

# **TELIA COMPANY – PAVING THE WAY FOR RESPONSIBLE BUSINESS**

Ingalill Holmberg/ Michaela Ahlberg/ Anna Romberg  
October 9, 2017

## Table of Contents

1. Introduction .....	1
2. Background and the foundation for responsible business .....	2
2.1 Responsible business - risks and impact.....	2
2.2 Telia Company – grasping the reality.....	2
2.3 Telia Company – getting to work .....	3
3. Ethics and Compliance - a framework for Responsible Business .....	5
3.1 Remediation.....	6
3.2 Risk assessment .....	6
Analyze and understand your own company and business.....	6
Analyze and understand your external context.....	7
Understanding your impact on Human Rights .....	7
3.3 Policies, Instructions and Guidelines.....	9
3.4 Education and Communication .....	11
3.5 Due diligence and Third party management.....	12
3.6 Reporting, Speak-Up, Non-retaliation.....	14
3.7 Special Investigations, disciplinary / Corrective actions .....	15
3.8 Improvement / audit / report.....	16
3.8 Tone from the top .....	17
4. Epilogue.....	18
5. Questions for discussion.....	19
About the authors .....	20

## 1. Introduction

In the past few years, the quest for responsible and sustainable business has emerged as a major theme in academic and practical management discourse. The increasingly intensive debate on ethical and socially responsible business initiatives and the quest for (globally) responsible leadership (c.f. instance The Globally Responsible Leadership Initiative and United Nations Global Compact) put contemporary business models and current leadership praxis under severe public scrutiny. Increased transparency, political requests for sustainable development and higher expectations regarding top managements' involvement and actions are seemingly changing the business climate. Simultaneously operating and leading in a global and interconnected world has been described as extremely challenging. Still, this is the reality of many Swedish based firms with a global outreach. We may all agree that responsible and sustainable business is vital for several different reasons; long term profitability over short term, assuming responsibility for human rights and the environment, avoiding or mitigating risks and corporate scandals, respecting and understanding the corporation's stakeholders in its wider sense, being a [better] leader and building healthier modern corporations. But what does this mean? What is sustainability? What is corporate responsibility? In what way is business ethics relevant to innovation and growth?

Against this background, an initiative was taken by Stockholm School of Economics and VINNOVA to better understand how specific firms address issues of responsibility and sustainability, and how ideas of responsible leadership are linked to innovation and growth. A handful of organizations were invited to take part in a series of Round Table discussions focussing on challenges that the organizations brought to the table. Participating in the Round Tables were leading professionals, business managers, academics and policymakers. In order to share knowledge and encourage discussions on how to promote responsible business through responsible leadership each session was documented. The following text is based on a "live case" presented and discussed at a Round Table session in November 2016.

In short, the case describes how responsible business was addressed in TeliaSonera, subsequently rebranded Telia Company (Telia), from an ethics and compliance (E&C) perspective. The point of departure is September 2013, when the new Chief Ethics and Compliance Officer (CECO), Michaela Ahlberg joins the company with a task to set up a new E&C function and implement an Anti-Bribery and Corruption (ABC) program. The company is in a mode of crisis after allegations during 2012 and 2013 in media of bribery in its business in Uzbekistan. There is a new board with a new Chair elected at the annual general meeting (AGM) in April 2013. A new CEO also joins the company in July 2013. There are ongoing internal investigations into the Telia operations in Eurasia carried out by the English law firm Norton Rose Fulbright (NRF), who at this time reports to the Chair. The case covers a process of three and a half years of hard work, guided by new CECO, involving people from the very top to the ground, as well as professionals outside of Telia, sustainability managers, ethics and compliance officers, investigators, compliance specialists, lawyers, journalists and regulators. Summarizing the process, Michaela Ahlberg states: *It was a journey where not all answers were clear from the outset. A journey over three and a half years with unexpected challenges, mistakes and new insights through which we developed and improved a framework and a methodology for enhancing responsible business within Telia.*

What makes this case of particular interest is that Telia, as far as we know, is one of the few (or the only) company in the Scandinavian context that has visibly adapted the formal guidance from regulators in the US and UK with regards to the implementation of an effective compliance program and adequate procedures. Even if the company now is in a dialogue with the authorities Telia did initiate the practical implementation of this guidance prior to any formal contact from the authorities. The formal guidance from the regulators is more of conceptual character and perhaps originally developed for a cultural and legal context different from the Scandinavian context. As such, it is interesting to understand and learn how this formal guidance was applied in practice and which consequences this had for the day to day operational work. In this respect the Telia case, and the actions initiated by the board and management, can be helpful to understand how to practically apply E&C in a Scandinavian company. The work with E&C is within Telia described as Responsible Business, and this case focus on describing how a framework for responsible business was designed, adapted and managed.

## 2. Background and the foundation for responsible business

A framework aiming at promoting responsible business addresses *how* you do business. Not *what* you do, but *how* you carry out your work and *how* the company is behaving. Rather, as a corporation is a legal entity, the *how* addresses the behavior of the employees, the agents, the vendors, the individuals representing the legal entity. It is about how the company is behaving in relation to the society, the environment and human rights in relation to a sustainable future for more than the current shareholders. Are the people representing the company acting responsibly, according to the law, according to the expectations from stakeholders on ethical conduct, according to the common values and the shared code of conduct? *What* a company does is measured, rewarded and reported continuously and is also mainly what systems of governance and internal controls verify and manage. The *what* is also, at the end, what we can read about in the quarterly and annual reports. *How* business is conducted may not be an issue ...before it is.

### 2.1 Responsible business - risks and impact

One foundation for the idea of corporations being responsible for *how* business is carried out in relation to society, human rights and the environment lies in the UN Global Compact and its ten principles (on Human Rights, Labor practices, Environment and Anti-Corruption). Further, the UN has adopted a guiding framework for businesses and human rights, describing the corporation's responsibility to protect and respect human rights and remedy its breaches against human rights. Human Rights are defined in the UN Universal Declaration of Human Rights adopted by the UN 1948.

Risks related to *how* the company does business can be categorized as legal risk, such as violations against for example legislation in bribery and corruption, money laundry, anti-trust or laws on discrimination. Reputational risk and financial risk are also relevant risk categories as reputational and financial damage can be consequences of a violation of legal frameworks. However, reputational and financial damage may also be consequences when a company has been unable to live up to ethical standards required or expected. Expectations of what is acceptable (ethically or legally) behavior also changes over time. Reputational damage may also be a consequence when a company has failed to live up to standards the company itself has set, for example, in a common code of conduct or through statements and promises given by those who lead and more publicly represent the company. Companies have different risk models and different risk categorization and we prefer to classify the risks related to *how* a company does business as "behavioral risks".

In a company, when speaking of risks, it is to address risks *the company* is exposed to and the company will try to mitigate and defend itself from identified risks. A responsible company is today required to understand also the risks that the company exposes *others* to, the [negative] impact its business have on society, environment and human rights. You can also describe this, as a company over time will build up a debt towards society, environment and human rights, an indirect cost that is not paid by the company but others. Paid by people who are working under sub-decent labor conditions (for example so that the company can sell a piece of clothing at a competitive price). Or the environment suffers (for example companies cheating with emissions of harmful substances). Or paid by the people living in countries where corruption distorts the distribution of national wealth (for example a company buying expensive national licenses from a letterbox company in Gibraltar with obscure ownership structure). The company is reaping the benefits but an invisible debt is heaping. Then something happens (maybe an article in a newspaper or a TV program) that will make it visible, a behavioral risk materializes at which time a "crisis" or a "scandal" probably will accompany the more tangible legal/reputational/political/financial consequences.

How does leadership ensure that the company acts in a responsible manner, that legal/reputational/financial risks are managed, that the company protect, respect and remedy human rights and at the same time secure innovation and growth? Ignoring issues of responsibility is not the answer. Rather, as we will explore through the Telia case, the opposite is argued to be the way forward; to identify and recruit core competence, provide resources and get the work going. But to do this the company needs to understand the context – its true risks, the impact from how business is done and state of operations. In short to understand the reality as understood by stakeholders at large.

