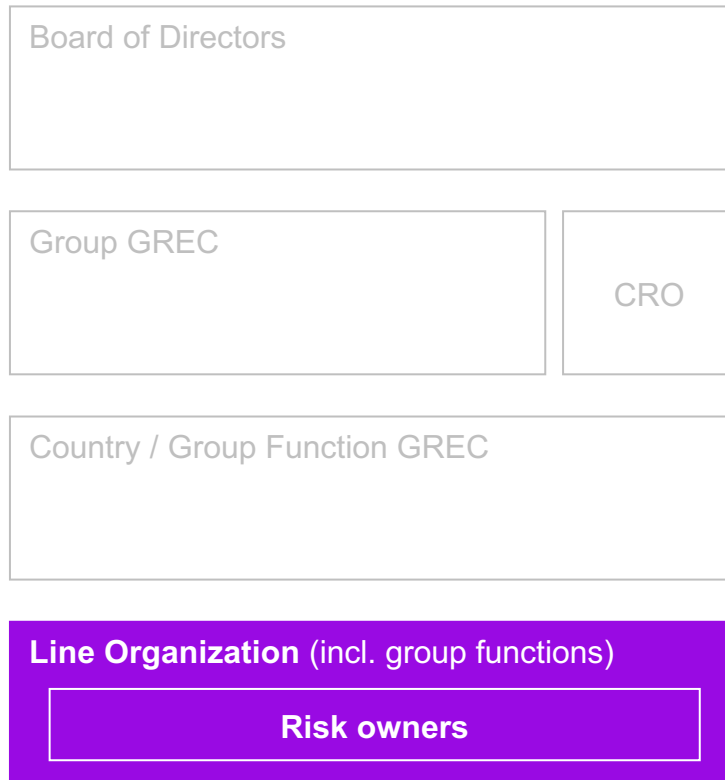
ROLE AND RESPONSIBILITIES - CHIEF RISK OFFICER (CRO)



ROLE AND RESPONSIBILITIES - GREC



ROLE AND RESPONSIBILITIES - LINE ORGANIZATION 1(2)



Role is to...

- The role of the line organization is to act as the **first line of defense** and own the responsibility of managing risks

Responsibilities include...

- ✓ Monitor and respond to non-compliance to internal and external requirements
 - ✓ Identify, analyze and evaluate risks
 - ✓ Respond to risks, communicate and execute risk management activities
 - ✓ Document and report risks to Risk Committee (e.g. GREC)
 - ✓ Anchor the Enterprise Risk Management policy and related instructions and guidelines
 - ✓ Build risk awareness throughout the line organization
 - ✓ Delegate and communicate risk appetite throughout the line organization
 - ✓ Appoint Risk Management Coordinators
- **Risk ownership must ultimately reside within the line organization who is accountable for decision which generate and mitigate risks**



ROLE AND RESPONSIBILITIES - LINE ORGANIZATION 2(2)

Board of Directors

Group GREC

CRO

Country / Group Function GREC

Line Organization (incl. group functions)

Risk Management Coordinators

Each line organization appoints **Risk Management coordinators**, i.e. persons to support and coordinate the implementation of the Risk Management Process and secure the risk reporting throughout the organization.



RISK AREA COORDINATOR

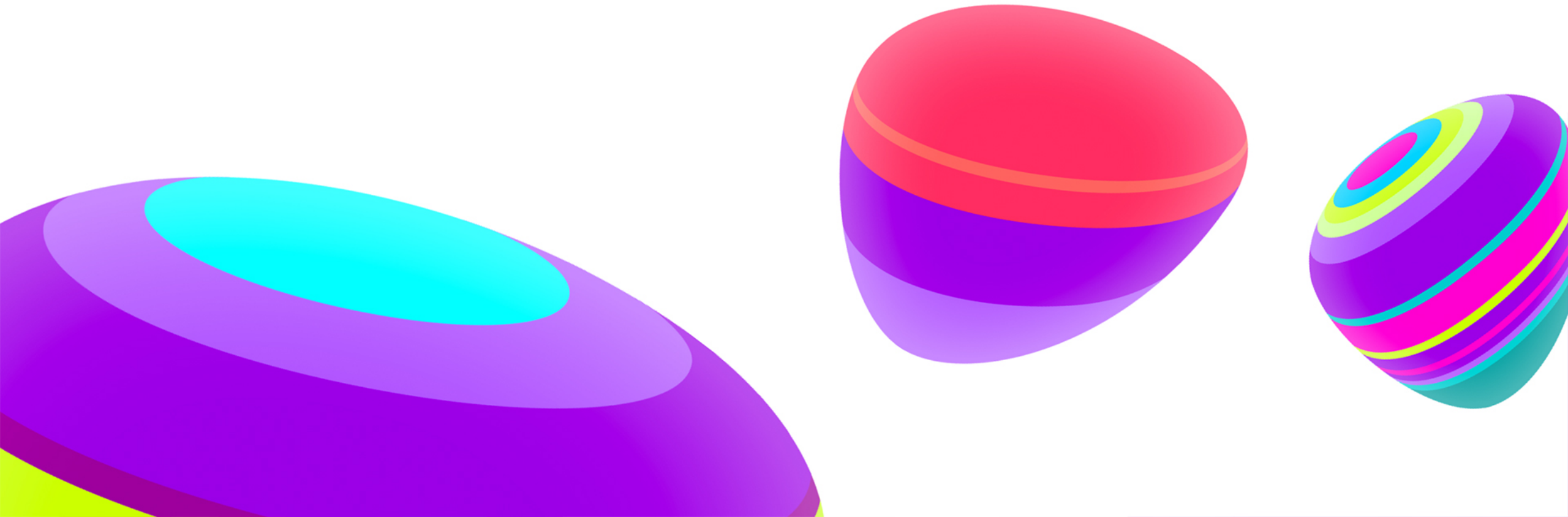
Risk Areas are defined and corresponding Risk Area Coordinators are appointed by Group Chief Risk Officer. The Risk Area Coordinator's role includes to:

- Maintain a holistic risk view within the risk area to ensure relevance and completeness of the organization's risk portfolio.
- Initiate and facilitate work within the risk area community to ensure alignment to, and communication of, the decided risk appetite.
- Oversee the operational effectiveness of the area's risk processes across the Group and propose actions for improvement.
- Oversee and regularly align the risk appetite for the risk area.
- Monitor and evaluate risk and control capabilities for the risk area.
- Define and delegate Key Risk Indicators (KRIs) for critical risks within the risk areas and regularly monitor that risk exposures are within the organization's risk appetite.
- Continuously challenge and develop the risk processes and risk and control capabilities.
- Provide guidance, feed-back and support to stakeholders how to manage complex risks and risks of a transversal nature.



ERM FRAMEWORK

PROCESS

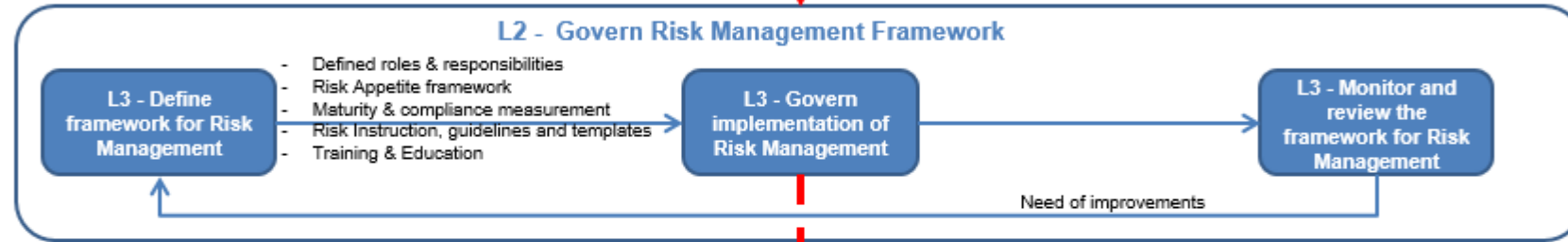


ERM PROCESS

- Telia Company Strategy
- Legal & regulatory requirements
- Shareholder expectations



