

OCTOBER 2016

Human Rights Impact Assessments and Responsible Divestment Plan for Business Region Eurasia

Summary Project Report for Telia Company



About This Report

Telia Company commissioned BSR to undertake human rights impact assessments (HRIAs) for the company's Azericell (Azerbaijan), Geocell (Georgia), Kcell (Kazakhstan), Moldcell (Moldova), Tcell (Tajikistan), and Ucell (Uzbekistan) subsidiaries.

BSR undertook these HRIAs between October 2015 and May 2016 using a methodology based on the UN Guiding Principles on Business and Human Rights. These HRIAs identify human rights impacts, risks, and opportunities for each company, reach conclusions about those impacts, and make recommendations for their mitigation and management. The HRIAs were commissioned and funded by Telia Company, though BSR has editorial control over their contents. This report provides a summary of the full HRIAs.

In September 2015 Telia Company announced its intention to reduce its presence in Eurasia by divesting its Region Eurasia businesses. For this reason, BSR made recommendations in two distinct categories:

- » **For Telia Company**, we make recommendations for how to integrate human rights into the sales process through a responsible divestment plan.
- » **For each subsidiary and its current and future owners**, we make recommendations for how to manage and mitigate human rights impacts during the ongoing management of the companies.

No assessment was undertaken of the Ncell (Nepal) subsidiary because a sale had already been agreed to at the time of these assessments.

ACKNOWLEDGMENTS

BSR wishes to thank all Telia Company and subsidiary employees, rights holders, and stakeholders who participated in these HRIAs.

DISCLAIMER

The conclusions presented in this report represent BSR's best professional judgment based upon the information available and conditions existing as of the date of the review. In performing its assignment, BSR must rely upon publicly available information, information provided by Telia Company, and information provided by third parties. Accordingly, the conclusions in this report are valid only to the extent that the information provided to BSR was accurate and complete. This review is not intended as legal advice, nor is it an exhaustive review of legal or regulatory compliance. BSR makes no representations or warranties, express or implied, about the business or its operations. BSR maintains a policy of not acting as a representative of its membership, nor does it endorse specific policies or standards. The views expressed in this publication are those of its authors and do not necessarily reflect those of BSR members.

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Project Purpose and Description

Telia Company commissioned BSR to undertake human rights impact assessments (HRIAs) for the company's Azercell (Azerbaijan), Geocell (Georgia), Kcell (Kazakhstan), Moldcell (Moldova), Tcell (Tajikistan), and Ucell (Uzbekistan) subsidiaries. These HRIAs took place during Telia Company's planned divestment from these markets.

HUMAN RIGHTS IMPACT ASSESSMENT

The desired outcome of the project is that each subsidiary and its current and future owners possess the knowledge, insights, and perspectives to integrate human rights responsibilities into its management. For this reason, the objectives of the HRIA were to:

- » Identify actual and potential human rights impacts, risks, and opportunities.
- » Make recommendations for an action plan to address impacts, mitigate the risks, and maximize the opportunities relating to the policies, processes, plans, and activities of Telia Company.
- » Build capacity and increasingly empower relevant staff to lead constructive dialogue with stakeholders and improve management of human rights.

RESPONSIBLE DIVESTMENT PLAN

In September 2015 Telia Company announced its intention to reduce its presence in its Region Eurasia markets, including through the sale of its subsidiaries in Azerbaijan, Georgia, Kazakhstan, Moldova, Tajikistan, and Uzbekistan. Telia Company stated that "a process has been initiated in order to reduce the presence in Region Eurasia and over time fully leave," but that in the meantime the company "will continue to operate and develop the Eurasian operations in a sustainable and responsible way."¹

For this reason, BSR and Telia Company agreed to integrate a "responsible divestment plan" into the HRIAs that would take into consideration the human rights impacts, risks, and opportunities arising from the divestment. This required that BSR explore:

- » How to minimize human rights risks from the announced sale.
- » What to look for in the due diligence of potential buyers, such as their human rights record and commitments.
- » What activities to undertake during the sales period, such as using the final HRIA reports to build the capacity of the buyer to manage its new assets with respect for human rights.

The UN Guiding Principles on Business and Human Rights (UNGPs) form the basis of BSR's HRIA methodology, and Principle 18 states that assessment of human rights impacts should be undertaken "prior to major decisions or changes in the operation" of a company.² However, while the UNGPs and related literature contain a significant amount of content relating to human rights and new investments, such as market entry or new products and services, they have much less content relating to divestments, sales, and market exit. BSR and Telia Company hope that these HRIAs become a valuable resource for the future owner of Telia Company's Region Eurasia businesses, and for other companies seeking to integrate human rights considerations into market exit.

