TELIA COMPANY SUSTAINABILITY UPDATE JANUARY-JUNE 2016
SUMMARY

Below is a summary of our sustainability work during the first two quarters of 2016. To give an updated and complete picture of what we have accomplished, it also includes information related to the third quarter of 2016. The report also contains a summary of our Law Enforcement Disclosure Report, which is published together with this report.

Significant events

- In September, we launched our new Code of Responsible Business Conduct.
- Human Rights Impact Assessments were finalized in all region Eurasia subsidiaries.
- We co-hosted the Stockholm Tech Fest and Solutions Summit, a forum for investors and entrepreneurs to meet to discuss ways of contributing to the UN Sustainable Development Goals.
- CEO Johan Dennelind attended the UN Social Good Summit and launched GSMA’s ‘SDGs in Action’ app.
- Together with Deloitte UK we developed and released the ‘Accelerating Sustainable Growth’ report that lays out how further digitalization can drive sustainable growth and help overcome societal challenges in the Nordics and Baltics.
- We designed and launched a ‘Children Advisory Panel’ aimed at engaging with children and youth in the Nordics and Baltics around their online lives.

All In

<table>
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<tr>
<th>Strategic objective</th>
<th>2018 goals</th>
<th>2016 progress</th>
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<tr>
<td>Connecting the unconnected</td>
<td>The concept of shared value creation is fully integrated in company develop-</td>
<td>Further business planning integration</td>
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<td>A healthy and safe society</td>
<td>ment processes</td>
<td>Local activities such as ‘SmartLabs’ programming workshops in Estonia</td>
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<tr>
<td>Digital entrepreneurship and innovation</td>
<td></td>
<td>‘Accelerating Sustainable Growth’ report released</td>
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<td>Education for all</td>
<td></td>
<td>Telia Company participated in the Stockholm Solutions Summit and UN Social</td>
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<td>Good Summit</td>
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Anti-bribery and corruption

<table>
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<tr>
<th>Strategic objective</th>
<th>2018 goals</th>
<th>2016 progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Best-in-class anti-bribery and corruption (ABC) program</td>
<td>All employees are aware of our ABC requirements</td>
<td>Completed external assessment of our ABC program</td>
</tr>
<tr>
<td>Zero tolerance for unethical business practices</td>
<td>All employees are familiar with how to report concerns and potential violations</td>
<td>Four out of seven ethics and compliance officers region Eurasia certified</td>
</tr>
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<td></td>
<td>Certified ethics and compliance professionals in all region Eurasia markets (by end of 2016)</td>
<td>ABC risk self-assessments carried out in most countries</td>
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<td></td>
<td></td>
<td>Hosted the first Transparency International Telecom Integrity Initiative</td>
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<td>meeting in Stockholm</td>
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Freedom of expression

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<tr>
<th>Strategic objective</th>
<th>2018 goals</th>
<th>2016 progress</th>
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</thead>
<tbody>
<tr>
<td>Enable, respect and support freedom of expression and privacy</td>
<td>All markets covered in law enforcement disclosure with regard to statistics on government requests and information on local legislation</td>
<td>Fifth Law Enforcement Disclosure Report published, covering eight countries</td>
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<tr>
<td>We are regarded as the trusted ICT industry leader in human rights</td>
<td>All closed unconventional requests challenged</td>
<td>Around half of closed unconventional requests* challenged</td>
</tr>
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<td></td>
<td>Actively contribute to the merger of the Industry Dialogue and the Global Network Initiative</td>
<td>ID and GNI announced intention to join forces in March 2017</td>
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<tr>
<td></td>
<td></td>
<td>Telia Company’s form for assessments and escalation of unconventional re-</td>
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<tr>
<td></td>
<td></td>
<td>quests part of GSMA policy handbook</td>
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*For a definition of ‘unconventional request’, see the Law Enforcement Disclosure Report page 14.
Customer privacy

Strategic objective
- Respect and protect the privacy of our customers
- We are regarded as a trusted actor in handling personal data on the customer’s terms

2018 goals
- ‘Privacy by design’ implemented in all relevant project management processes
- All employees are aware of the privacy requirements related to their work duties
- Clear and easy-to-understand information about processing of personal data, readily available to customers

2016 progress
- Local gap assessments against the EU Data Protection Regulation completed in regions Sweden and Europe
- Strengthened governance and resources to meet GDPR requirements
- Group common ‘Privacy Notice’ model was created
- Privacy Impact Assessment process implemented in Telia Company’s project model