### 2.2 Telia Company – grasping the reality

In April 2012 the Swedish investigative TV program Uppdrag Granskning (UG) broadcasted an episode about how the oppressive regimes in some of the Eurasian countries [mis-] used the networks operated by Telia's subsidiaries and associated companies. The allegations were that Telia contributed to/supported human rights violations in some of the

Eurasian operations as the authorities had direct access to the network and was using it to threaten and oppress those with a differing opinion or otherwise were critical towards the regime.

In September 2012, UG broadcasted yet another episode about Telia and the business in Eurasia. In this program it was alleged that Telia had paid billions (SEK) to a company, owned by a young fashionista in Gibraltar (Takilant), in the exchange for licenses in Uzbekistan. The program claimed that the ultimate beneficial owner behind Takilant was, in fact, the daughter of the Uzbek president and that she, in her turn had gotten hold of the licenses in a manner where she had used her position and considerable influence to acquire the valuable licenses at a very low price from the state.

Answering to increasing critique and pressure, Telia decided to initiate an independent investigation carried out by the law firm Mannheimer Swartling, (MSA). Telia committed to make the results of the external review public. At the same time, the Swedish prosecutor announces that he would open a criminal investigation for the matter. In December 2012 Telia management continue to deny the allegations. Telia management were convinced that the continued investigations and legal procedures would show that suspicions of criminal activity were unfounded. The independent review from MSA is released on February 1, 2013. MSA holds a press conference and, contrary to Telia's expectation, express serious criticism on several points. The law firm could not establish a bribery or money laundering offense under relevant Swedish law based on the information available. They are however neither able to establish that bribery would not have taken place and stated that the suspicions of crime raised in the media and by the Swedish prosecutor could not be dismissed by virtue of this inquiry.

*“If one carries out business in a corrupt country, one should quite simply be more thorough than TeliaSonera has been. ... If one doesn't know who a counterparty is, nor how a counterparty has obtained the assets being acquired, it would seem difficult to ensure that corruption has not occurred at some step along the way”. MSA press release February 1, 2013*

The CEO consequently announced his resignation. The CFO is appointed as acting CEO. Although there are several public and harsh statements of criticism from important shareholders including the Swedish government, internally Telia continues to view itself as a victim of unfair media attention and issues a press-release where they point out that although the MSA investigation had identified many signs of corruption and lack of risk mitigation and controls, the board and management were convinced that the Company had not committed any crime. Plenty of red flags but no smoking gun.

### **2.3 Telia Company – getting to work**

At the AGM in April 2013, the shareholders elect a [substantially] new board and a new Chair is appointed. The Chair sets a determined tone and appoints an English law firm, Norton Rose Fulbright to investigate also the other countries in Telia's business region Eurasia. The board also sets out to find a new CEO and he joins the company 1st of July 2013. The temporary acting CEO (the former CFO) was appointed CFO (again). On the 1st of September the new Chief Ethics & Compliance Officer (CECO) starts her new job. The following sections are based on the accounts of the new CECO (Michaela Ahlberg) and the person responsible for the Global Anti-Bribery and Corruption program as well as Regional Ethics & Compliance Officer for Eurasia (Anna Romberg). “We” in the text below thus refer to Michaela Ahlberg and the accounts of her team.

The task given to the E&C function was described as implementing Ethics & Compliance with specific focus on Anti-Bribery Corruption. And the job description used by the recruiter, for the CECO position, was very professionally put together, describing cornerstones of “effective” ABC programs. We suspect that very few people in Telia management or Telia board actually, at this time, in more detail knew what “effective” ABC program entailed. However, they all agreed that change was necessary, that focus on ABC was very important and the company needed to, without delay, inform investors, shareholders, analysts and journalists what they planned to do to get out of trouble, regain trust and rebuild the brand. E&C and effective ABC program would be an important part of this effort.

At this time, 2013, we were all rather confused on what legal (ethical) risks required the attention of compliance. Lawyers looked at each other and wondered if all legal risks required compliance programs - some wondered if journalists pushed the agenda of what risks needed the special attention of compliance as a media crisis shed light on the risks as they materialized - it seemed confusing, overwhelming and unsatisfactory. Many also wondered if E&C was a function or was it a description of a methodology, was it a “layer of defense” or something else? Could Ethics and Compliance be separated so Compliance was one thing and Ethics another (more voluntary part)? There were and still are different opinions on these questions. Our view is that Compliance cannot be separated from Ethics. Ethics is not, we think, an extra layer of protection on top of legal requirements. Ethics is the foundation for our common value system and

legislation. We also believe that to run long term and sustainable business you need to go further than legal obligations and grasp the full concept of Responsible Business.

Identification and understanding of which areas/topics of behavioral risks the company has and which must be subject to effective compliance is where you start. The E&C team at Telia got a running start, we knew where we had to start, which risks to address as the journalists had made our risks visible at this time. In fact, the corruption risk and to some [lesser] extent freedom of expression and privacy risks had materialized and erupted as scandals. We quickly identified ABC, Freedom of Expression and Privacy as important topics for E&C and we added Occupational Health and Safety as the new management wanted to prioritize this as an area of responsible business. At this point, it was quite clear that the corruption risk was not only a behavioral risk, the risk had already had significant reputational impact and could have severe legal (materialized in Sweden at the time) and financial consequences (should the legal risk materialize the fines in cases outside of Sweden could be very high) as well as business continuity risk (would the company be able to continue operating in this region). In many experts' opinion (and we agree) the bribery and corruption risk is also a human rights risk/impact (or societal risk as Telia today describes it) as corruption and kleptocracy are effective blocking points for the protection of all human rights.

Initially we prioritized the anti-bribery corruption program (ABC program). If you do the ABC program right, a lot will be done also for all other topics of responsible business and an effective ABC program is a minimum requirement for all companies, small or large, global or local, irrelevant of nationality – different effort and different scale but basically the same. For a telecom operator, privacy and freedom of expression also are topics high on the agenda. We started our working process with a model of E&C. The model, further described in detail below, describes “effective” compliance, as a company would be required to demonstrate if tested on the subject by a regulator or authority, such as for example the Department of Justice (DOJ) in the US. A situation that, at the time, seemed very unlikely but the model made sense and was approved by the management and the board. Eight months later we became aware that not only the DOJ but also the US Securities and Exchange Commission (SEC) and the Dutch prosecutors had initiated investigations into Telia and the dealings with Takilant in Uzbekistan.

#### **SOME FACTS - compliance as described by the law**

In the US, it is not only the FCPA (Foreign Corrupt Practices Act) which identifies, describes and enable the DOJ and SEC to give credit to an effective compliance program, it is also applicable for occupational health and safety matters in OSHA. The anti-competition authorities in the EU are recognizing and crediting for effective compliance in anti-trust violations. The new French corruption legislations (Sapin II) requires all companies operating in France with more than 500 employees to implement a compliance program with the same corner stones. The UK Bribery Act credits adequate compliance program and in Spain the criminal code after reformation in 2010 which includes corporate criminal liability have subsequently introduced requirements of crime prevention, in effect compliance programs. Subsequent guidance to how to implement compliance, from the regulators, recognize that compliance is more than mere legal compliance and paperwork and recognize cultural aspects and the complexity of ethical decision making as well.

### 3. Ethics and Compliance - a framework for Responsible Business

The E&C model at Telia is based on ten cornerstones and describes what regulators and compliance professionals refer to as “effective” compliance or “adequate procedures”. Effective compliance at the highest level aims at preventing wrongdoing (prevent), detecting wrongdoing (detect) and investigating and remediating wrongdoing or red flags (investigate). The program is founded on an uncompromising tone from the top and includes remediating issues noted as well as root causes for the wrongdoings.



#### Cornerstones of Telia E&C framework

- Tone from the top
- Remediation
- Risk-assessment
- Organization
- Policies/instructions/guidelines
- Education and Communication
- Due care, third party management
- Reporting, Speak-up, Non-retaliation
- Special Investigations, Disciplinary / Corrective Action
- Improvement, Audit and Report

We introduced the model for effective E&C immediately during fall 2013 and initially we did not meet any resistance anywhere to the concept. We have had the opportunity to use the E&C model in making presentations to the board, to the management, to investors, to journalists, to fellow ethics, compliance and sustainability workers and to the SEC and DOJ in the US as well as the Swedish and Dutch prosecutors. Already from the very beginning, we had a lot of pressure to demonstrate that we were progressing and we struggled with how we could describe and measure progress. Initially we used “traffic lights” to describe the progress in the different corner stones; Risk assessment – green, Organization – green and so on. As the green light was describing actions relative to plan and not a general status, the traffic light system became rather misleading and contra productive. With the benefit of hindsight, we would say – do not repeat this mistake. The management, the board, the E&C team felt pressure to report progress, we had committed to regaining trust and rebuilding the brand and people had a right to know what was going on with the changes promised, especially the owners/investors/analysts had a right to know. Sometimes we felt we did not have time to actually *do* things before we were supposed to present the results.