¹ <http://www.teliacompany.com/en/newsroom/news/news/press-releases/2015/9/teliasonera-is-not-a-long-term-owner-in-region-eurasia/>

² http://www.ohchr.org/Documents/Publications/GuidingPrinciplesBusinessHR_EN.pdf

ETHICS, CORRUPTION, AND HUMAN RIGHTS

Over recent years a number of facts have emerged about ethics and corruption concerns in Telia Company's Region Eurasia business. These concerns (such as those relating to the ultimate beneficiary owners of minority shareholders in Azerbaijan and Uzbekistan) are well documented elsewhere.³

It is rare for corruption itself to be categorized as a human rights abuse. The OECD's anti-bribery convention and the UN Convention Against Corruption do not frame corruption as a human rights violation, and the UN Universal Declaration of Human Rights does not include freedom from corruption as a human right.

However, it is well understood that there are strong links between ethics, corruption, and human rights. These links include the social disruption that corruption can cause and the similar root causes of bribery, malpractice, and human rights violations. An ethics violation—such as the selection of an unqualified supplier with poor health and safety practices—can result in significant human rights consequences.

In addition, there is also a movement toward taking a more holistic approach to the management of ethics, corruption, and human rights, such as exploring in more depth the impact of corruption on vulnerable groups. A case is also being made that freedom from corruption should be acknowledged as a fundamental human right.⁴

There are a number of investigations underway relating to Telia Company's approach to ethics and corruption issues in its Region Eurasia business, and these HRIAs did not seek to replicate their scope.⁵ However, BSR does strive to be highly cognizant of the links between ethics, corruption, and human rights, and BSR's recommendations do include a number of items related to anti-corruption activities.

³ <http://www.Telia Company.com/en/newsroom/press-releases/2015/10/clarification-on-financial-reporting-etc/>

⁴ For example, see "Freedom from Official Corruption as a Human Right" by Matthew Murray and Andrew Spalding http://www.brookings.edu/~media/research/files/papers/2015/01/27-freedom-corruption-human-right-murray-spalding/murray-and-spalding_v06.pdf

⁵ <http://www.teliacompany.com/en/newsroom/news/news/press-releases/2014/3/update-on-investigations-of-teliasoneras-investments-in-uzbekistan/>

TELIA COMPANY'S BUSINESS REGION EURASIA

BSR's HRIAs focused on six subsidiaries that together comprise Telia Company's Region Eurasia business. A seventh subsidiary (Ncell in Nepal) was sold shortly after the project commenced, and was not included in the scope of work.

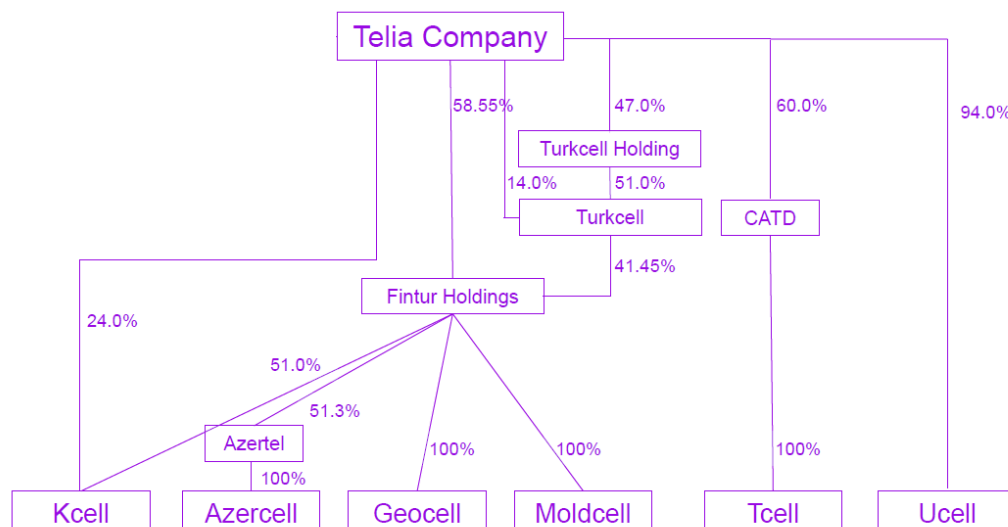
Four of the six subsidiaries (Azercell, Geocell, Kcell, and Moldcell) are owned by Fintur Holdings, which is 58.55 percent owned by Telia Company and 41.45 percent owned by Turkcell. Taking into consideration Telia Company's minority ownership in Turkcell, 74.3 percent of Fintur Holdings is ultimately owned by Telia Company, and 25.7 percent is owned by Turkcell. While Geocell and Moldcell are 100 percent owned by Fintur Holdings, Azercell and Kcell have other shareholders:

- » Azercell is 51.3 percent owned by Fintur Holdings and 48.7 percent by an unknown beneficiary. This nets out at Telia Company owning 38.1 percent of Azercell.
- » Kcell is 51 percent owned by Fintur Holdings, while 24 percent is directly held by Telia Company, and 25 percent is listed on the London Stock Exchange and Kazakhstan Stock Exchange. This nets out at Telia Company owning 61.9 percent of Kcell.

At the time of the HRIAs, Tcell was 100 percent owned by Central Asian Telecommunications Development B.V. (CATD), with 60 percent of CATD owned by Telia Company and 40 percent owned by the Aga Khan Fund for Economic Development (AKFED), an international development agency that promotes entrepreneurship and invests in enterprises in the developing world. In September 2016, Telia Company agreed to sell its 60 percent holding in CATD to AKFED.