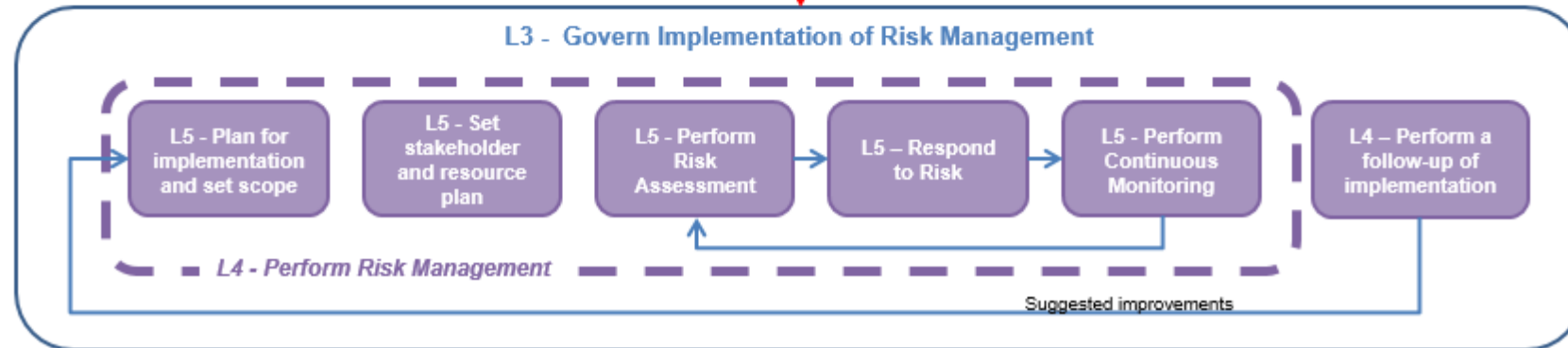
- Approved ERM Policy
- Governed Risk Management Framework
- ERM Maturity & Compliance report to the Board



Maturity & compliance measurements

Group

Each line organization



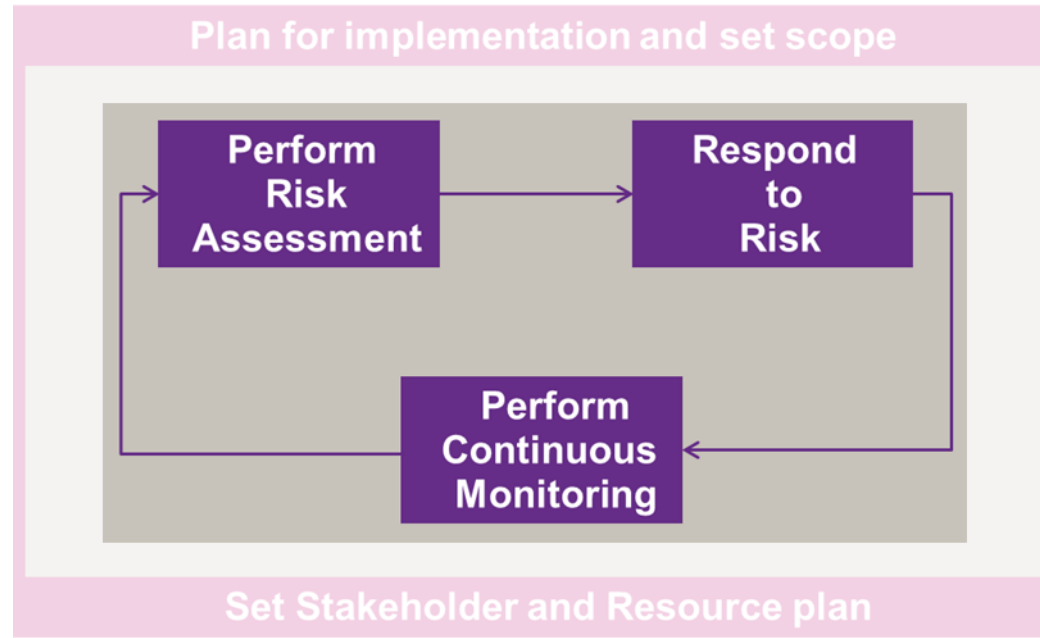
RISK MANAGEMENT PERFORMED AS PART OF DAILY OPERATION

(in line with the organization's risk management plan and resource plan)

Perform Risk Assessment

Identify and define risks, their root causes and possible effects if the risk materializes.

E.g. a risk assessment can be a short agenda point at a management meeting as well as a dedicated workshop.



Perform Continuous Monitoring

Monitor the risk portfolio, report current risk status to stakeholders and identify new threats, emerging risks and risk input by monitoring the result from risk assessments and responses, risk development, and change in risk environment.

Respond to Risk

Plan and decide for how prioritized risks should be mitigated or other risk response, i.e. how to eliminate the risk, prevent it to materialize or limit the risk impact.

(Risk response = Mitigate, Accept, Avoid or Transfer.)



FOUR POSSIBLE RESPONSES



Avoid

Eliminate the conditions that allow the risk to exist at all, most frequently by dropping the project or the task.

Example: Close operations in a high risk country.



Mitigate

Minimize the likelihood of a risk's occurrence or the impact of the risk if it should occur.

Example: Design a new financial control or improve an existing control to minimize risk exposure.



Transfer

Transfer the risk (in whole or part) to another organization, individual, or entity, usually through insurance.

Example: Purchase an insurance policy or option to hedge against the risk.



Accept

Acknowledge the risk's existence, but take no preemptive action to resolve it, except for the possible development of contingency plans.

Example: Determine the existence of sufficient (safety) controls to manage the risk or even take more risk

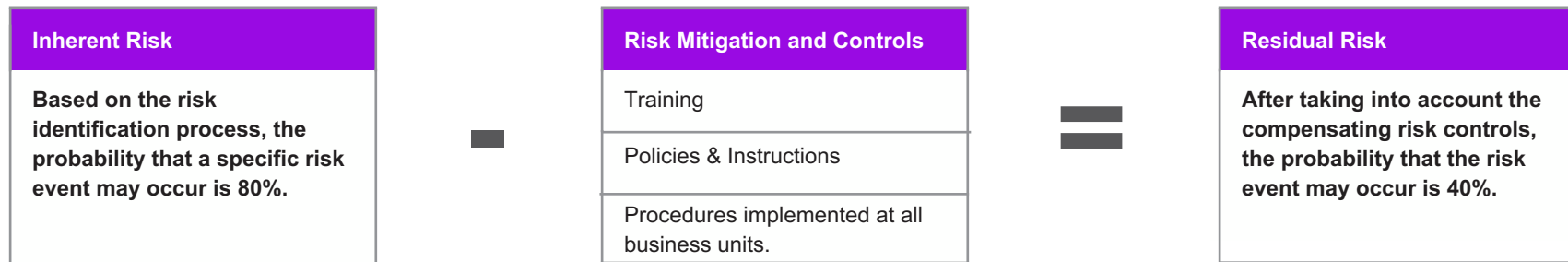


INHERENT AND RESIDUAL RISK

Definition:

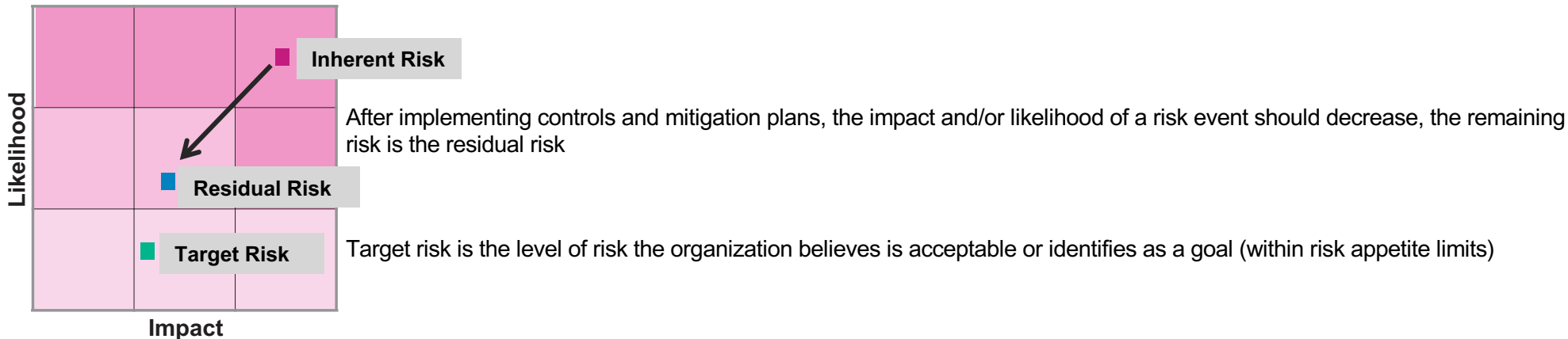
Inherent Risk: The risk that an activity or event would pose if **no controls** or other mitigating factors were in place.

Residual Risk: The risk that remains **after controls** (including risk mitigation or risk transfer) are taken into account (i.e. the **net risk**). We report the net risk in the risk reporting.