You may argue that this model is too complicated, time and resource demanding. That it is US oriented, disproportionate, only for anti-corruption programs and not for other behavioral risks – and we did of course also meet all these arguments at different levels and different times in Telia when the urgency of demonstrating actions, ethics and compliance had started to wear off. In the following sections we will demonstrate how the model in fact is very simple - it is a management framework for how to practically implement commitments of responsibility and business ethics and the actions should to as large extent as possible be integrated into the existing operational processes. While the model is quite simple in theory, we found out during implementation that it gives raise to arguments and prioritizing problems, to difficult dilemmas and questions at all levels in the company, requirement for hard transparent decisions and ultimately the leadership is tested. We call this friction / dilemmas and it occurs, as we will describe further below, in all cornerstones of effective compliance.

### 3.1 Remediation

Remediation is a fancier word for understanding what went wrong and fixing the problem. Remedial actions, consequences, corrective and disciplinary actions are important factors for an effective compliance program. Everybody who works in compliance or have ever had to learn the hard way, in a scandal similar to the one that Telia has gone through, knows how hard this is and how much dedication it takes to stay with the program. This is why questions on this aspect of the compliance program are the first you will receive if you ever have to defend yourself and your company in front of regulators or prosecutors.

In Telia, we had to start with assessing the crisis and “what had gone wrong”. We had the report on Uzbekistan from the law firm Mannheimer Swartling (MSA) containing a lot of useful information. We had Norton Rose Fulbright (NRF) who had continued the investigation on “entry level” (how Telia had entered the markets and structured the ownership) in the other Eurasian markets. In November 2013, NRF produced their first report containing very troubling information on questionable business transactions in other Eurasian operations. The new CEO had only been in his position for a few months and as a consequence of the findings, he had to part ways with four senior leaders in the company, among them the CFO and the former head of the largest business area Mobility (formerly head of business area Eurasia). The company publicly stated that problems were unfortunately not isolated to Uzbekistan but there was a pattern of unethical, possibly unlawful business transactions.

In addition to the investigations (MSA and NRF), we had our own assessments of the context and the countries we operated in and (as described below) risk assessments of the operations in each country. We knew what the problem was - now we needed to make sure that we “fixed the problem”. We sat down and made a list – a long list – of remedial actions, an action plan of sorts, with concrete actions and responsible persons. Owners of the actions were found all over the organization; CEO office, Finance and Control, Legal & Regulatory, Procurement, Internal Audit, Corporate Development, Sales and Marketing and of course the Ethics & Compliance team ourselves. We followed this list on a weekly basis, some items with more attention than others, depending on urgency and risk. The action plan also established itself as a standard Board agenda item for a period. We had many discussions with the owners of the actions of course, but generally, at this stage and with the pressure in the company, most people felt the urgency and did not mind “being ordered about” by the E&C team. At this time, summer 2014, Telia had also received letters from DOJ and SEC requesting information on Uzbekistan and the Telia office in Amsterdam had been dawn raided by the Dutch prosecutor. With the entry of the US authorities, we understood that we, at one point of time in the future, would be held accountable for the design and effectiveness of the ABC program. It took us a week, working around the clock in an isolated conference room, to make the list. We recognize that there is no “one fits all” approach for how to do it, but we went back to the model of Ethics & Compliance and did not shy away from listing actions down to detail on the list. Things just had to be done. We closed the initial list after two years but new investigations (see below under Special Investigations, Disciplinary / Corrective actions) and new risk assessments raised new remedial actions and updated action lists, so it is an exercise of perseverance and sticking to the program.

### 3.2 Risk assessment

The fundament of any E&C program is a through risk assessment. The purpose of the risk assessment is to build a program that will work in practice and that will enable to company to do business in challenging contexts. In short the assessment should consist of both understanding the internal and external context and include dialogues with parties both within and external to the organization.

#### Analyze and understand your own company and business

In Telia, we started with the legal structures and the ownership situation and governance of these legal structures. This showed quite complex and intertwined legal structures as well as contradictory and delegated governing systems. We came to understand that the operations in Eurasia were run differently from the rest of Telia, with different governance, different organizational structure and different culture and leadership style. We found that the business region Eurasia was surrounded by rumors of undefinable threats and security concerns, a region that previously was left isolated and outside the common structures. The regional and local managers in Eurasia were treated differently; they were “heroes” who had “delivered” unmatched growth during the past years while working in “hostile” environment and must not be “disturbed”. They were rarely in Stockholm but had built a strong regional head office in Istanbul. We were told that the environment was just too difficult for us (with high-horse Swedish morale) to understand and things “were done differently” in Eurasia. In fact, the internal audit of the Eurasian operations had not always been integrated into the scope



of the central Internal Audit function. When extending the scope, the central audit function was encouraged to “thread with caution” not to “interfere” with the “business” as continued growth was essential for Telia.

Another observation we made while assessing and understanding our own company for the purpose of implementing E&C was that many leaders and employees working outside of the Eurasia business unit saw the problem of irresponsible business practices as solely an “Eurasian” problem. A problem with little or no relevance for them, nor for the business in other countries or on group level. What was forgotten in these discussions were that the critical, and now severely questioned, business decisions had been made at the headquarters in Stockholm. They found it unfair that all had to suffer because of a few individuals far away. Some also felt that the Swedish business community and media lacked understanding of how business “was done” in these parts of the world. They felt that Telia was a victim of moral panic and tendentious media coverage. In hindsight, we did not properly understand nor deal with the resistance provided by leaders and employees who were still working under the assumptions and messages provided by the “old” management. Others still, was under the impression that as Telia now had a new board and a new management everything was in order, as the “bad guys” were gone. That assumption, it would transpire, was somewhat premature, as a lot of hard work still had to be done.

### Analyze and understand your external context

It is important to properly understand and handle the aspects of doing business in a specific country or region, as it will give you an understanding of how you must structure and resource your E&C work. In Telia, we started with extensive risk assessments of countries and institutions in Eurasia, with a specific view of managing our ABC program. We added operational risk assessments in all countries in Eurasia, which will give you a view of how the pressures from the external context are handled within the internal work. The operational risk assessment the first year was an exercise when the person responsible for the ABC program and another E&C expert travelled to all countries in Eurasia and sat down with the local management and scrutinized the processes and practices on several levels. The process consisted of going through specific areas of corruption risk in their country and their operations; leadership, governance structures, interaction with local board and local shareholder, human resources practices, import duties, use of agents/distributors, understanding of conflict of interest, policies, processes and controls in procurement, financial controls, bank relations, processes for donations and sponsorships and M&A activities, to identify a few. During 2015, we did the risk assessments for the other countries outside of Eurasia also and developed a tool (an Excel based tool) together with MSA to enable local management to do the risk assessments without the physical presence of someone from E&C. We believe that it would not have been possible to do a proper risk assessment without this substantial initial effort and think it has paid off in many ways. Among them, raising the level of awareness of risk and making the risk more visible and actionable.

A well prepared and thought through stakeholder dialogue is a very helpful tool in understanding your context and behavioral risks. In launching the program for Responsible Business in Telia, we had a situation where our external stakeholders demanded information, action and results from us without rest and the communications department arranged many meetings/briefings where the different stakeholders, such as owners, potential investors, analysts, relevant NGOs and journalists could meet the company, the new CEO, management, and us. Therefore, we had many opportunities to hear their view on what we should be focusing on. Among important stakeholders are the employees and we included employees from different levels and organizations to partake in the dialogue.