Ucell is 94 percent owned by Telia Company and 6 percent by Takilant Ltd. Previously it has been unclear who the ultimate beneficiary owner of Takilant is. However, the Dutch government requested in court proceedings in the Netherlands that Ucell shares held by Takilant should be confiscated, and the court ruled in favor of the Dutch state. While full insight into whether all formal requirements for an actual transfer of title have been completed has not yet been obtained, there is a significant likelihood that the Dutch government will get formal title to the shares. This would make the Dutch state the owner of the 6 percent minority stake in Ucell.

Telia Company maintains operational control of all the subsidiaries.



Telia Company's subsidiaries in Business Region Eurasia are mobile service providers serving both consumer and corporate markets, including small, medium, and large companies. Unlike Telia Company subsidiaries in Business Regions Europe and Sweden, these subsidiaries have little involvement in the distribution of TV content—though there are some exceptions, such as mobile TV services at Kcell.

Subsidiary	Country	Company
Azercell, Azerbaijan	<ul style="list-style-type: none"> » 10 million people » Significant oil and gas exports » 55% urban » President Ilham Aliyev (since 2003) 	<ul style="list-style-type: none"> » No. 1 mobile service provider » 4 million customers » 48 percent market share » Competitors are Bakcell and Azerfon
Geocell, Georgia	<ul style="list-style-type: none"> » 3.7 million people » EU Association Agreement » Significant liberalization and deregulation » President Giorgi Margvelashvili (since 2013) 	<ul style="list-style-type: none"> » No. 2 mobile service provider » 1.8 million customers » 35 percent market share » Competitors are Magticom and Beeline (VimpelCom) » 1,300 base stations
Kcell, Kazakhstan	<ul style="list-style-type: none"> » 18 million people » 131 ethnicities » Vast natural resources » President Nursultan Abishuly Nazarbayev (since 1991) 	<ul style="list-style-type: none"> » No. 1 mobile service provider » 10 million customers » 43 percent market share » Competitors are Beeline (VimpelCom), Tele2, and Altel (Kazakhtelecom) » 7,000 base stations
Moldcell, Moldova	<ul style="list-style-type: none"> » 3.5 million people » Services based economy » EU Association Agreement » President Nicolae Timofti (since 2012) 	<ul style="list-style-type: none"> » No. 2 mobile service provider » 1.1 million customers » 30 percent market share » Competitors are Orange and Moldtelecom (state-owned)
Tcell, Tajikistan	<ul style="list-style-type: none"> » 8 million people » Over 40% GDP is remittances from Tajiks working abroad » President Emomali Rahmon (since 1992) 	<ul style="list-style-type: none"> » No. 1 mobile service provider » 3 million customers » 37 percent market share » Competitors are Beeline (VimpelCom), MegaFon (itself 25.2% owned by Telia Company) and Babilon Mobile
Ucell, Uzbekistan	<ul style="list-style-type: none"> » 31 million people » Large cotton exports, and other commodities » President Islam Karimov (1991 – 2016) 	<ul style="list-style-type: none"> » No. 2 mobile service provider » 9 million customers » 41 percent market share » Competitors are Beeline (VimpelCom) and UMS (Uzbek government and MTS) » 4,500 base stations

Methodology

BSR's HRIA methodology is aligned with the UNGPs and uses the international legal human rights framework as the basis for defining the scope of the term "human rights." Therefore, our HRIA methodology uses as its baseline the universe of rights codified in the following international instruments: The Universal Declaration of Human Rights; The International Covenant on Civil and Political Rights; The International Covenant on Economic, Social, and Cultural Rights; the eight ILO Core Conventions; The Convention on the Rights of the Child; and ILO Convention 169 on Indigenous Peoples.

PRIORITIZING HUMAN RIGHTS

BSR's HRIA methodology identifies human rights impacts, and the human rights risks and opportunities arising from those impacts. BSR's HRIA methodology also prioritizes human rights using factors contained in the Principles 19 and 24 of the UNGPs, such as:

- » **Scope**—How many people could be affected by the harm or opportunity?
- » **Scale**—How serious are the impacts for the victim?
- » **Remediability**—Will a remedy restore the victim to the same or equivalent position before the harm?
- » **Likelihood**—What is the likelihood of the impact occurring?
- » **Leverage**—How much leverage does Telia Company have to influence the impact?

RIGHTS HOLDER ENGAGEMENT

Effective human rights due diligence requires meaningful engagement with "rights holders"—people whose human rights may be impacted by the company. Particular attention should be paid to human rights impacts on individuals from groups or populations that may be at heightened risk of vulnerability or marginalization.

In total BSR undertook 30 interviews of Telia Company staff, 71 interviews of staff at the subsidiaries, and 52 interviews of other rights holders and stakeholders, including civil society organizations, human rights defenders, multilateral agencies, and government representatives. These interviews mainly took place in person, though some were conducted by phone. For reasons of safety and security we are keeping the identities of the individuals and organizations consulted confidential.