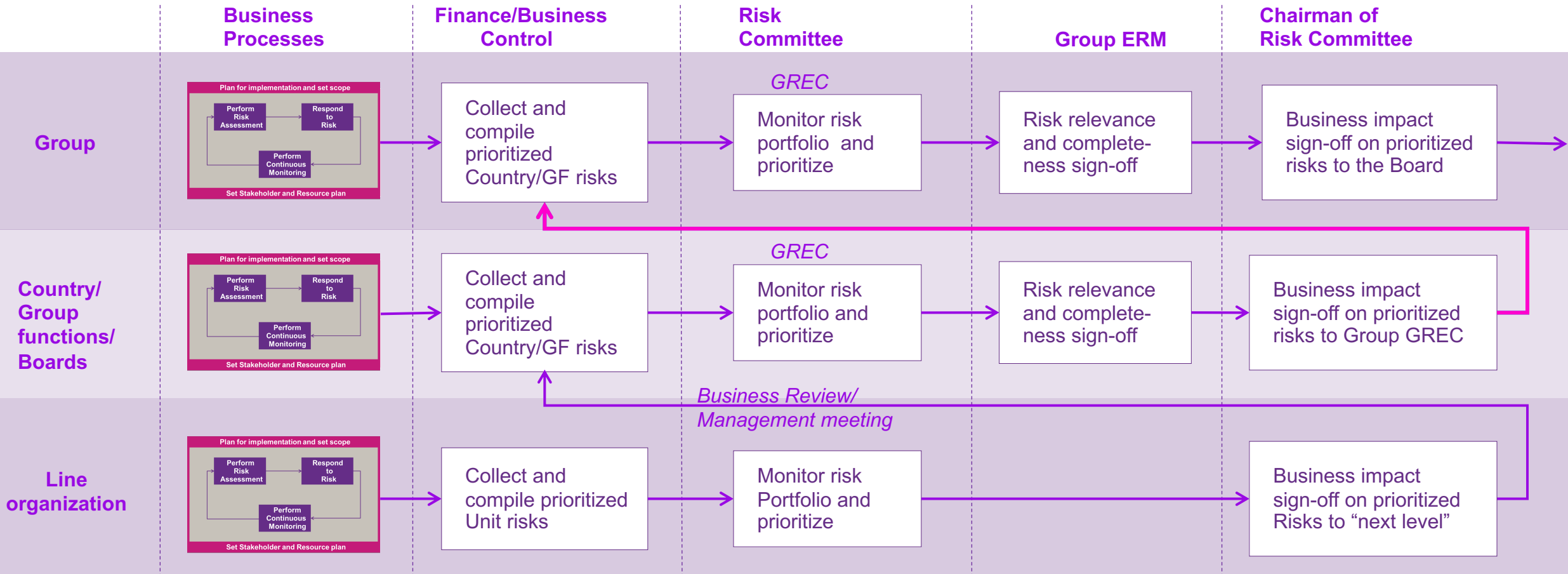


Visualizing Inherent and Residual Risk

Illustrative

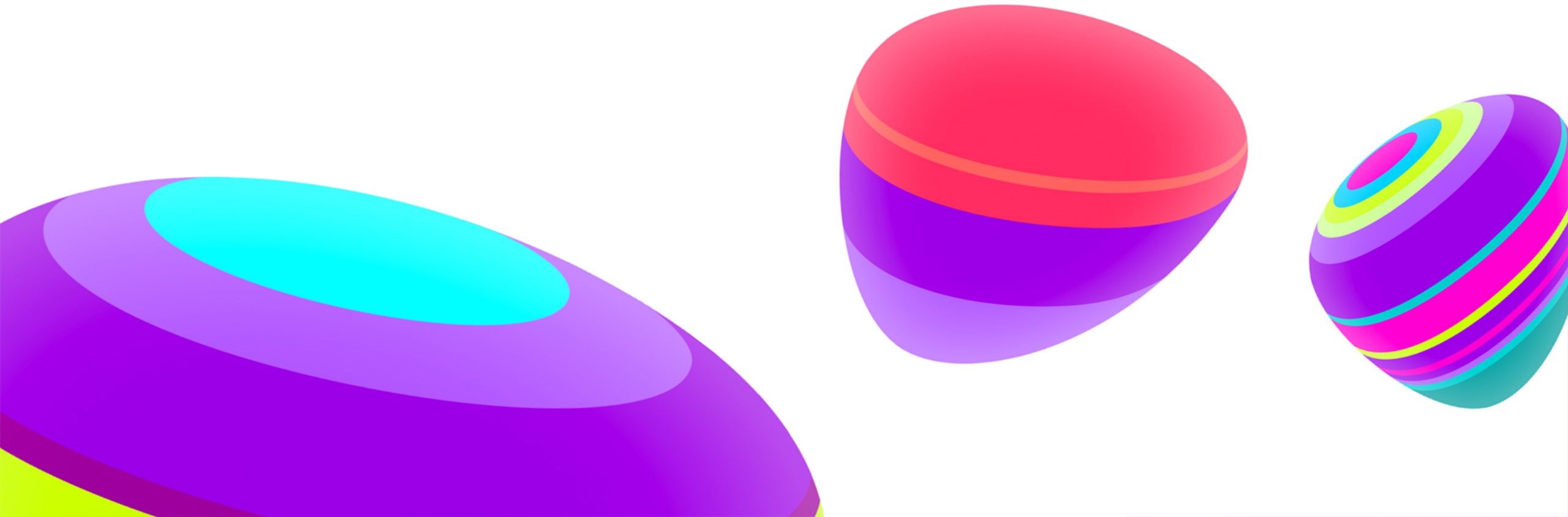


GROUP RISK REPORTING



ERM FRAMEWORK

RISK UNIVERSE



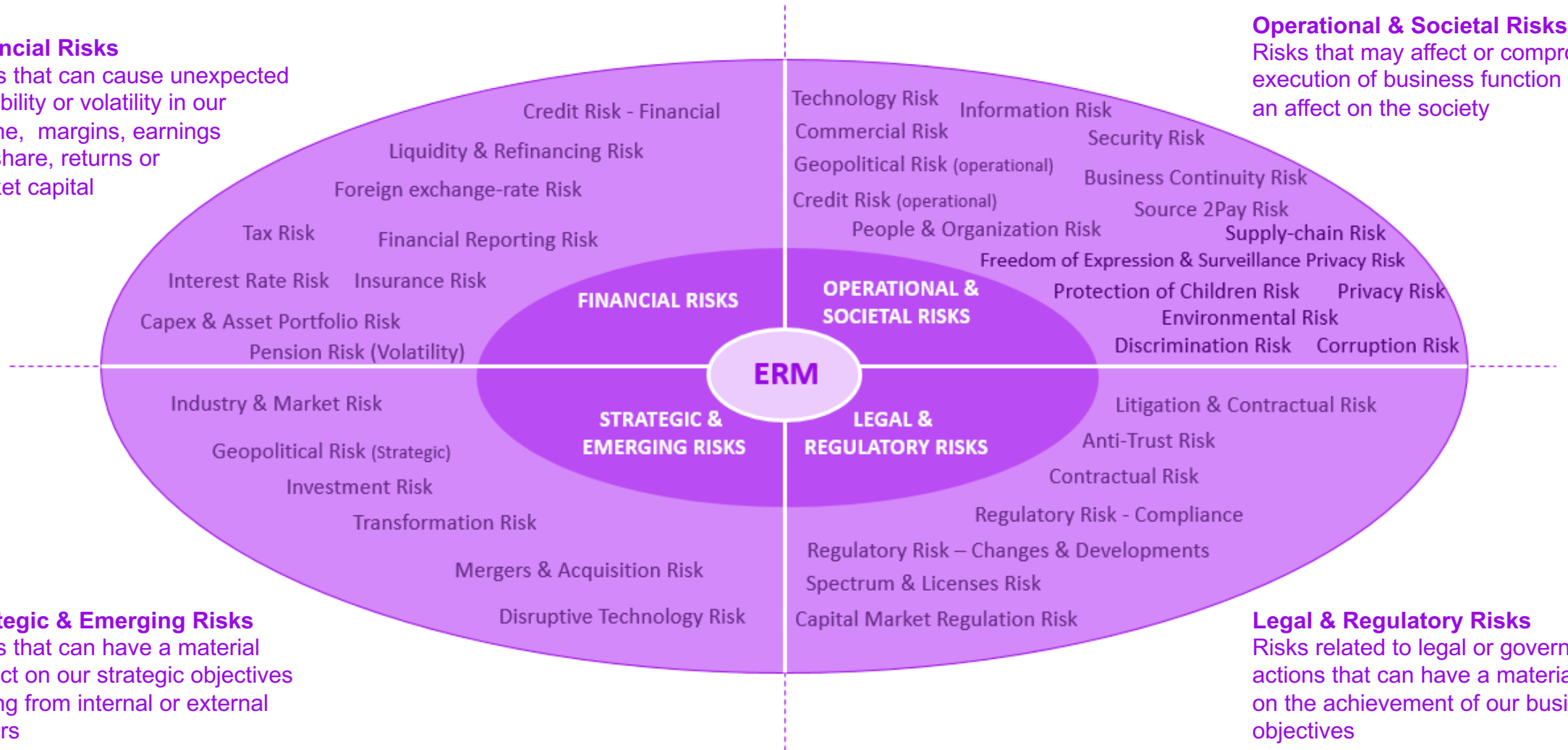
OUR RISK UNIVERSE – UPDATED ONCE A YEAR

Financial Risks

Risks that can cause unexpected variability or volatility in our topline, margins, earnings per share, returns or market capital