### Understanding your impact on Human Rights

Today companies are not only expected to act responsibly in a general sense but should also understand the more detailed implications on human rights from their business activities. To do this many companies conducts what is called a Human Rights Impact Assessment (HRIA). This activity engages many people inside and outside of your company and has an aim of increasing the awareness on how you perhaps are infringing on the fundamental rights of persons impacted by your business. A HRIA also increases the understanding of that human rights are not separate from business and that businesses have a responsibility together with other actors such as states and NGOs and individuals (all of us) to ensure that the rights of us as humans are respected. A HRIA will also support the claim that behavioral risks often are violations of human rights. We believe this is important, as we have come to understand that true change will not come out of fear (fear of legal proceedings, fear of media, and fear of personal disgrace) but true change will only happen if people want to do the right thing because it is right. You can (and have to) implement effective compliance but it will only truly work if people take it to heart and understand why their acts and decisions matter.

Telia, we have done HRIAs for all our countries during 2015-2016 together with a recognized international organization. It was a great exercise and involved leadership in all countries as well as different group functions. After lengthy internal discussions representing different opinions, different agendas and priorities, the reports and the remedial recommendations were published summarily in the annual and sustainability report for 2016. This in contrast to the HRIA report for group level Telia did in 2012, which was only published as a passing mentioning in the annual report for 2012.

#### **Friction / Dilemma – how much transparency?**

The risk assessments done in 2013/ 2014 contained very useful information to understand the challenges and requirements for doing business responsibly in Eurasia. They laid bare some very significant questions as to if Telia was, in some ways, supporting a corrupt dictatorial regime lacking any respect for human rights. The risk assessments also explained how much work and time we needed to get a reasonably responsible business running. They were also proof points that we were making progress and the pressure was high from investors, owners and other relevant stakeholders to show progress. On the other hand, the risk assessments were in themselves troubling and insulting to the ultimate power in countries where Telia had operations, local co-shareholders and a responsibility for many employees. Consequently, there were a lot of different opinions and conflicting interests in this matter and endless debates on how and to whom we would share this information. Despite many reworked “summary” documents of the country risk assessments they were never published.

### **3.3 Organization**

You will need an organization that is competent and confident enough to manage all aspects of the program. The E&C team should be staffed appropriately, in size, in competence and in seniority. The CECO should report to a level in the organization, which ensures proper authority and maintained integrity. Should the company ever run into problems with regulatory authorities or the prosecutors they will not be impressed if the CECO does not have direct access to the CEO and independently to the board (or one of its subcommittees). This is an area where there are many different opinions expressed by managers, management consultants and boards. In Sweden, we have a governance structure that keeps boards away from any operational meddling, this is difficult to understand in other countries, such as for example the US. The reporting lines as presented formally should of course also reflect reality, for example, the Head of Internal Audit was for Telia presented as reporting to the CEO in the governance section of the annual report. It was however not until the new CEO came onboard, in September 2013 that this reporting line was enforced in practice. The CFO had until then been the administrative manager of the Head of Internal Audit and the unobstructed access to the CEO and independently to the board was not evident.

In Telia, to push controls, compliance or audit aside was of course not an option as the company set out to implement stronger controls and improved assurance as well as introducing responsibility for behavior and ethical business practices throughout the organization. Moreover, with the involvement of DOJ and SEC and the realization that the most demanding authorities in the world would scrutinize and test every part of the anti-corruption program referencing to the US guidelines saving and compromising on E&C did not seem like the right thing to do.

In her role as CECO, Michaela reported to the CEO and the E&C team enjoyed airtime at all the meetings of the board’s Sustainability and Ethics as well as Audit committee. With Anna, (Head of Global Anti-Corruption program and Regional Chief Ethics and Compliance Officer, Eurasia) as the first additional member of the team, we together found other existing Telia employees that we recruited to the E&C team. Telia employees who, in their own way, in their different silos in the organization and on their level, had worked with matters that represent parts of effective compliance, such as training on the code of conduct or supporting the procurement department with “sustainability issues” and who had the right heart and energy to roll up their sleeves and get to work. We also recruited a few members to the team externally as the competence was not available in the company. To conduct qualified, swift and independent internal investigations on allegations of fraud, corruption, conflict of interest or embezzlement with high integrity is a very important part of effective compliance. It is also a very difficult, generally ungrateful and lonely job and requires special skills and stamina. If you have the right person in internal investigations, it is a little bit like having your own in-house Uppdrag Granskning. Finding such a person was a priority and we were lucky to find a person with extensive experience and an extraordinary sense of integrity. The E&C team quickly grew to 10 people on group and regional level and additionally one E&C Officer in all Eurasian countries. To this should be added employees in other functions specifically working with the compliance program, such as procurement and finance. We also introduced a requirement of continuing education and international certifications for each member of the team to ensure the quality level in a rapidly changing compliance world.

In Telia, the E&C team became the owners of the ABC program. This is very common as ABC is “the mother” of all

compliance regulation and work, moreover in Telia, the E&C team had the necessary skills and background to push a program that was long overdue. Other employees or teams who have the relevant competence and confidence on other topics of responsibility, such as Privacy and Freedom of Expression became owners of these programs and compliance provided guidance on the Ethics & Compliance requirements and Responsible Business.

#### **Friction / Dilemma – Resources and Budget**

It is easy to see that the size, reporting lines and budget of the E&C team can be the cause of friction and dilemmas. Not so in Telia at this time. If it was because of the crisis, the external pressure or genuine understanding in the new board and management of what it requires to build ethics & compliance and responsible business we will never know, but there was never any push back in this respect.

### **3.3 Policies, Instructions and Guidelines**

A policy is normally the written format of rules issued at the highest level of governance in the company, the board. The next level of governance, the leadership at executive or similar level issues instructions to explain further what the policy requires from you, the employee. Maybe the company allows also for additional guidelines issued by different operationally responsible managers, to break down the details further. The hierarchy of rules as policy, instruction and guidelines was what we worked with at Telia, however what you call documents of written rules at different detail and levels in companies vary. The most important point here is that these documents are binding rules for behavior in the company, for how things are done. We will refer to these documents as “policies/instructions”. You will also find documents such as “position papers” or “statements” describing a general direction or general opinion on a specific matter but without any more detail or rules for behavior. In addition to the policies/instructions, there may be formalized processes, enabling practical implementation of the policy/instruction, such as a description of an escalation process for decisions.

In Telia, the policy and instruction on anti-corruption was soon complemented with additional layers of policies/instructions such as instructions on gifts and hospitality, instructions on interactions with government officials, and instructions on sponsorship, donations and philanthropic contributions. In addition, we developed instructions on internal investigations, instructions on corrective and disciplinary actions, procurement and third party policy and instructions as well as a handbook for mergers and acquisitions. As mentioned above the Telia ABC program was owned by the E&C function and thus the E&C team was responsible for making sure the common framework of rules was put in place. The process involved many layers and functions in Telia, this as the rules affect areas such as Legal, Finance and Control, Human Resources, M&A and business development and Sustainability. The more internal anchoring and buy-in, the smoother the implementation.

All the Telia policies/instructions in the ABC program create content and texture to what Telia mean and stand up for when Telia speaks about its view on bribery and corruption. It is obligatory for certain employees to have read and understood these documents and we have implemented a tool to ensure that all employees can access the rules of the company as well as ensuring and documenting that the relevant employees have signed off as having read and understood the document (pull and push capability).

#### **Friction / Dilemma – too few or too many rules?**

Truth be told, there is always a lot of whining when it comes to policies, instructions and processes: “we can’t do business with all these rules”, “we are overwhelmed by all the extra work created by the rules”, “no other company has this burdensome overhead requirements”, “group lives in their ivory tower and lack local understanding”, “it works differently here”, “the profit prevention squad has been busy” and “are of these rules really necessary, is this really not just common sense?”. These were some of the arguments and questions. But we should remember that “common sense” is an unreliable source of guidance in particular in global business where individuals have different understanding of what is common and what is sense. A compliance program without proper documentation of the common rules is not effective, so there was a need of “corporate diplomats” on the team to ensure that the documents were consistently drafted, anchored and approved.

The Telia E&C team spent a lot of time “anchoring” internally. Because of the pressure of the looming DOJ/SEC proceedings, we sometimes despaired and just wanted to run over the resistance. Maybe we also did eventually at one point or another, but the learning is to shoot for as much internal buy-in as possible. Internal buy-in on the documents will make the transition from words to actions somewhat smoother, we think.