HUMAN RIGHTS ASSESSMENT PROCESS

BSR undertook the HRIAs between October 2015 and May 2016. However, given the rapidly evolving political context, it is important to note when each assessment took place:

- » Azercell: October and November 2015
- » Geocell: January and February 2016
- » Kcell: January and February 2016
- » Moldcell: January and February 2016
- » Tcell: April and May 2016
- » Ucell: April and May 2016

BSR followed the same four-phase process for each HRIA, summarized in the table below:

Phase	Method
IMMERSION Building BSR knowledge of the country context, Telia Company, and the subsidiary.	<ul style="list-style-type: none"> » Interviews with relevant Telia Company staff » Review relevant company documentation » Desk-based country research of each country » Interviews with country experts
MAPPING Identifying relevant issues, risks, and opportunities through rights holder and stakeholder interviews.	<ul style="list-style-type: none"> » In-country visits » Interviews with subsidiary staff » Interviews with relevant stakeholders and rights holders
PRIORITIZATION Prioritizing human rights risks and opportunities to determine where company efforts and resources should be focused.	<ul style="list-style-type: none"> » Apply UNGPs concept of severity (scale, scope, remediability) » Consider likelihood and leverage
MANAGEMENT Reaching conclusions and developing recommendations for mitigation measures in the short, medium, and long term.	<ul style="list-style-type: none"> » Dialogue with Telia Company and key subsidiary staff » Test, revise, and finalize conclusions and recommendations

BSR supplemented stakeholder and rights holder engagement with country human rights context available in publicly available reports. These included reports published by the Business Anti-Corruption Portal,⁶ Freedom House,⁷ Human Rights Watch,⁸ OECD,⁹ U.S. State Department,¹⁰ U.S. Department of Labor,¹¹ Transparency International,¹² and various UN Human Rights Committees and Councils, as well as local publications (such as reports from local national human rights ombudsmen).

In this assessment, BSR provides analysis, reaches conclusions, and makes recommendations for the management of human rights. We accomplish this based on a review of Telia Company documentation, desk-based research, interviews with Telia Company executives and employees, interviews with rights holders and stakeholders, and observations from site visits.

However, it is important to note that BSR's assessment is not an audit, and it does not apply a specific professional auditing standard. BSR has not undertaken a complete examination of all data, records, operations, and performance information, and we have not reached a formal auditor's opinion.

In addition, while conclusions and recommendations are made for each subsidiary, the BSR assessment is not intended to be read as a benchmark or comparison between countries. Issues such as the timing of the assessment and the uniqueness of the local context make such comparisons inappropriate.

⁶ <http://www.business-anti-corruption.com/>

⁷ <https://freedomhouse.org/reports>

⁸ <https://www.hrw.org/world-report/2016>

⁹ <http://www.oecd-ilibrary.org/>

¹⁰ <http://www.state.gov/j/drl/rls/hrrpt/>

¹¹ <https://www.dol.gov/agencies/ilab/our-work/child-forced-labor-trafficking>

¹² <https://www.transparency.org/country>

Human Rights at Telia Company

Telia Company has stated its commitment to the United Nations' Universal Declaration of Human Rights, the core conventions of the International Labour Organization, and the OECD Guidelines for Multinational Enterprises. Telia Company is a signatory of the United Nations Global Compact and a member of the Telecommunications Industry Dialogue on Freedom of Expression and Privacy,¹³ and it has observer status with the Global Network Initiative.¹⁴

POLICIES AND INSTRUCTIONS

Telia Company's approach to human rights is set out in a collection of "group policies" and "group instructions." Group policies are approved by the Telia Company Board of Directors and contain the scope and purpose, principles, and roles and responsibilities that apply to the issue. Group instructions are approved by the Telia Company CEO and go into more detail by describing the objectives and requirements that apply to that issue. Some of the most relevant policies for these HRIAs are:

Policy	Summary
Freedom of Expression in Telecommunications	» Telia Company standards for supporting and respecting the freedom of expression, especially when governments or national authorities make unconventional requests or demands concerning the surveillance of communications, and related legislation and legal requirements.
Anti-Bribery and Corruption	» Commits Telia Company to the highest norms of business conduct, sets common standards for all Telia Company businesses regarding compliance, and commits to a zero tolerance policy towards any form of bribery and corruption.
Customer Privacy	» Establishes privacy standards, and defines the type of personal data Telia Company collects about individuals, when Telia Company collects it, and how Telia Company processes it.
Procurement	» Commits Telia Company to sustainability across the whole supply chain. All procurement activities should be conducted to meet ethical, environmental, and social sustainability standards across the entire supply chain.
People	» Describes Telia Company's responsibility to provide a sustainable working environment, with fair terms of employment for all employees. Includes commitments relating to human rights; nondiscrimination and equal opportunities; child labor; forced labor; freedom of association and collective bargaining; occupational health and safety; total remuneration and working hours; integrity.
Recruitment	» Defines uniform standards for recruitment, and states that all Telia Company recruitments should be based on respect for the individual regardless of age, gender, marital or parental status, color, religion, race, ethnic origin, nationality, disability, sexual orientation, or political opinion.