Operational & Societal Risks

Risks that may affect or compromise execution of business function or have an affect on the society



Strategic & Emerging Risks

Risks that can have a material impact on our strategic objectives arising from internal or external factors

Legal & Regulatory Risks

Risks related to legal or governmental actions that can have a material impact on the achievement of our business objectives



RISK VIEW <ORGANIZATION>

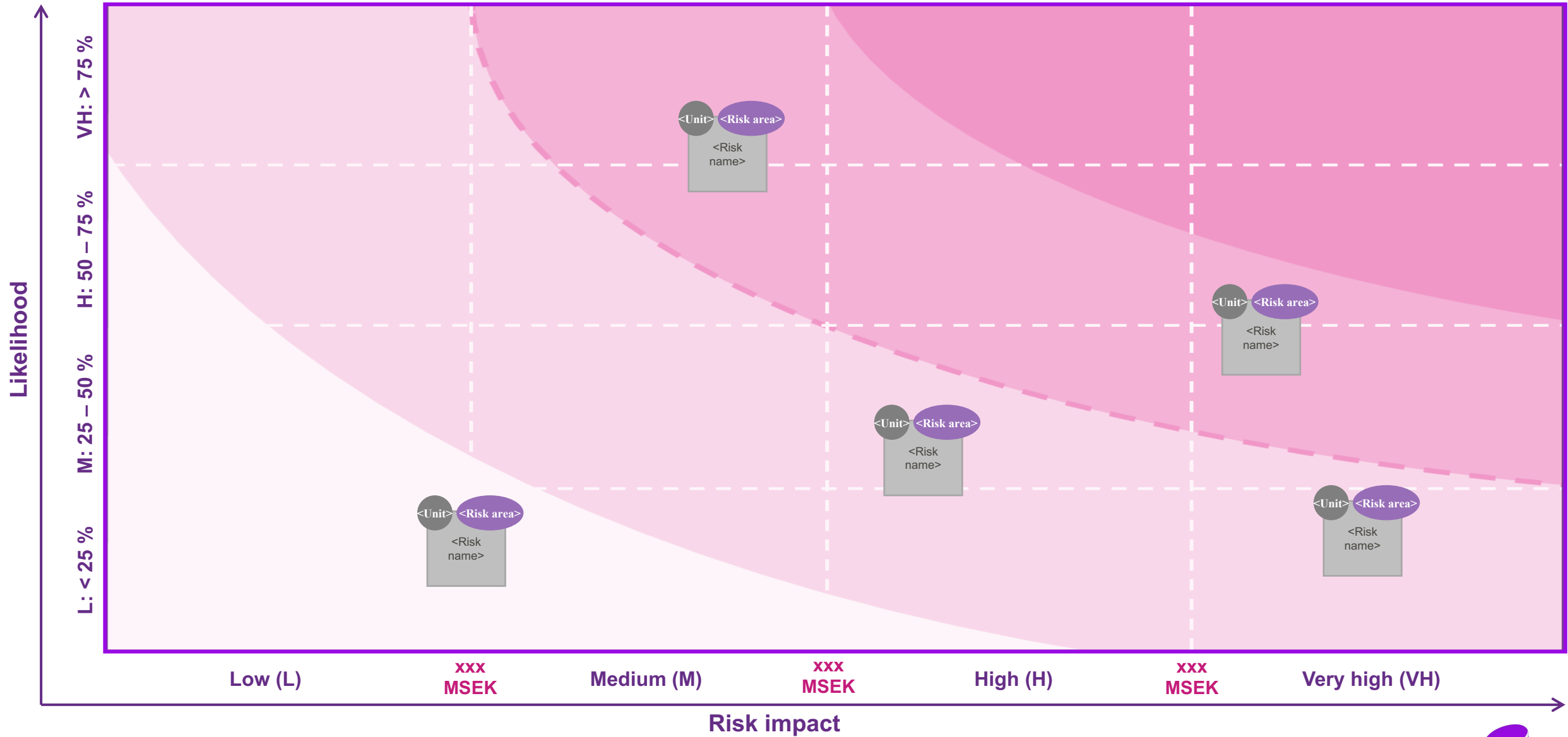
Monitor

Evaluate

Act and report



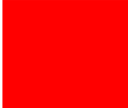

Act and report

Qx 2018



RISK REPORT OVERVIEW FROM <ORGANIZATION>

Qx 2018

Org	Risk name	Risk area	Risk impact	Likeli- hood	Risk trend	Risk response design		Risk response execution	
			MSEK			prev / curr Q Q	prev / curr Q Q		
SE	1 Example Risk name	Financial Reporting Risk	250	M 35%	↑				
	<i>Risk Response: Example risk response xxxxxxxx</i>								
	2 <Risk name>	<Choose from list>	<xxx>	L/M/H/ VH x%					
	<i>Risk Response:</i>								
	3 <Risk name>	<Choose from list>	<xxx>	L/M/H/ VH x%					
	<i>Risk Response:</i>								
	4 <Risk name>	<Choose from list>	<xxx>	L/M/H/ VH x%					
	<i>Risk Response:</i>								



Risk name: *A descriptive name reflecting cause & effect*

Risk description:

The risk description should answer these questions:

- *What could happen & why could it happen? [Event / Threat / Cause]*
- *Why do we care? [Impact]*
- *What is the likelihood that this could happen & have these consequences?*

Risk impact:

Describe the impact and the factors used to calculate the impact

Acceptable risk level / risk appetite description: *(1-2 sentences max)*

Describe the level of risk that is acceptable to the Risk Owner

Risk area/s: *See slide 20*

Risk owner: *Name of person accountable for the risk*

Risk impact timeframe: *2018-2021*

(default is 3 years unless otherwise stated)

Likelihood: *xx % and/or L / M / H / VH Estimate the likelihood that these events & impacts will occur*

Risk impact: *L / M / H / VH use if monetary impact can't be calculated*

Risk impact (MSEK): *See slide 10*

Risk value (MSEK): *Calculate by multiplying the likelihood(%) by the impact in monetary terms*

Risk trend: *↑ → ↓ See slide 16*

Comment:

Risk response summary

Risk response: *Avoid / Mitigate / Transfer / Accept Choose a Risk response (see slide 12)*

Activities: *list activities / controls to mitigate risk (details on next slide)*

1. X
2. X
3. X
4. X
5. X

Activity owner(s): *Person/s responsible for Risk response activities*

Expected effect: *Describe expected effect of mitigation on risk - 1 sentence (add details on next slide)*

Summarize how risk response effects are monitored?:
1 sentence (add details on next slide)

Expected date to achieve acceptable risk level:

Risk Response Design:



Change fill color according to defn see slide 13&14

Risk Response Execution:



Comment:



COMBINED ASSURANCE & RISK ASSURANCE MATURITY

PAST



“Multiple Views Of The Truth” - Assurance providers have no access or ability to search for information of shared interest. Results in duplication & gaps in assurance coverage



“Assurance fatigue” - employees spend hours providing similar information to multiple assurance providers eg Risk, IA, E&C, Security, Privacy seen as “Necessary evil”



Manual & time-consuming process to analyze risks & develop assurance reports eg Group Risk report and compliance follow-ups. Timely information is not available for decision making.



Fragmented means of documentation and use of technology eg email, Excel, PowerPoint, Teamsites, Sharepoint creates difficulty in establishing audit trails.

WITH COMBINED ASSURANCE

Holistic view of risk, supporting informed business decisions. Enterprise approach collaboration between assurance teams using shared information & analysis.

Coordination of common activities such as risk assessments, assurance planning. Employees see assurance activities as natural WoW.

Immediate reporting on compliance status through automatic controls & reporting - Ability to identify & react quickly to risk, issues, failures, non-compliance reporting

Documentation & workflow managed through common GRC platform. establishes audit trails necessary for regulators



COMBINED ASSURANCE FRAMEWORK

Combined Assurance Framework

Overall policy and approach set by board and executive management

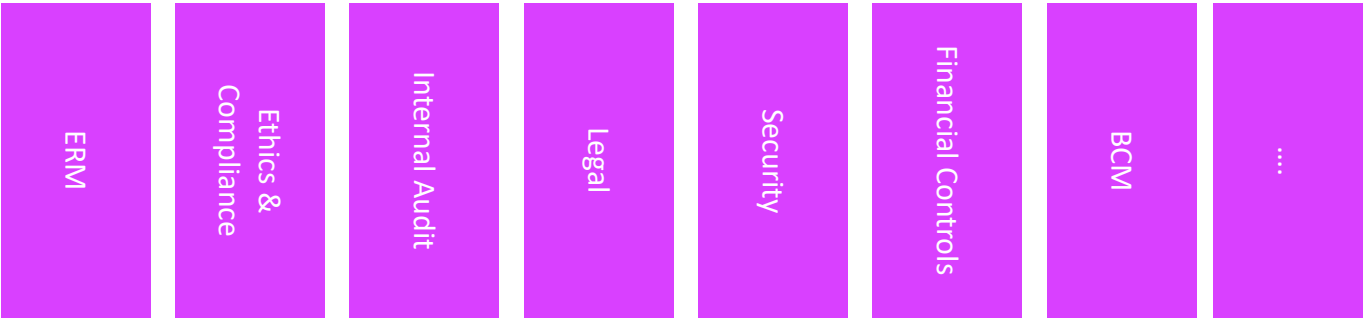
Each **assurance provider** continues to execute its unique role as part of a fully integrated effort with a common goal to consolidate assurance activities