During 2014 and 2015, Telia launched key group wide policies and instructions, previously lacking, such as updated policies and instructions in other areas of responsible business. In addition to anti-corruption, policies and instructions on Privacy, Freedom of expression, People, Health and Safety, Environment, Insider trading, Anti-Trust, Company assets and Travel to name a few. We also launched the new Code of Responsible Business Practices in 2016 (see below).

The rules are only as strong as the adherence to these and to ensure that the rules are taken seriously you will need to have a process for how to request and escalate potential exceptions. When you make exceptions there needs to be very clear escalations and transparent decisions by the correct level in the company. Keep in mind that every exception will undermine the rules and the work morale of those whose job it is to upkeep the rules and support the company in staying out of trouble and building responsible business practices. Be mindful of recurring exception requests which are strong indications of that the rules are not taken seriously. Moreover, something that may not be illegal with the facts currently on the table, may well be illegal when more facts surface. For instance, the initial acts that got Telia into trouble happened 2006 and they were revealed and questioned some 6-7 years after.

**Friction / Dilemma – exceptions to the rule?**

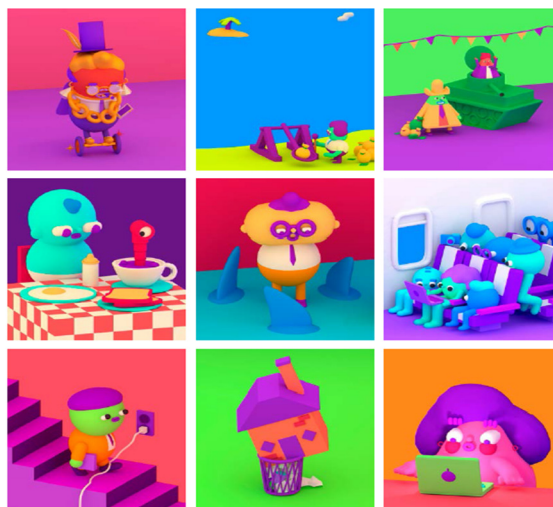
In Country X, Telia wanted to import a smartphone “Smartphone” and bundle these with Telia services. In Country X, the import of smartphones was monopolized to Company C. In doing the due diligence on Company C, disturbing information floated up indicating significant red flags relating to the ownership of this company. According to Telia internal ABC rules, these type of red flags could not be accepted. From a strictly legal point of view it could not be proven illegal, to do business with Company C, based on the available information. The Smartphone was really THE smartphone and a telecom operator without it was rather silly. What do you do? How do you decide? Do you consider only the legal opinion, given by a reputable law firm, or do you follow your own rules? What happens when you make exceptions to your own rules and where do you draw the line?

We think it is important not to consider business ethics as an “impact cushion” (“krock-kudde” in Swedish) nor to consider it as a “margin” in the corporate rules framework and when in difficult situations restricting these rules by asking for a “legal opinion”. Ethics is the foundation for legislation it is our common view of right and wrong where legislation is just the interpretation. Ethics explains why there is legislation and an understanding this *why* enables you to have a better grasp of the law and understand the limitations of the law. You will also understand how and why the laws may change over time, as people get smarter in circumventing them and the societal expectations change.

The Telia Code of Responsible Business Conduct

The Code of Conduct is for us an ‘umbrella document’. An umbrella providing easy access and easier understanding of the requirements and common rules the company puts on for responsible business. For once, we agree with the Communications folks, “It’s all about communications”. A Code of Conduct should be enjoyable to read, modern and accessible. The new Telia Code “Don’t do this at work” was launched in 2016. As an umbrella, the Code needs to be standing on a firm ground of policies / instructions. If you, like Telia, have the Code accessible as an app with links to the relevant policies / instructions, the reader can dive further into the details if and when needed. As for policies and instructions, a new Code should be internally anchored and in Telia all owners of a policy/instruction have been closely involved; Legal as owners of the antitrust framework, Security as owners of the Privacy framework, Human Resources as owners of the People framework and so on, all the way to approval by the executive leadership (for instructions) and the board of directors (for policies).

**DON'T DO THIS AT WORK**



The new Code of Responsible Business Conduct is easy accessible, fun and easy to read. You will find it on Telia homepage of course, as transparency is key. <http://dontdothisatwork.teliacompany.com/>

What applies in your own company should also apply to your third parties and others representing the company. Many companies, including Telia have a separate Code of Conduct for third parties. Normally this should not be necessary but the reason for a separate Code of Conduct for suppliers may be that there are specific requirements and topics that are only applicable for third parties. For example, Telia itself has offices which are modern, comfortable, secure and equipped with all necessary tools, while we may have suppliers in countries where a normal workplace is nothing like Telia offices and where the lack of local legislation and tradition of respect for labor conditions require Telia to be very specific in requirements on suppliers. In relation to suppliers (and other third parties), you will also require special rules on due diligence and requirements of disclosing the ultimate beneficial owner. These specific rules give raise to difficult decisions and deliberations locally and sometimes require escalations to enable a solution compliant with your policies/instructions. In Telia, we therefore also included specific guidance in the Code of Conduct for third parties, for when and how it was possible to give exceptions on requirement and by whom as well as how to follow up on exceptions and action plans agreed.

In 2013, one top priority for the new CEO was to get stronger governance over Eurasia in place. At this time the policies and instructions adapted for the group were not in general applied in Eurasia. As the operations in Eurasia were not fully-owned they were overseen, not primarily by group management and group functions, but by local boards. And even if Telia had a majority stake in these companies there was no structured process in place to ensure that the policies approved by Telia Board were applied in Eurasia. With the introduction of the CEOs new organization in spring 2014 the group management and group functions got responsibility and authority also in Eurasia in aspects of control, assurance and responsibility. This meant that also the group policies and instructions were to be implemented also in Eurasia.

### **3.4 Education and Communication**

In Telia, we have done a lot of training on anti-corruption and other different topics of responsibility. During the first years we prioritized face-to-face trainings. The training modules have been assessed annually and are designed for employees in various types of exposed positions. We have had trainings that are voluntary and trainings that are compulsory. Training is important and a way of creating understanding and building an ethical culture. E-learning are a cost effective way of reaching a broad audience, but we have come to appreciate the value from face to face interactions. The value from direct interaction and the possibility to discuss questions and dilemmas in a real setting cannot be measured in monetary terms, but we are convinced of that it, by far, exceeds any cost from doing the face-to-face sessions. However, with the introduction of the new Code of Conduct, we have also introduced e-learning trainings for the Code itself and the different areas for responsible business, using the same “look and feel” as the Code of Conduct itself, to emphasize that the Code, the underlying rules and processes and the trainings and further implementation all is part of a common effort to build responsible business.

The workforce in Telia is educated and intelligent adults, so it has been important for us to keep up a level of quality on the content and format of the training. We believe in the power of “why”. To explain why an anti-corruption program is important, not just because we are in a crisis mode or risk prosecution and high fines for bribery and kleptocracy but also the effects of corruption in the world and impacts on human rights.

We firmly believe that it is only through decisions and actions, as opposed to words and statements, that you create a culture of business ethics and “doing the right thing”. It is easy to make the right decision when everything else is equal and you are focusing only on the ethical aspect. However, the reality is more complex as there are several factors that impact our decision making, even factors that we may not be aware of. Our decisions may also be influenced by group and time pressure, fear of failing, shortsightedness and presumptions. That is why we need to train employees in ethical decision-making. We have worked together with professor Guido Palazzo to shed light on what he refers to as “ethical blindness”, how you can be influenced by factors that may momentarily “blind” you so to prevent you from doing the right thing, making the right choice, taking the right decision. Also good people (like yourself) can make bad decisions when put in different situations. In Telia, leaders on all levels are trained to understand the mechanisms behind ethical blindness

### **Friction / Dilemma - Ethical blindness**

While we normally believe that bad people do bad things, the idea of ethical blindness highlights the fact that everyone has the potential to get involved in unethical/illegal behavior. This behavior is not driven by the character of the person (as we normally believe) but by the power of the context in which someone makes a decision. The situation can be stronger than the person and stronger than reason. Influenced by the context – organizational pressure (maybe fear of failure or ridicule) or situational pressure (maybe time pressure, maybe group pressure, maybe authority pressure) – we start to perceive the world through a filter or through a tunnel preventing us from seeing clearly or outside of the tunnel. We all can become momentarily “blind”.