¹³ <http://www.telecomindustrydialogue.org/>

¹⁴ <http://www.globalnetworkinitiative.org/>

PREVIOUS HUMAN RIGHTS ASSESSMENT

In 2012 Telia Company commissioned the Danish Institute for Human Rights (DIHR) to undertake a group-wide human rights impact assessment. This was completed in April 2013.

The DIHR assessment identified findings and recommendations in the areas of policy commitments (such as the need for improved privacy, freedom of expression, and supply chain policies), impact assessments (such as country-level human rights impact assessments), and integration (such as improved processes for handling and escalating government requests, and increasing staff awareness of policies, processes, and expectations for human rights and anti-corruption). Implementation of these recommendations is reflected in the policies and instructions, above, and in the in-depth country-specific HRIAs covered by this report.

HUMAN RIGHTS GOVERNANCE AND TRANSPARENCY

The Board of Directors has overall responsibility for oversight for sustainability, ethics, and human rights at Telia Company, with implementation discussed at the Board Sustainability and Ethics Committee.¹⁵ In addition, Group Executive Management and Governance, Risk, Ethics, and Compliance (GREC) meetings are main discussion and decision-making forums for Telia Company's human rights activities. These GREC meetings happen both globally and regionally on at least a quarterly basis.

Telia Company operates a whistle-blowing "Speak-Up" line where employees, customers, business partners, and other stakeholders are encouraged to report concerns they may have about Telia Company policies being violated. Reports are handled confidentially and Telia Company prohibits any retaliation related to reported concerns. The "Speak-Up" line is marketed primarily for anti-corruption and bribery issues, though human rights whistle-blowing is not excluded for Telia Company's Region Eurasia business.

Telia Company is 37 percent owned by the government of Sweden. In its Business and Human Rights Action Plan,¹⁶ the Swedish government sets out its ownership policy that state-owned enterprises "set a good example in the area of corporate social responsibility...for example by striving to comply with international guidelines such as the UN Guiding Principles." While Telia Company is not a state-owned enterprise, the state ownership policy includes "seek[ing] to ensure that the ownership policy is followed, in dialogue with other owners" when the state is a part-owner.

Significantly for this assessment, every six months since mid-2014 Telia Company has published Law Enforcement Disclosure Reports with statistics covering data requests from the police and other authorities in Denmark, Estonia, Finland, Nepal, Norway, Spain, and Sweden. Georgia and Moldova were added to the report covering the first six months of 2015, and have been included ever since.¹⁷ Telia Company's aim is to add similar statistics from additional markets to the reporting, and is analyzing the situation in other markets to see how much extra disclosure is possible.

In addition to the reporting of statistics, the Telia Company Law Enforcement Disclosure Report provides information on "unconventional requests" or demands from governments with potentially serious impacts on the freedom of expression. These exceptional and unconventional requests and demands are called "major events" by Telia Company, and could include incidents such as direct network access, shutdown

¹⁵ <http://www.teliacompany.com/en/about-the-company/corporate-governance/board-of-directors/>

¹⁶ <http://www.government.se/contentassets/822dc47952124734b60daf1865e39343/action-plan-for-business-and-human-rights.pdf>

¹⁷ <http://www.teliacompany.com/en/sustainability/reporting/law-enforcement-disclosure-report/>

of networks, blocking of access to the internet or specific websites, or substantial upgrades to a surveillance system. Telia Company has published information about “major events” in countries without statistics in the Law Enforcement Disclosure Reports, including Kazakhstan and Tajikistan. However, owing to strict laws on confidentiality, or other circumstances such as the liberty and safety of staff, Telia Company is not always able to publish any or all specific information about “major events”.

Finally, the Law Enforcement Disclosure Report also provides an overview of Telia Company’s law enforcement relationships policies, procedures, and public policy positioning, and links to relevant legislation, especially that covering direct access by governments to Telia Company’s networks and systems. For example, the report describes Telia Company’s advocacy that governments should not have direct access to a company’s networks and systems, and its support for clear and transparent legal provisions on proportionality and the necessity for all government surveillance of communications.

TELECOMMUNICATIONS REGULATORY CONTEXT

Certain aspects of the local telecommunications policy context played a significant role in BSR’s assessments, especially those relating to privacy and freedom of expression issues. BSR undertook considerable analysis of these laws and regulations during each HRIA and significant detail was provided in our final reports.

While the exact laws and regulations varied from country to country, it was common for local laws to allow direct and real-time government access to network traffic without having to send requests to the Telia Company subsidiary and without the subsidiary’s knowledge. This direct access is enabled by a type of technical system for the interception of online communications common in former Soviet Union republics, generally referred to as SORM. This type of system is known to be capable of:

- » Intercepting all telephone traffic, including mobile telecommunications
- » Monitoring internet traffic and voice over internet protocol (VoIP) communications
- » Monitoring all communications media and enabling the long-term storage of data

The main difference between SORM and other systems is the legal framework through which law enforcement agencies can monitor citizens. Whereas in many countries law enforcement agencies need to ask the telecommunications operator for assistance, in former Soviet Union republics, the legal system often allows law enforcement agencies to bypass the telecommunications operator entirely via the SORM system of direct access. Telia Company and the local subsidiary have no way of knowing how often and for what purpose communications traffic is accessed.