Assurance providers identify and **integrate common processes**, technologies and knowledge. For example:

Business Value Creation & Preservation

Combined Assurance Statement

- Coordinated and aligned assurance processes across Telia Company
- Managed risk and governance within company's risk appetite
- Holistic visibility and assurance provided to the Board, management, regulators and customers



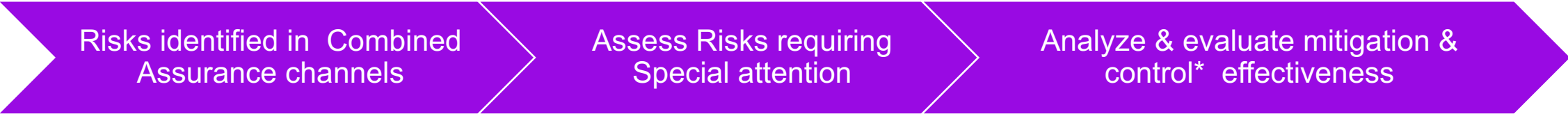
Enterprise-wide Risk Assessment

Aligned Reporting and Tracking

Consolidated Schedule & Assurance Plan



MORE STRUCTURED AND GRANULAR REPORTING PROVIDING BETTER FOCUS ON THE RIGHT RISKS



Channels include:
 ERM Risk Report
 Compliance gaps
 Internal & external audit findings

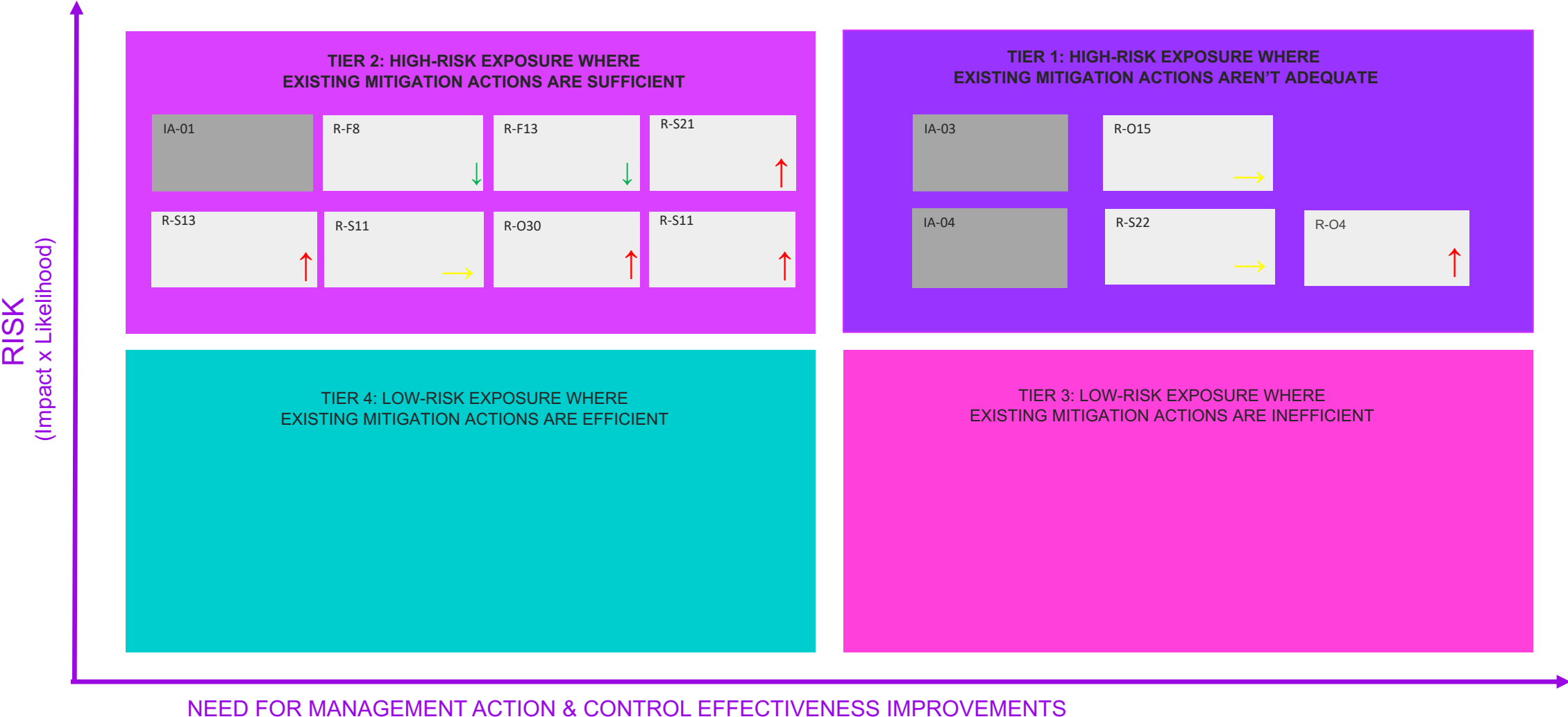
Assessment criteria include SIGNIFICANT:
 Financial impact
 Responsible business violations (incl. Legal & regulatory violations)
 Threats to strategic objectives
 Operational complexity

*A control is a mechanism designed to affect the likelihood and/or the impact of the risk

<p>MANAGEMENT ACTIONS NEEDED High-risk exposure where existing mitigation actions aren't adequate</p> <p>MANAGEMENT MONITORING High-risk exposure where existing mitigation actions are sufficient</p> <p>SOME IMPROVEMENTS NEEDED Low-risk exposure where existing mitigation actions are inefficient</p> <p>SATISFACTORY MITIGATION Low-risk exposure where existing mitigation actions are efficient</p>	<p>REPORTING</p> <p>ARBC & Board</p> <p>Group GREC</p> <p>Country GREC, Risk Owners</p>
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SPECIAL ATTENTION AREAS QX-2019



WINNING 2022 – BUILDING THE TRUSTED AND LOVED BRAND OF TELIA

PURPOSE

Bringing the world closer

AMBITION

- The most loyal and satisfied customers in our markets
- TSR among the top relevant European peers
- Industry leader in digital impact through United Nation’s Sustainable Development Goals
- The most engaged employees

Building on connectivity leadership...

Best network experience across platforms

... closer to what matters to our customers...

- Mass-market**
Hub to digital experiences in homes and offices
- Enterprise**
Digitalization partner of choice
- Ecosystems**
Enabling partners with new business models

...based on speed, innovation and great people

- Analytics and insights driven go-to-market and customer interaction**
- Rebuilding the factory through softwarization**
- Cost leadership through scale and synergies**

FOUNDATION

VALUES



Values-driven culture, with self leadership, customer passion and cost ownership as cornerstones