It is important to remember that also good people make bad decisions is not an excuse. We all have to be accountable for what we do (more on that below in chapter on disciplinary / corrective actions) but a better understanding of the difficulties in making the right choices and decisions will, we believe, support building a culture of ethics and integrity and support leaders to better understand themselves and others in situations of friction and dilemma.

### **Friction / dilemma – examples of dilemmas in the game**

Telia Company is conducting a supplier test. You participate in the audit team from Human Resources. Long days are spent on the tests and at the end of the week, the supplier wants to invite the test team from Telia Company to an ice hockey game as a thank you for a good week and all the efforts spent. What do you do?

Your manager has a great house with a pool in Italy. You are invited to come and spend a weekend with your spouse and kids in June. Is that okay? Your manager has left the company and is instead your “former manager” and friend. The former manager works as a senior consultant with his own business. You are invited to come and spend a weekend with your spouse and kids in the great house with a pool in Italy. Is that okay? Your manager has left the company and works as a CEO of a competitor and as such has access to tickets in the private box at Wimbledon for semi-finals. As he is not able to go, you are invited to use the box for family and friends. Is this okay?

You are a high-level manager in the company and next to the office is a new yoga studio. You love yoga and are delighted when they offer you free classes as a manner of promoting yoga and their studio to other employees in the company. Is it okay to accept?

We have also collected dilemmas from our own business and experiences in Telia that we then have used in an “ethical dilemma game” that the participants play in groups. To have transparent discussions in the groups on different alternatives of decisions and actions in a specific dilemma has proved quite popular, entertaining and (we hope) effective. How effective this training is remains of course to be seen and is difficult to measure, how do you measure the absence of wrong?

### **3.5 Due diligence and Third party management**

We got to work in September 2013 and we did not have all the answers from Day One. We had ongoing investigations and we learned of more and deeper problems as we went along. Many managers were asked to leave and others decided to leave the company.

We understood, as the months passed by, that the time and effort it would take to “fix the problem” would be greater than anticipated - significantly greater. During spring 2014, we also understood that we would be judged against the highest standards and requirements of effective compliance, as we would be implementing the anti-bribery corruption program while the company was under criminal investigation by three prosecuting authorities. You cannot sit in front of the DOJ and not know how to answer the (very reasonable) question; “do you know you are not paying bribes as we speak”? Indeed, it is hard to blame any continued wrongdoing on the previous management, so the responsibility was the new management and ours. We started off the ABC program in full speed with the investigations, fix-it remedial list, our risk assessments, a new organization, new governance, new policies and instructions, new speak up line, trainings and e-learning. The finance department did payment reconciliation on companies on group and holding level, introduced new risk catalogues and controls and strengthened the procurement department to include all companies in the Telia group for

a centralized approach. With all these actions, a year into the program we realized we had unsatisfactory control over third parties. The company could not account for whom it ultimately paid money to and why, maybe someone in the organization knew but it was not documented nor controlled. We could not answer affirmatively on the question; "Do you know you are not paying bribes as we speak?" It may seem unfair that you have to be so sure, how can you be, with an entire organization as well as third parties to be responsible for. However, the authorities are not very forgiving and do not buy the idea of "the rouge employee" or third parties that act irresponsibly, unethical or illegal without you knowing, so you have to take a leap of faith and be affirmative. The conduct of the employees and third parties are your risk and you have to mitigate the risk until you feel comfortable to answer "yes".

There was a need for new processes for third parties. Going forwards was one thing but what about the entire history of vendors, distributors, consultants, agents and other third parties? We called this historic inheritance "the backlog". To start with, we needed competence and processes set up for due diligence of third parties. In Telia, we had competence of how to do this in the E&C team, so we started by setting up a "due diligence" function in the E&C organization. As the procurement department added resources and competence we later transferred the due diligence team over to the new team within Procurement, "Responsible Procurement". We also recruited externally to make sure that experienced competence was available locally and centrally. We introduced consistent methodology, tools and approach to third parties across the Telia group. We set up the "back log project" with involvement of people from finance, procurement, legal and E&C to go through the historic third parties and contracts country by country. To build this competence and implement these controls on local level in each country took a lot of dedication, patience and perseverance from all involved.

Within third parties falls the company's activities in sponsorship, donations and philanthropy. In fact, these areas are high-risk activities for corruption and bribery. In countries where there is a systematic kleptocratic approach by the government, they do not hesitate to require that companies support this or another local so-called non-for profit or charitable organization. Companies feel compelled to contribute but they lack insight and control where the money actually goes, making the risks for bribery high.

Within the concept of third parties one should also consider M&A activities. For Telia, this was obvious, as our problems had started there, with bypassing the M&A team and controls and lack of scrutiny and/ or understanding of who the ultimate beneficiaries were behind the minority shareholders in some subsidiaries. All M&A activity must today be handled by the professional M&A team and in alignment with the M&A instructions (the M&A Handbook), which include a close collaboration with (among many other functions) the E&C team.

There will always be discussions if it is necessary to have due diligence on all third parties? What if we cannot identify the ultimate beneficial owner of a company; does that preclude us from doing business with this company? Do all vendors really have to comply with our code of responsible business conduct and internal rules? The correct answer to these questions are yes, yes and yes. To not know who you do business with is not acceptable anymore and it is not enough with a "tick-in-the-box" exercise, you have to apply human intelligence and experience to really understand the complicated and opaque structures set up to avoid transparency. In practice, we know that this is very difficult and takes time to achieve and it is important to remember that even this work should be risk based e.g. with more in-depth scrutiny on high risk areas. The risk of corruption, money laundry and fraud is of course smaller if the vendor is a company providing cleaning services than if it is a company providing consultant or sales promotion services or is a third party where it is difficult to understand what they actually are supplying. The due diligence is naturally not only done from a perspective of ABC but also other requirements in the Code. Some vendors may have an acceptable excuse for not complying with all our code requirements, and in some countries the vendors may not have access to helmets, harnesses and steel toe shoes that we require as safety measures, so we must give them time to comply and support the local vendors in developing towards compliance. It is a risk-based approach, however to evaluate the risk is not given nor easy. Especially as we deal with not only risk but also responsibility for the impact of our business on others. You need relevant competence locally and globally on how to identify and mitigate the risks.

We admit that this part of the compliance program has been the hardest and one where we have struggled a lot to keep going and overcome internal differences and external challenges. There are so many conflicting interests here; the processes take time and do inevitably, from time to time, cause irritating and even, to the day-to-day operations, harmful delays. Suppliers are preferred and tested since many years but still not acceptable from a compliance point of view. You may lack alternative suppliers, you may experience pressure from government or other influential people to work with a specific supplier ... The list is long and on top of all this friction, it takes time and resources to build competence and confidence so the road to effectiveness is bumpy. However, it is also the most important area of responsibility and it carries the highest risks as we see in global enforcement where some 90 % of the corruption cases in the US (FCPA cases) are involving third parties. It therefore requires special attention and support from executive management and the board.

### **Friction / dilemma – consequences of kleptocracy**

According to societal practice in Uzbekistan it is expected that local companies participate in building and strengthening society through different sponsorships and donations. These sponsorships and donations are not voluntary in as they are more mandated through direct requests. A company that does not agree to pay is likely to experience difficulties in the day-to-day operations such as revoked work permits, prolonged license application processes and creative application of tax laws. Every year you will receive requests to pay large amounts to different purposes, sports, education and other similar deserving purposes. The contributions are through to official bank accounts but you will not get real accounting of how the money was been spent. Should you pay? What happens if you don't? Telia have rules on Sponsorship and Donations requiring us to get full transparency and accounting for how the funds are used but is this applicable in Uzbekistan? Are there security risks involved in not paying? What does an "official bank account mean in a country where public officials also own or represent the bank? How does a "kleptocratic" government really work? Where, in the Telia group is there a risk for paying? Where, in the Telia group is there a risk for not paying? Not an easy dilemma ...