It should be noted that SORM sits alongside a more conventional law enforcement request system whereby law enforcement agencies request assistance from telecommunications companies for historical traffic data (such as who called whom, when, and for how long) and subscription data (e.g., the subscriber identity of a specific telephone number).

A number of these markets were implementing various methods of content restriction at the time of the HRIAs. Sometimes these restrictions were implemented centrally without the involvement or knowledge of the subsidiary and sometimes they were implemented by the subsidiary at the request of the local

authorities. Where possible, these restrictions are described in Telia Company's Law Enforcement Disclosure Reports.¹⁸

HUMAN RIGHTS IN TELIA COMPANY SUBSIDIARIES

It is Telia Company's intention that its global policies are approved by the Boards of the local subsidiaries, with the local CEO being responsible for implementation via execution of the accompanying "instructions." During the six HRIAs, BSR reviewed records of the extent of implementation of these policies and instructions, including whether:

- » Localized versions are available on the company intranet
- » Content is known by all employees
- » Processes and ways of working are implemented
- » Compliance criteria are in place
- » A local owner has been assigned

Shortly after the completion of BSR's HRIAs, Telia Company completed a certification process to ensure that all policies and instructions had been approved and were being implemented by all six subsidiaries prior to their sale.

The adoption of this human rights policy infrastructure at the six subsidiaries represents a significant step forward in respect for human rights at Telia Company. In the assessment, BSR found that awareness of these policies and instructions was high among subsidiary management, who viewed them as a substantial asset that supported commercial success through the application of international business standards. This was especially true of policies and instructions relating to freedom of expression, customer privacy, procurement, and occupational health and safety. BSR identified a large number of cases where global policies and instructions were to be implemented by subsidiaries, including:

- » Proactive efforts to influence national privacy and freedom of expression policies and practices in accordance the Telecommunications Industry Dialogue principles and the "necessary and proportionate" framework.
- » Significant use of the Telia Company process for the escalation of potentially major freedom of expression events and pushing back against over-broad data or content blocking requests from governments.
- » Audits of local suppliers (such as network maintenance and field services suppliers) against the Telia Company procurement standards, resulting in corrective action plans.
- » Implementation of new occupational health and safety processes and standards.

¹⁸ <http://www.teliacompany.com/en/sustainability/reporting/law-enforcement-disclosure-report/>

Risks and Opportunities

BSR's assessment identified the following actual and potential human rights impacts in each subsidiary, including both risks and opportunities.

Impact	Risk Description
Security	Inappropriate actions by law enforcement agencies may result in data captured from the company's systems (either via direct access or via a law enforcement request) being used to violate the security of persons.
Privacy	Law enforcement agencies may make over-broad requests for personal data or access personal data directly.
	The company or related commercial entities (such as advertising partners) may retain, process, or access more personal information than required for the stated purpose.
Freedom of Expression, Association, Assembly	Fear of surveillance and its consequences (both perceived and real) may result in rights holders not able to exercise their right to freely express themselves or assemble/associate.
	Internet or telecom services may be blocked, restricted, or taken down.
Anti-Discrimination	Employees may be discriminated against based on characteristics such as gender, LGBT status, ethnicity, language, pregnancy, or disability, or for defense of ethics standards—such as through reduced career opportunities.
Health and Safety	Employees may suffer negative impacts on their health and well-being as a result of poor health and safety procedures.
	Employees of suppliers may suffer negative impacts on their health and well-being as a result of poor health and safety procedures, especially in field services/network maintenance.
ICT and Development	Customers and users can increase their well-being by using mobile technology to access public services, such as money, health, education, and other government services.
Human Trafficking	Internet/telecom services may be used to facilitate illegal trafficking in people.
Child Rights	Internet/telecom services may be used to facilitate illegal trafficking in children.
	Child labor may be found in the supply chain.
	Children may access inappropriate material online.
Labor Standards	Employees may have labor rights violated, such as in the areas of remuneration, working hours, right to family life, and free association
	Employees in the supply chain may have labor rights violated, such as remuneration, working hours, right to family life, and free association.
Land Rights	Local level corruption (e.g., involvement in land confiscation) relating to land acquisition for network equipment by local subcontractors.
Security in Conflict Zones	Operating adjacent to zones of conflict could result in security services violating human rights during efforts to protect the network from vandalism or attack.

While companies are expected to address all their adverse human rights impacts, it is not always possible to address them simultaneously. For this reason, and consistent with Principles 14 and 24 of the UNGPs, BSR categorized these impacts as high-, medium-, or low-priority based the severity of the impact, which is judged by factors such as the scale, scope, and remediability of the impact. Prioritization of impacts is undertaken according to their materiality to rights holders, and not their materiality to financial success. BSR also considered how closely connected the subsidiary is to the impact and the extent to which the company has leverage over the impact.