A strong governance framework with best-in-class ethics and compliance

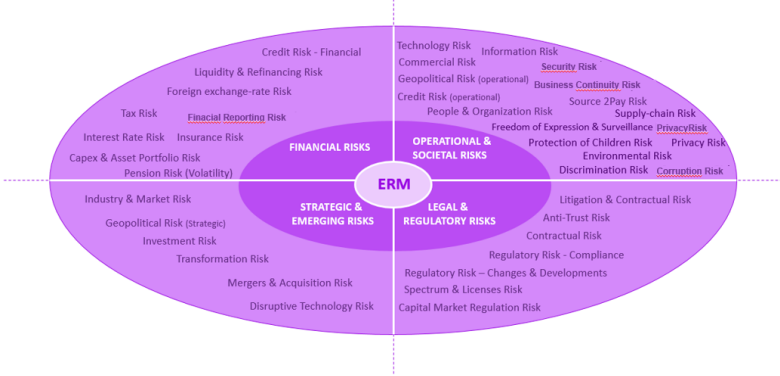


BUILDING ON EXISTING ASSURANCE MODELS TO CREATE A COMMON RISK ASSURANCE FRAMEWORK

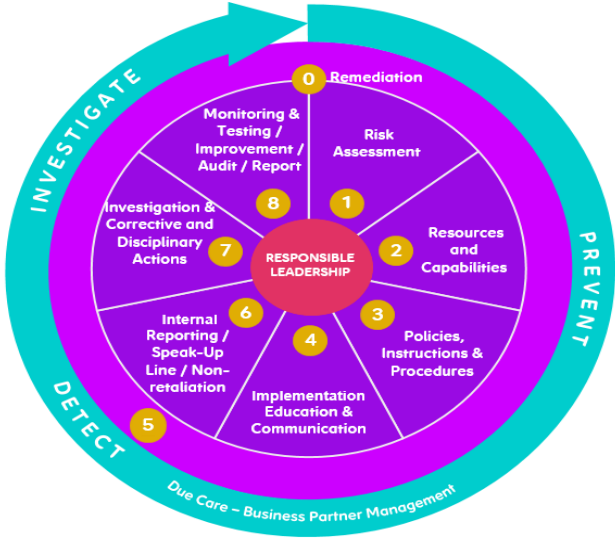
ENTERPRISE RISK MANAGEMENT + ETHICS & COMPLIANCE + INTERNAL AUDIT

OUR RISK UNIVERSE

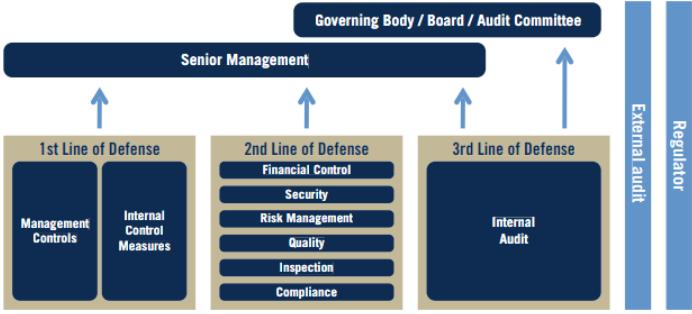
Prioritized Risk Areas are identified in the four Risk Categories. Risk Area Coordinator/s are appointed by CRO.



COMPLIANCE FRAMEWORK



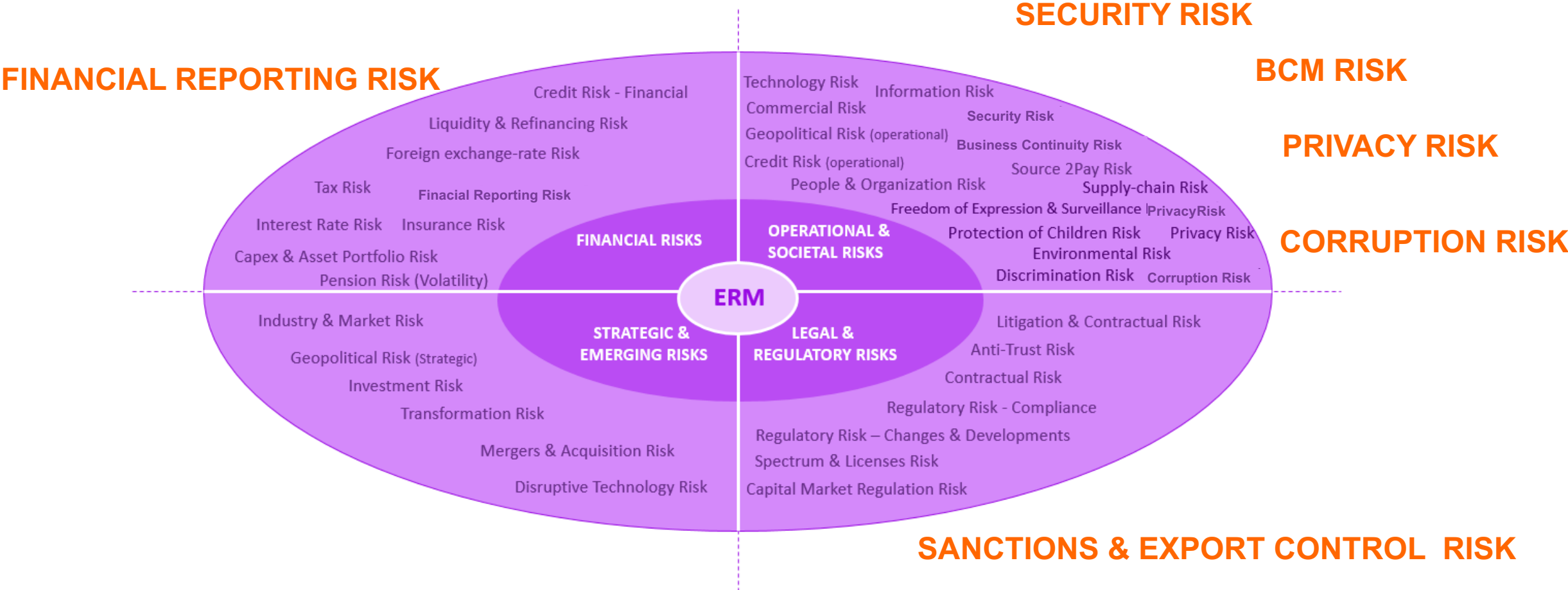
The Three Lines of Defense Model



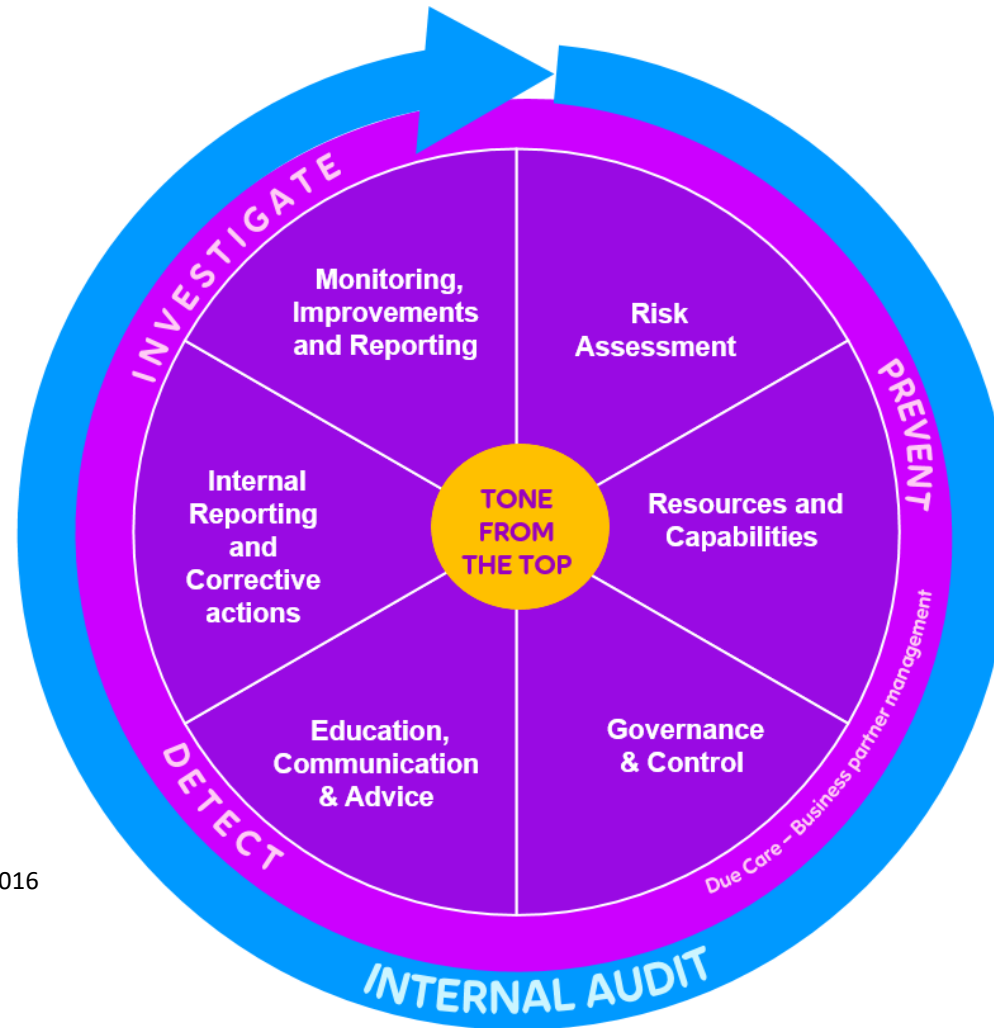
Adapted from ECIA/FERMA Guidance on the 8th EU Company Law Directive, article 41