It is appropriate to mention that an overhaul of the company's approach to third parties and implementing effective compliance that include third parties is an exercise that requires spending money on people and processes. This is not wasted money. We have found over and over again, that by bringing in responsible business practices, compliance and controls on third parties you actually save more money than you spend in the end. First, by challenging corrupt business practices (such as for example the requests for sponsorships and donations mentioned above) you may actually change the external behaviors and the requests will stop. Second, fraud theory establishes that "opportunity" is an important enabler for fraud, and lack of controls and responsible business approach related to third parties means many opportunities for money going out the door. Thirdly, when you firm up your procurement practices you save money in general. Fourthly, most corruption, fraud and bribery happens through third parties and the consequences of high fines, lost trust and reputational damage as well as value deterioration are infinitely higher than any program for effective compliance and controls for third parties. Finally, fifthly, it is the right thing to do, as this is where a vast majority of violations against human rights, society and environment happens throughout the supply chain.

### **3.6 Reporting, Speak-Up, Non-retaliation**

During fall and winter, 2013-2014 Telia implemented a Speak Up line, accessible from all our offices, in all relevant languages and anonymity assured. The Speak Up line is accessible from the first page on the intranet and on the Telia external homepage. It is available for both internal and external parties that want to report concerns about misconduct. The Special Investigations Office receive, systematically log and manage incoming whistle blowing. As we opened the Speak up line, we had a surge of whistle blowing matters coming in. Normally, a large part of incoming cases is not relevant whistleblowing matters but rather vague complaints on managers being idiots and not rewarding the genius and hard work of the reporter. These reports are not handled in any other manner than logged (in case of future cases showing some pattern that might otherwise be missed) and closed with a thank you and information to the reporter. In Telia, we initially experienced that an unusually high number of the reports related to serious wrongdoing, such as fraud, conflict of interest and bribery. We also received cases that had been reported on earlier but disregarded or managed in a manner that had disappointed the reporter. The conclusion we made was that there had been a will to report but the company had not provided the means.

The most important factor that deters people from speaking up is that they are afraid of retaliation. Retaliation can be many things; big things such as being bypassed for a promotion or smaller things such as ending up less popular in the group. Retaliation can go on for a short period but can also continue and worsen into a systematic mistreatment of a person who in the end finds her- or himself forced to leave the company. Retaliation is very hard to put your finger on or prove but it is important to keep in mind that we are all creatures who want to be liked and respected. We rely on the group and to be part of the group is important for survival - also in the corporate context.



### **Friction / dilemma – focusing on the wrong thing**

It is very human to react with denial, frustration, anger, whitewash and appeasement when you or someone in your team or in your company is accused of wrongdoing. Especially when the accuser is someone, “who does not even dare to speak up in the open” but hides behind whistle blowing channels and the E&C team.

We have been responsible for receiving and managing many whistleblowing cases throughout the years - not only in Telia but also in other companies. Many times we have found that managers and executives are actually more interested in finding out who has blown the whistle than anything else in the investigation that may follow upon a whistle blowing. How do you react when a senior manager wants to know who has raised the concern? How can the manager initiate improvements if they do not know the details?

All sorts of reports come in through the Speak Up line and companies organize the follow up work differently depending on their organizational structure. In Telia we established a Special Investigations team in E&C that is responsible for managing the incoming reports and investigating matters of theft, fraud, conflict of interest, bribery and similar. Reports related to misconduct such as discrimination, bullying or similar are handed by the human resources department but nevertheless logged, followed up and closed off by the Special Investigations team.

### **Friction / dilemma – retaliation**

To be a whistle blower is rarely a good thing, career wise. Even famous whistle blowers that agreeably have done the right thing and contributed to a better company and better world find themselves having difficulties moving on in their professional life. The pressure of the “group” is strong and you will want to fit in. This may be the biggest cause of friction and dilemmas in a company but nevertheless, for ethics and compliance and your program for responsible business it is incredibly important to learn how to understand and handle the friction caused by whistle blowing and subsequent investigations.

The difficulties of speaking up, retaliation, humiliation and sometimes ultimately finding yourself unemployed have lead several authorities (the DOJ and IRS for example) in the US to reward the whistleblowers, in substantiated cases, with high amounts. As the fines for corporate wrongdoing are very high in the US, also the whistle blower rewards are very high, sometime millions of dollars. In Sweden and Europe, authorities reject this approach and although companies sometimes discuss a system of rewards to people who speak up we do not know of any company that has actually implemented this.

Recently Telia has opened the Speak Up line for external reporting on human rights violations. This is called Human Rights Grievance mechanism, the company is providing a channel, through which someone who’s rights may have been violated / impacted negatively can communicate with the company. Cases are reported to management and the board. Telia also reports on the whistleblowing cases and how they have been handled in the annual sustainability report. Your instinct will tell you to talk and report as little as possible about the cases, especially the cases that lead to disciplinary actions but from an effective compliance perspective it is the opposite. Make it visible that it is not okay to violate the common rules and expectations of behavior.

### **3.7 Special Investigations, disciplinary / Corrective actions**

The second most important factor to deter people from speaking up is “nothing happens anyway, so why would I expose myself to the uncomfortable consequences of speaking up”. It is a fair question and it puts a spotlight on the importance of high quality internal investigations. In Telia, we had gone through the MSA investigation during 2012-13 and we the NRF investigations 2013-2014. These investigations laid bare some big deficiencies of governance, controls and compliance and raised substantive red flags of corruption and other wrongdoing on the level of ownership transactions. To set up a Special Investigations Office that would be able to cope with matters of non-compliance, ABC- and other of common rules violations on operations level was a matter of priority – if you have all the smoke ...it is probably a fire somewhere. Only through thorough investigations will you have facts on the table that enables you to take the right action and decisions.

The job of special investigations is however a tough job. It requires intelligence, experience and integrity. It also requires that you are capable of working under pressure and producing reports that people can understand. As a special investigator you will sometime be the bearer of bad news and as such you may risk getting shot down. In Telia, we suspected that we had some work to do looking further into the operations, primarily, in Eurasia. As the new management signaled new

times ahead, we had established the E&C office and implemented the Speak Up line and we had reports on misconduct and concerns coming in. Experience from other companies in similar situations experience told us “one corrupt act leads to another”, Telia was probably not an exception to this and it was vital for the management and us to understand the full picture.

We recommend that, as in Telia, you have the highest level of engagement and commitment involving executive management in difficult ethical dilemmas, such as disciplinary actions. To delegate this down in the organization send out the wrong message, increase the friction on lower levels due to the lack of high management direction, and may jeopardize the effectiveness of E&C as well as the efforts of building a culture of ethics and integrity. One of the first questions that you will get from a regulator, when they test your program is “have all the perpetrators left the company” and “how many persons have been dismissed or disciplined due to misconduct”? The disciplinary actions are perhaps the most challenging part of the ethics and compliance work. The hard work with risk assessments, building an organization, working with policies and procedures, third parties and training will be in vain if implicated employees are not identified and managers responsible for misconduct are allowed to continue to stay in their positions. This will send very unfortunate signals to the organization and sow seeds of mistrust towards the work. In Telia, we have spent a great deal of effort talking about how important it is to understand how it is possible to become “ethically blind” and do bad things or make bad decisions which may be unethical or illegal and can have dipterous consequences. It is therefore fitting to underline that it is vitally important to discipline unwanted behavior and encourage/reward wanted behavior. Neither the E&C department nor the Special Investigations unit decides on consequences and in Telia we established an Ethics Forum consisting of certain executive management members that ultimately decide on what disciplinary actions are relevant. Disciplinary actions can for example be oral warnings, formal written warnings and dismissal, possibly demotion or change of responsibilities. The management might also see fitting to require additional training or similar to encourage behavioral change.

### **3.8 Improvement / audit / report**

In Telia, we were put under early and constant pressure to report progress on the E&C programs externally, especially the ABC program very early. This is both a blessing and a curse. Reporting both internally and externally on the structure of the program (s) and the progress is important to establish trust that you are handling the behavioral risks with adequate determination and it forces you to work hard to demonstrate progress. It helps you to find KPIs or other indicators of progress that makes sense and can be understood by the broader audiences. It forces you to plan, prioritize and execute. For Telia, the pressure to report externally to the board, shareholders and analysts prepared us for the exercise of reporting to the DOJ, the SEC and the Dutch and Swedish prosecutors.