BSR's prioritization of these human rights impacts is provided in each country specific report and not provided here, since country-to-country comparison is not appropriate. That said, it is worth noting that security and privacy impacts were consistently prioritized, while the prioritization of other impacts (such as labor rights or freedom of expression) varied according to the local context.

Conclusions

Before making recommendations it is important to share some high-level conclusions about Telia Company's human rights impacts in the six countries, and its room for maneuver to address them. BSR reached conclusions that are relevant to Telia Company and all six subsidiaries, as well as conclusions that are specific to each subsidiary. These conclusions for Telia Company are summarized here, with a more detailed and complete analysis for each subsidiary provided separately to Telia Company.

The following conclusions are relevant to Telia Company and all six subsidiaries.

- » **At the global level, Telia Company has made substantial progress addressing human rights since the DIHR impact assessment undertaken in 2013.** The company now has a significant human rights infrastructure—such as policies, instructions, and public reports—to draw upon when implementing respect for human rights in local markets.
- » **At the local level, each subsidiary has undertaken a meaningful collection of proactive actions to respect human rights, with many company leaders displaying a strong commitment to international standards of business conduct.** BSR witnessed meaningful evidence of Telia Company's global policies and instructions being implemented at the local level, such as staff training and new accountability mechanisms. We also learned about specific actions to respect human rights, such as challenging overbroad data requests from governments or requiring human rights action plans from suppliers.
- » **While each country is different, the local corruption and human rights context presents significant systemic challenges to applying Telia Company's human rights infrastructure.** Notably this includes laws allowing direct and real-time government access to network traffic without company knowledge, and varying degrees of systemic corrupt business practices in the countries that can complicate sales and procurement processes. At the same time, this re-enforces the importance of implementing Telia Company's global policy and instruction framework.
- » **Active and engaged ownership is a pre-condition to advancing respect for human rights in local markets.** We identified a sharp contrast in Telia Company's approach to human rights pre-2013 (when subsidiaries were viewed as an investment from a distance) and post-2013 (when an engaged approach was taken). The latter approach had a significant mitigating impact on human rights risks, and it will be important for the purchasing entity to maintain active and engaged ownership.
- » **Ownership transparency has a material influence on human rights leverage.** For example, Kcell's London stock exchange listing is a significant source of leverage (such as the requirement to issue press releases on material issues) and stands in stark contrast with unknown ultimate beneficiary owners at Azercell and Ucell. When planning a responsible exit, the ownership and related transparency obligations of the purchasing entity will be a significant factor.
- » **Law enforcement disclosure reports are influential.** While sometimes curtailed by legal restrictions, the publication of law enforcement disclosure reports by telecoms companies is having

a positive impact on global, regional, and local public policy development on freedom of expression and privacy.

- » **Some big challenges (e.g. direct government access to networks, or the creation of single gateways for international internet and telecoms traffic) are similar across ex-Soviet republics. The “long game” of diplomacy, collaboration, and advocacy present the most promising opportunities for sustained impact over time.** Systemic human rights challenges can only be sustainably addressed over the long term and through efforts that bring together the assets, voices, and power of different stakeholders at local, regional, and international levels. Initiatives such as the Global Network Initiative, the Telecommunications Industry Dialogue, and the Council of Europe Group of States Against Corruption are important forums for addressing human rights and corruption challenges that are common across multiple markets. A recent Global Network Initiative and Telecommunications Industry Dialogue joint statement against network and service shutdowns provides an example of this action in practice.¹⁹
- » **The amount of space available for civil society organizations to pursue their objectives is a key variable in the extent of human rights leverage.** Telia Company has significantly less opportunity to pursue human rights strategies proactively in countries where the government has placed considerable restrictions on the ability of local civil society organizations to operate freely. Coalition building in favor of human rights reform can be extremely difficult in these markets, sometimes leaving Telia Company in the position of being a lone voice in favor of human rights protection.
- » **Increased dialogue with local stakeholders on topics such as telecommunications policy reform and economic development could help establish a more supportive policy context.** While not directly related to human rights, improving the regulatory infrastructure—such as the creation of an independent telecommunications regulator in countries where one doesn’t exist—would provide a more accommodating environment for reform in areas such as privacy and freedom of expression.
- » **Significant human rights challenges remain, and the prospects of addressing them will depend on the identity, attributes, and human rights commitment of the purchasing entity or entities.** Key features of the buyer, such as their human rights commitments and “tone at the top”, will be material in determining whether recent improvements can be sustained. It will also be critical for the purchasing entity to express strong commitment to human rights very early on during the acquisition process—ideally during the sales announcement itself—to reduce the risk that subsidiary staff lessen the rigor with which they implement relevant policies and instructions.