SIX AREAS TO START WITH



TC RISK ASSURANCE MATURITY MODEL



7 areas + 17 performance indicators

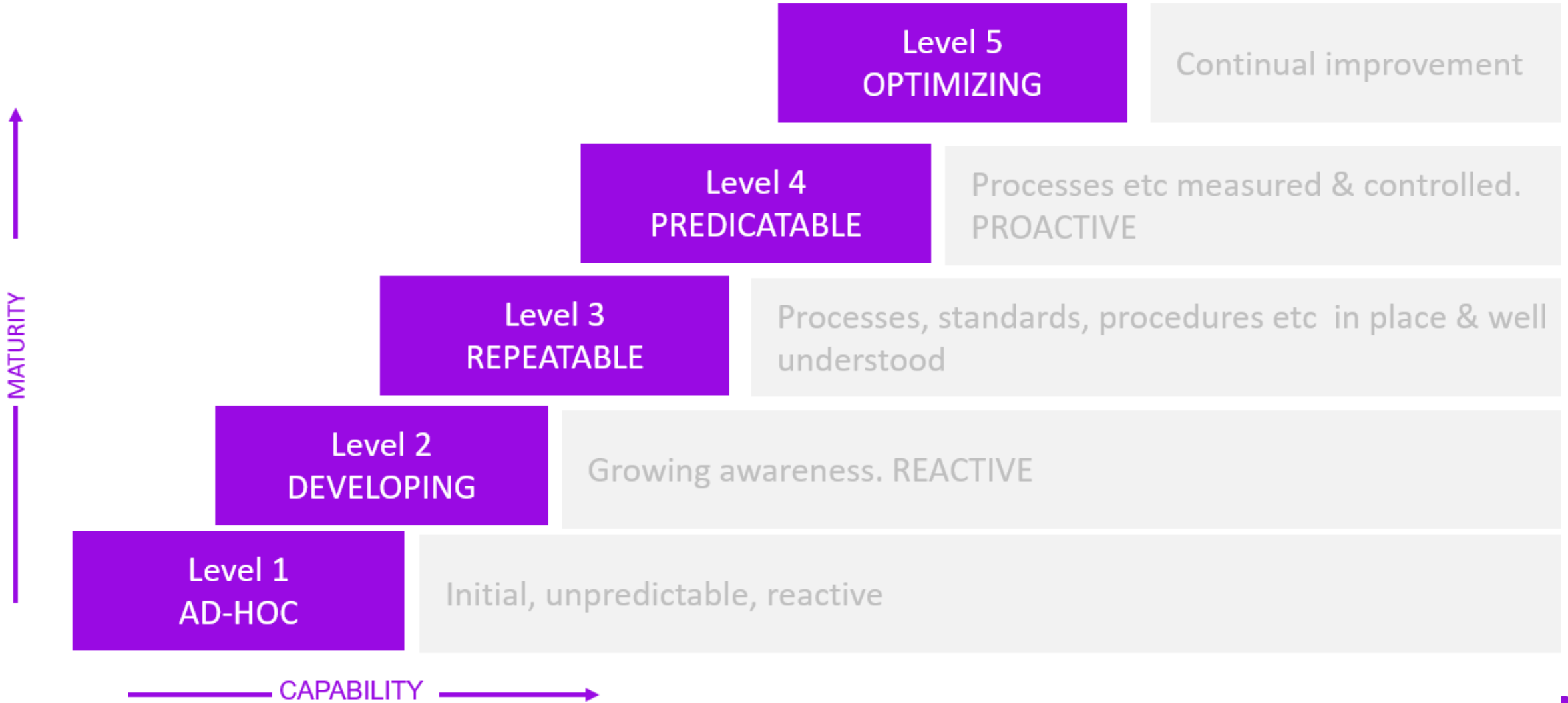
- 1. Tone from the top**
- 2. Risk Assessment**
 - Risk identification
 - Risk analysis
 - Risk evaluation & appetite
 - Risk Treatment
- 3. Resources & capabilities**
 - People
 - Tools
- 4. Governance & Controls**
 - Accountability
 - Policy Framework
 - Control framework
- 5. Education, Communication & advice**
 - Advice
 - Communication
 - Education
- 6. Internal Reporting & corrective actions**
 - Internal reporting
 - Corrective actions
- 7. Monitoring, Improvements & reporting**
 - Monitor risk & compliance & track
 - Report on risk & compliance

References include:

- Telia Company Compliance Model 2016
- Telia Company Governance Framework 2016
- Telia Company ERM policy, process & instruction 2016
- ISO 31000 Risk Management 2018
- COSO Enterprise Risk Management 2017
- COSO 3 lines of defence 2015
- COSO Integrated framework for Internal Control 2015
- Gartner Ignition Diagnostic for Risk Management 2018
- King IV Report on Corporate Governance for South Africa 2016
- US sentencing guideline
- DOJ Evaluation of Corporate Compliance Program