It is very tempting to avoid reporting or disclosing things that are not so good or right out in a bad state. At the AGM 2015, Telia had an open “pre-meeting” for sustainability reporting and a possibility for questions and answers. We took the opportunity to talk about the challenges and difficulties we had encountered in implementing responsible business, particularly in the third parties area. We had the same approach in the Annual Report for 2014. TELIA got a lot of cred for that and it felt as it the audiences, who are also well versed in the area of responsible business and sustainability thought it was relieving to hear the unvarnished truth. The purpose for the openness is to build trust by sharing not only progress and your successes but also your difficulties and obstacles. We believe that transparency is the most effective manner to govern a company from a responsible business perspective, it gives different stakeholders access to information and takes the burden off the management to work miracles.

In Telia, the board and the executive management have the ultimate oversight of the responsible business programs. This is as it should be; the less filters between the E&C office and the board the more effective the program. Together with Internal Audit, we have found gaps and pressure points that Internal Audit has audited to enable us to improve and get actions up on the table, in case they have been slipping. We have engaged an external compliance specialist to help us understand our weaknesses and to help us prioritize during implementation. We have engaged a US based ethics institute to evaluate and benchmark the compliance programs. These are examples on what you can do to test your programs and get new lists of actions and priorities to work with.

Sometimes the external environment is so challenging that it is impossible or near impossible to implement responsible business practices because your whole business will be jeopardized trying. Working together with other companies – collective actions – may increase chances to succeed. Maybe there are other companies in the specific country that has the same problems as you are facing? Maybe the entire industry has the same problems? Telecommunications is an industry with many interaction points with governments and government officials for licenses, frequencies and different approvals and we have established collaboration among ourselves (the Telecom Industry Integrity Initiative) to evaluate and discuss manners of cooperation to decrease and tackle common situations of corruption. Similar initiatives can be

found in the extractive and shipping industries. Another joint initiative that we undertook was to launch a scholarship, together with the Anti-Corruption agency TRACE International, to support the education of a student from former Soviet Union, in Anti-Corruption studies at a top university in UK or US. The root causes for behavioral risks are to some extent external to the company and here collaboration with peers and other institutions can be one key to progress.

### **3.8 Tone from the top**

The model for E&C presents the core of the program as the “tone from the top”, which means that an effective compliance program requires that top management and the board understand and support all aspects of effective ethics and compliance. This includes acknowledging the existence and understanding the consequences of “friction and dilemmas” that will and must occur along the way in implementing effective compliance. There is a reason for putting the chapter on “Tone from the Top” last and not first. Tone from the top is not a single or repeated statement but what management and the board actually decides and does. The leadership and the tone will be set handling the friction and dilemmas. Every decision and every action counts and to build a culture of business ethics and responsible business requires steadfast adherence to your principles. The “tone form the top” is not just set at the very “top”, the executive management and the board. A direction is set at the very top but to mean something the direction must confirmed at all level of management in the company.

#### **Friction / Dilemma – silent resistance**

In setting up the E&C team in Telia, we found employees who wanted to join the team and we met managers and employees who wanted to support the efforts and welcomed the initiatives. But we also met managers and employees who were not convinced that this concerned them and some who felt insulted and provoked by statements of “change”, “ethics” and “responsibility”, statements implying that they had not done their job properly before the new board/new management/new E&C organization. People who resisted change and talk of acknowledging wrongdoing and assuming responsibility. Some of this resistance was very vocal and most of it left the company one way or another, but some was “silent resistance”. The silent resistance may rest in silence when the crisis is ongoing and it may even go away as people embrace change but some resistance remains and will pop up and take action when the opportunity arises, undermining the effectiveness of ethics & compliance and the journey towards a culture of ethics and integrity.

## **4. Epilogue**

On September 21<sup>st</sup> 2017, Telia entered into a DPA (Deferred Prosecution Agreement) with the DOJ (US Department of Justice), the SEC (US Stock Exchange Commission), the DPPS (the Dutch Public Prosecution Service) agreeing to criminal violations of bribery and subsequently to pay a total of \$965.603.972 in criminal penalties and disgorgements.

Despite the seriousness of the crime reflected in the high amount, Telia was awarded full credit (25% off the bottom of the otherwise-applicable U.S. Sentencing Guidelines fine range) for cooperation, extensive remedial measures, creating a new and robust compliance function throughout the company and implementing a comprehensive anti-corruption program as well as overhauling the company's corporate governance structure.

In an unusual recognition to the company, the DOJ further determined that, based on Telia's remediation and the state of its compliance program, an independent compliance monitor was unnecessary.

## 5. Questions for discussion

This case describes a framework and a methodology developed by two highly qualified E&C professionals in addressing issues of responsibility in Telia. The message is clear. The world is changing. Legal opinions from expensive law firms that used to protect decision makers are not necessarily useful as protection against reputational damage or even legal responsibility. Leaders are required to think for themselves and use their own judgement and “compass” to address and deal with highly complex issues. Developing and implementing a model and a methodology for addressing issues of responsible behavior is not an easy task. On the contrary, it is seemingly the very first step on a journey dedicated to make business more sustainable and the world a better place to live. The process described above was triggered by a “scandal” surfacing when investigating journalists discovered corruption as an integrated part of the business model put to practice in Eurasia. Or put differently, the lack of responsible behavior in a profitable part of a global company i.e. Telia Company. Without challenging the notion that responsible business is built on shared values and common understanding of what is right and wrong, and the proposition that a systematic and well-grounded methodology is the key to come to grips with responsible behavior, there is still room for more in-depth discussions.

In order to initiate, enhance or further develop responsible behavior through responsible leadership in your own organization, the following questions may get the process going:

### SETTING UP THE PROCESS

- One costume, different sizes – Is the methodology of Responsible business and Ethics & Compliance the same in other businesses? How could it be applied in your business?
- How important are different stakeholders/ what is the role of different stakeholders?

### MANAGING THE PROCESS

- Understanding the How- Who is responsible for making people understand the nuances in responsible behavior?
- How make third parties understand the corporate core values of responsibility?
- How to you prepare for unintended consequences (i.e. traffic light example)?
- How do you address ethical blindness?
- What are the most important mile stones for implementing responsible behavior?

### ON BALANCING FRICTION

- Walk the talk – How do you balance aspirational talk and the need to deliver proof points?
- On dilemmas and frictions - How much friction can an organization endure?
- How can ethics and compliance professionals be better supported?

### THE ROLE OF LEADERS/LEADERSHIP

- Crisis as a pre-requisite for responsible behavior – if no crisis, can we rely on leaders increasing awareness?
- Leaders and leadership – What may hinder leaders to take the lead in addressing responsibility?
- What is the role of leadership on different levels?
- How can responsible leadership support innovation and growth?

## About the authors

*Michaela Ahlberg* is a lawyer with 30 + years of experience of international and global business who has gravitated from a traditional business lawyer towards ethics and compliance. Before joining Telia Sonera, she had spent 6 years being responsible for ethics and compliance in challenging markets such as Middle East, Africa, the US and China working with Nokia Siemens Networks and Volvo Cars. She specializes in corruption and kleptocracy law and implementation of ABC programs.

*Anna Romberg* is an economist with solid experience in audit, corporate governance and compliance management and with a heart for building strong and responsible organizations. Topics that she had decided to explore further in a doctorate thesis. At Telia she was responsible for the Global Anti-Corruption program and regional ethics and compliance officer for Eurasia. Anna currently works as the Chief Ethics & Compliance officer at a Finnish multinational company.

*Ingalill Holmberg* is professor in Business Administration at Stockholm School of Economics. For more than two decades she holds the position as Director and Research Leader at Center for Advanced Studies in Leadership at SSE. Throughout the years she has been initiating and running a broad spectrum of research projects in collaboration with corporate partners and internationally recognized scholars. She is the author of a large number of articles and books on management and leadership. Her most recent works is on responsible business and responsible leadership.

During and after working together in Telia Company, Michaela and Anna have spent a great many hours walking and talking and further developing their models of ethics & compliance and responsible business. They are now writing a book, which they hope will encourage more companies and organizations to take words to action and build a culture of compliance, business ethics and integrity. Ingalill and Anna are working together on some academic projects relating to responsible business including the aspects and interplay of leadership and management control structures. Through the Responsible Business Roundtables, the authors aspire to share and create knowledge with the aim to drive innovation and support responsible and sustainable business.