¹⁹ <https://www.globalnetworkinitiative.org/news/global-network-initiative-and-telecommunications-industry-dialogue-joint-statement-network-and>

Recommendations

BSR provided recommendations in three areas: human rights at Telia Company overall, a “responsible divestment plan” to integrate human rights into the sale of Telia Company’s subsidiaries, and “management and mitigation plans” to integrate human rights into company management by each subsidiary and their current and future owners. Recommendations for the first two are summarized here, with additional detail and subsidiary-specific recommendations provided to Telia Company separately.

HUMAN RIGHTS AT TELIA COMPANY

BSR recommends two ways in which Telia Company’s own human rights approach can be improved. Making these changes now would increase the chances of similar approaches being adopted by the purchasing entity:

- » Strengthen the company’s human rights infrastructure by establishing a single human rights policy from which the existing issue-specific policies cascade.
- » Integrate human rights more deliberately into Telia Company’s “Speak-Up” ethics line, such as in marketing the service and identifying likely remedy options for potential human rights grievances.

RESPONSIBLE DIVESTMENT PLAN

BSR recommends a responsible divestment plan with three dimensions, summarized here.

- » **Undertake pre-sale due diligence on potential purchasing entities.** During the assessment it became clear that the identity and human rights approach of the purchasing entity will have a material impact on respect for human rights, and for this reason BSR recommends that Telia Company assess the human rights performance and context of potential purchasing entities.

For example, the purchasing entity’s country, regulatory, and shareholding context, such as stock exchange listings or home government human rights record, could have a material impact on whether a human rights program is retained after the sale. Similarly, the human rights performance of the purchasing entity—including commitments entered into during the sale, such as to the Global Network Initiative or Telecommunications Industry Dialogue Guiding Principles—would send an important signal to the subsidiaries that a human rights policy framework will be retained following Telia Company’s exit.

- » **Attach human rights conditions to the sale.** BSR recommends that Telia Company request (e.g., through a statement of intent or appropriate contract language) that the purchasing entity make certain human rights commitments during the sale, such as to continue Telia Company’s relevant policies, processes, and programs, publish law enforcement relationship reports, establish a public policy position against direct access and in favor of “necessary and proportionate” approaches to law enforcement processes, or to join the Telecommunications Industry Dialogue.

At the ambitious end of the spectrum, BSR recommends that Telia Company deploy certain financial mechanisms common during a sales process to secure human rights commitments, such as establishing an escrow account where funds are released to the buyer upon certain human rights commitments being met. At the more basic level, these six HRIAs and the overall Telia Company human rights program represent a significant body of work to hand over to the purchasing entity via a

program of training and capacity building. There are other activities that Telia Company can undertake at this stage in the process, such as encouraging and facilitating dialogue between the Swedish government and the home government of the purchasing entity to advocate for a proactive approach to respect for human rights by the purchasing entity.

- » **Undertake post-sale activities designed to enhance respect for human rights after Telia Company's exit.** BSR recommends that Telia Company invest in a positive legacy over the long term by sharing lessons learned from its experience in business region Eurasia, and enhance collective understanding of how to respect human rights in high risk contexts. Given the close relationship between corruption and human rights, Telia Company could consider endorsing the concept of freedom from corruption being acknowledged as a fundamental human right.

There are two activities in particular that could have a lasting impact. First, Telia Company can increase awareness of direct government access to telecommunications networks, including facts relating to direct access, the risks associated with direct access, and lessons learned about strategies to mitigate those risks. This could be achieved via research reports, seminars, and dialogues run through an entity such as the Global Network Initiative and Telecommunications Industry Dialogue. These activities should be designed to build multi-stakeholder public policy momentum against direct access at a global level. Second, Telia Company can provide substantial financial support to a medium-term anti-corruption or human rights initiative—such as a think tank, university department, or civil society organization—with the goal of supporting long-term systemic improvements in the areas of anti-corruption and human rights.

Pre-Sale Due Diligence	Sale Conditions and Activities	Post-Sale Follow Up
<ul style="list-style-type: none"> » Assess the human rights (and broader sustainability, ethics, and compliance) performance of the purchasing entity » Assess the human rights context surrounding the purchasing entity that will influence its human rights approach » Seek human rights commitments and assurances from the purchasing entity » Only sell to a purchasing entity meeting minimum human rights criteria 	<ul style="list-style-type: none"> » Secure human rights statement of intent from purchasing entity » Establish enforceable financial incentives or penalties to secure human rights commitments » “Hand over” knowledge of human rights impacts, risks, and opportunities » Build the capacity of the purchasing entity and the subsidiaries to manage human rights » Provide options for “at risk” employees » Initiate public and internal communications around the role of human rights in the sale » Encourage government to government dialogue 	<ul style="list-style-type: none"> » Use any remaining leverage that may exist with the purchasing entity (e.g., via part-ownership) » Participate in industry-wide and regional human rights and anti-corruption efforts » Tell the Telia Company Region Eurasia human rights story » Provide substantial financial support to a medium-term anti-corruption or human rights initiative

About BSR

BSR is a global nonprofit organization that works with its network of more than 250 member companies and other partners to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org for more information about BSR's 25 years of leadership in sustainability.

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