5-STEP GENERIC MATURITY MODEL



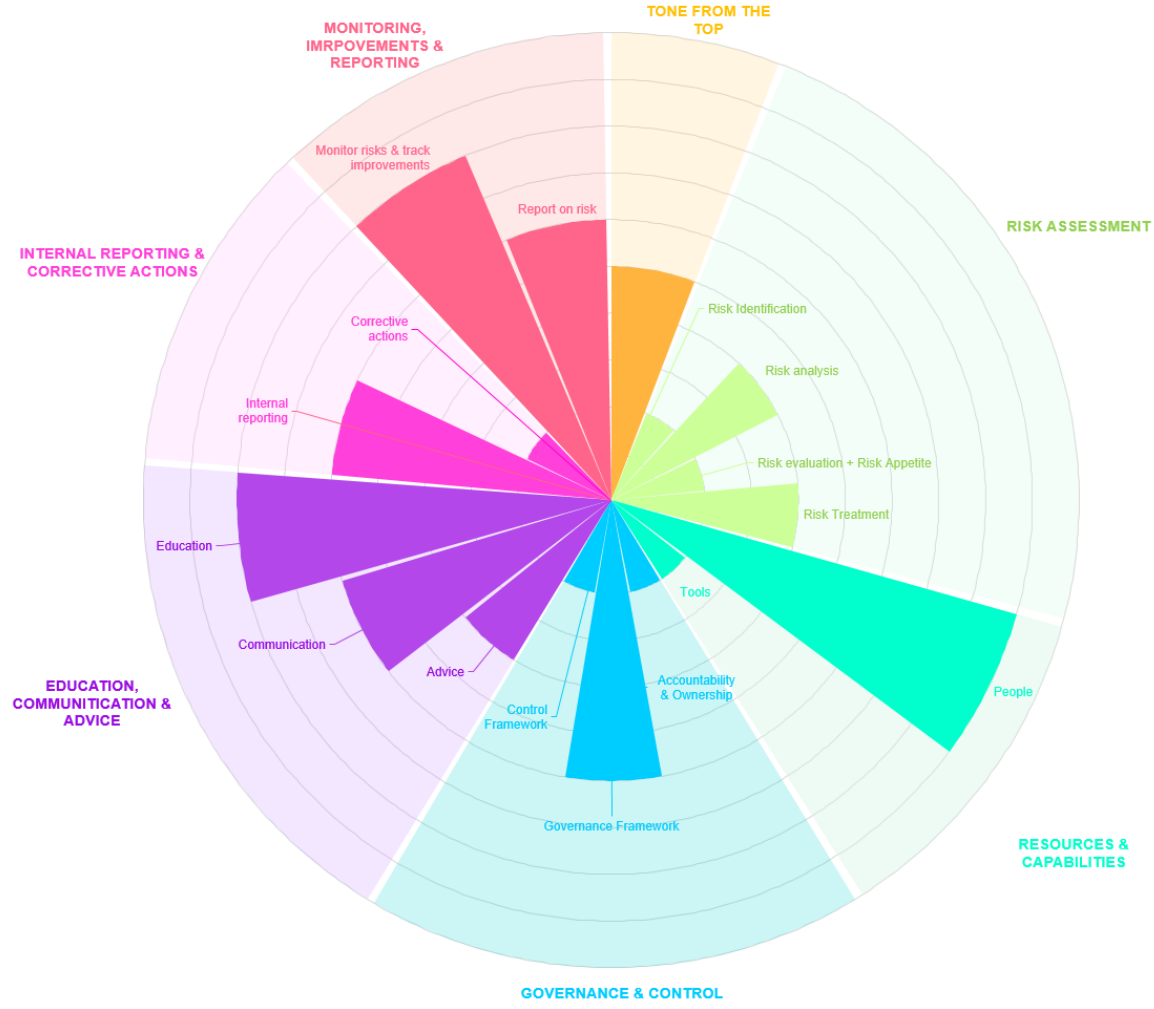
EXAMPLE – RISK ASSESSMENT

Maturity area		Definition	Level 1	Level 2	Level 3	Level 4	Level 5
Risk Assessment	Risk Identification	Find, recognize and describe risks that might help or prevent TeliCompany from achieving its objectives. (ISO 31000)	<ul style="list-style-type: none"> No common risk identification process within risk area 	<ul style="list-style-type: none"> Risks within this risk area on TeliCompany strategic and business objectives are identified and well defined Formal top-down risk identification process Formal risk area portfolio is used to consolidate risks within the risk area Scope of the Risk area is defined within 3 levels: Critical, key & 	<ul style="list-style-type: none"> Internal and external changes that may substantially affect this risk area and the strategy or business objectives are identified and assessed Root cause analysis is used to understand drivers of the risk Bottom-up risk identification exercises are performed throughout risk area 	<ul style="list-style-type: none"> Standard process is in place to identify emerging risks within risk area Continuous reviews and updates of risk area portfolio 	<ul style="list-style-type: none"> External expert views on emerging risk are solicited
	Risk analysis	Comprehend the nature of risk and determine the level of risk, identify sources of risks, areas of impact, root causes and possible effects	<ul style="list-style-type: none"> No formal assessment of risk exposure within risk area 	<ul style="list-style-type: none"> Formal assessment of risk exposure within risk area has been performed in all of TeliCompany's Critical entities by Subject Matter Experts 	<ul style="list-style-type: none"> Standard risk assessment methodology identifying impact and likelihood is used (aligned with ERM process incl BCM BIA model) Data, parameters and assumptions used to assess risk are documented. Qualitative assessments are performed Formal assessment of risk exposure within risk area has been 	<ul style="list-style-type: none"> Combination of qualitative and quantitative analyses (Go beyond impact and likelihood) Formal risk assessment of risk exposure has been performed in all relevant TeliCompany entities Risk area portfolio is linked to Teli's long-term strategic objectives. 	<ul style="list-style-type: none"> Risk interdependency relationships are analyzed Assessment results are validated with assurance partners Assessment methodology are revised regularly Natural hedges are identified Scope: all relevant TeliCompany entities
	Risk evaluation + Risk Appetite	The purpose of risk evaluation is to support decisions. Risk evaluation involves comparing the results of the risk analysis with the established risk appetite to determine where additional action is required(ISO3100). Ensure that the risk exposure is within the appetite agreed upon and articulated by senior management	<ul style="list-style-type: none"> There is no shared understanding of the risk appetite for this risk area among the leaders or employees 	<ul style="list-style-type: none"> An informal understanding of the risk appetite for this risk area exists The risks within risk area are evaluated in accordance with the presumed risk appetite 	<ul style="list-style-type: none"> The Risk appetite for this risk area is defined in the context of creating, preserving and realizing value and is approved by GREC (Board) Risk appetite is reviewed and updated regularly Risk appetite exceptions are handled on a case by case basis 	<ul style="list-style-type: none"> Risk appetite is defined in line with strategic objectives Risk appetite for this risk area is communicated to decision makers Risk appetite for this risk area is used in strategic planning (when appropriate) 	<ul style="list-style-type: none"> Alignment with risk appetite is monitored (SEE MONITORING below) Principle-based risk appetite exception process is developed
	Risk Treatment	Design and execute response plans so that the risk exposure is within the risk appetite	<ul style="list-style-type: none"> There is no consistent approach to developing response plans 	<ul style="list-style-type: none"> Formal risk ownership has been assigned The risk response has been categorised as: Avoid, mitigate, transfer or accept. (according to ERM process) Activities and controls to mitigate risks are identified and documented (according to ERM process) Risk response activity owners are assigned Expected effect of mitigation activities are defined and documented Time plan to achieve acceptable risk level has been identified 	<ul style="list-style-type: none"> Formal response plans including business case & time plan to achieve acceptable risk level has been approved by relevant GREC committee Expected effects of risk mitigation is documented Plans for monitoring risk response effects is documented Effect of risk response activities' implementation including control design and execution is regularly followed up through monitoring metrics / KPI's 	<ul style="list-style-type: none"> The effects of risk response on strategic objectives are documented Cost/ benefit for risk response is aligned with strategic objectives. Business continuity plans are up to date and aligned with risk response plans (where relevant) 	<ul style="list-style-type: none"> Changes in risk exposure are measured continuously Tradeoffs in cost/benefit are accounted for Adequate resourcing is ensured

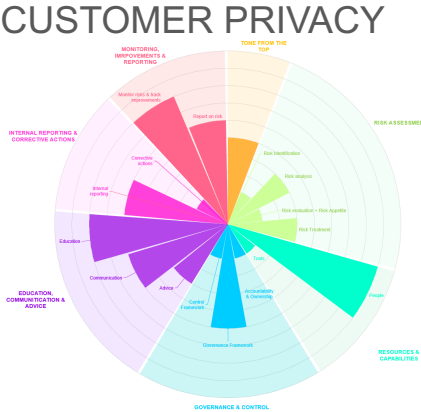
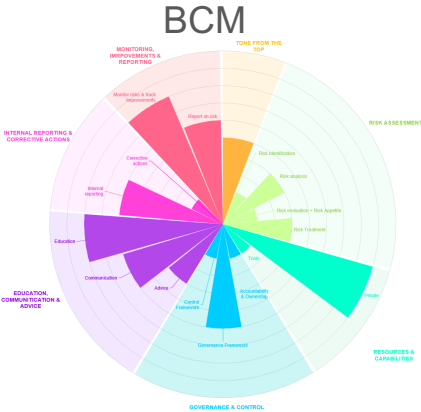
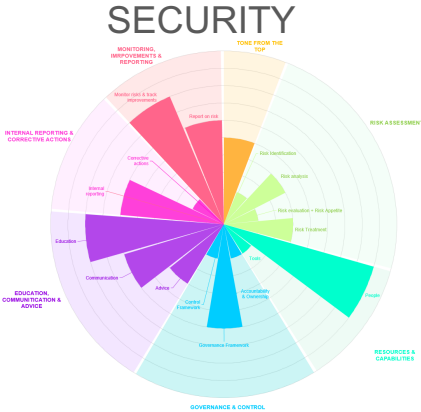


<RISK AREA> ASSURANCE MATURITY 2019

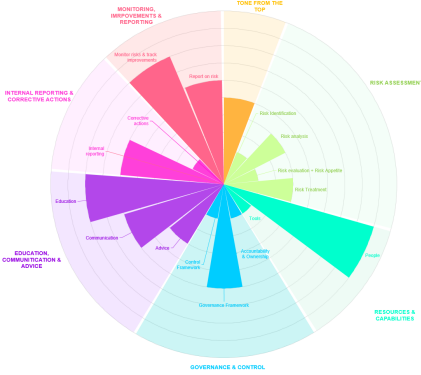
EXAMPLE



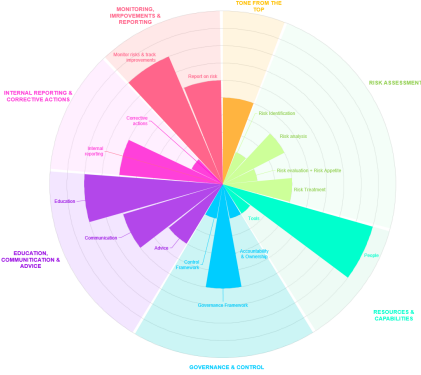
ASSURANCE STATUS SIX PRIORITISED RISK AREAS QX-19



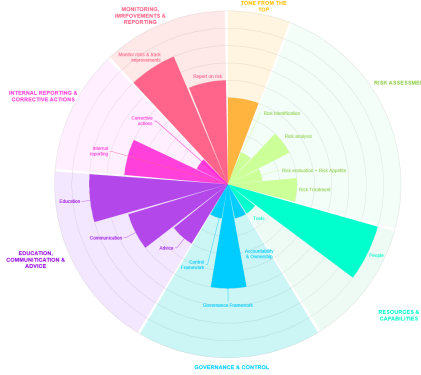
SANCTIONS & EXPORT CONTROL



BRIBERY & CORRUPTION



FINANCIAL REPORTING



RISK AREA: XX

RISK AREA OWNER: NN

Qx 2019

- Defined targets on track or completed
- Some deviations or delay
- Severe deviations or delays or target will not be met

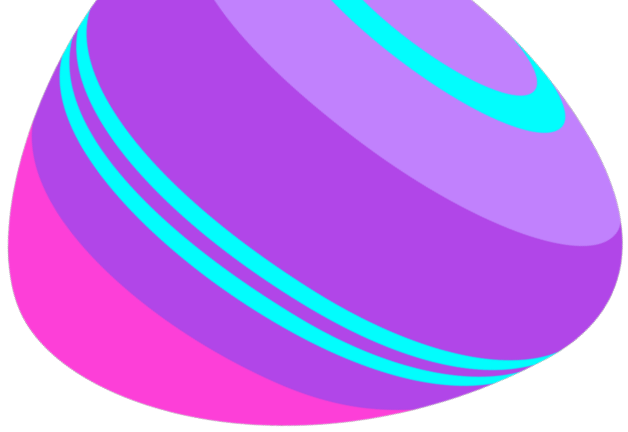
Assurance Maturity Targets 2020 & 2022



Assurance Maturity Action Plan to reach Targets 2020 & 2022

Key Improvement areas	Duis autem vel eum iriure dolor in hendrerit in vulputate velit esse molestie consequat, vel illum dolore eu feugiat nulla facilisis at vero eros et accumsan et iusto odio dignissim qui blandit praesent luptatum zzril delenit augue dui dolore te feugait nulla facilisi. Lorem ipsum dolor sit amet, consectetur adipiscing elit, sed diam nonummy nibh euismod tincidunt ut laoreet dolore magna aliquam erat volutpat.		
Key Improvement activities	<i>Description</i>	<i>Deadline</i>	<i>Status</i>
	1.		
	2.		
	3.		
	4.		
	5.		





Telia Company