Occupational health and safety

Strategic objective
- An occupational health and safety culture that supports the ambition of Telia Company as THE place to work

2018 goals
- Lost-Time Injury Frequency (LTIF) maximum 0.52
- Sickness Absence Rate (SAR) maximum 1.9 percent
- No fatal accidents
- OHSAS 18001 implemented in all major operations (by end of 2016)
- Engagement index: 83 percent

2016 progress
- LTIF 0.14 H1 2016
- SAR 2.3 percent H1 2016
- No fatal accidents
- OHSAS 18001 certification completed in Azercell in Azerbaijan, Sonera in Finland and Telia in Estonia

Responsible procurement

Strategic objective
- All suppliers and sub-suppliers comply with our sustainability requirements
- All suppliers have signed our supplier code of conduct

2018 goals
- 75 percent of assessed suppliers compliant with supplier code of conduct
- 25 percent reduction of supplier base (baseline 2015)

2016 progress
- Launched a program focusing on seven critical supply chain areas
- Launched a supplier due diligence platform
- 123 on-site audits carried out

Environmental responsibility

Strategic objective
- Minimize negative and maximize positive environmental impact in our value chain

2018 goals
- All major operations in region Europe ready for ISO 14001 certification (by end of 2017)
- Buy-back programs for mobile devices established in region Europe (by end of 2017)
- 10 percent lower energy consumption per subscription equivalent
- 33 percent lower CO2 emissions per subscription equivalent

2016 progress
- ISO 14001 certification completed in Sonera in Finland
- Buy-back programs in all region Europe countries except Finland, 40,000 devices collected during the period
- Decision to extend scope of purchasing renewable energy

For various reasons, primarily the availability of data and annual planning, we are unable to report on or provide a complete picture of our progress on all the above goals. Our aim is to report comprehensively on these goals in our Annual and Sustainability Report.
Enabling sustainable economic growth

Our daily job is to enable increased digitalization, and in doing so, we actively contribute to sustainable development in our region. Digitalization will form an integral part of the solutions to almost all of the UN Sustainable Development Goals. New technology improves lives in every corner of the world, not least in our home region.

According to estimates made by Telia Company and Deloitte UK in the recently published ‘Accelerating Sustainable Growth’ report, we see how digitalization clearly contributes to sustainable economic growth in our core markets. According to the report, increasing the scope and scale of digitalization in the Nordics and Baltics can add up to EUR 100 billion to the Nordic and Baltic economies in 2021, while also contributing to all dimensions of development covered by the UN. Connected digital solutions will enable better access to quality education, spur entrepreneurship and innovation among youth, improve healthcare for the aging population, more efficient use of natural resources and also lead to safer and cleaner transportation. Read more in the ‘All In’ chapter of this report.

A ‘Gigabit society’ to unleash potential

In 2018, we will take the next leap in digitalization as we start the rollout of 5G networks in Stockholm and Tallinn. But our ambition doesn’t stop there. To realize the full potential of modern technology we aspire to create one seamless, borderless, roaming-free ‘Gigabit society’ across the entire Nordic and Baltic region by 2025. In the major urban areas, we aspire to create ‘Terabit territories’. We aim to have as full coverage as possible with bandwidth of at least one gigabit per second for all of our customers across our footprint. The ‘Gigabit society’ and the level of digitalization it enables, is reorganizing, re-prioritizing and reshaping the way we live. With terabit speeds, we can completely reimagine the digitalization paradigm – the first steps of which we are just starting to see today. Driverless cars, e-health technology and customer demands know no boundaries or borders, so neither should our networks.

Leaving Eurasia responsibly

This is a year of great changes. Telia Company is rapidly transforming according to our strategy and sustainability is an integral part of this work. Historically, this has not always been the case at Telia Company. In September, we were reminded of a sad chapter in our history when US and Dutch authorities made a USD 1.4 billion settlement proposal related to Telia Company’s entry into Uzbekistan in 2007, a clear sign that wrongdoings come at a cost.

Significant remedial actions have been undertaken since 2013 and Telia Company today is a completely different company when it comes to the way we work with governance, compliance and responsible business. This is not a one-off effort - it is something we work hard at every day. The risks are still there, but with the way we now work we can minimize them. This is very important.

Right now, we are executing on leaving Eurasia responsibly. In April, we closed the sale of our operations in Nepal and in September, we announced the divestment of Tcell in Tajikistan. Our responsible exit work will continue during the rest of 2016, and for as long as needed. An important part of our human rights efforts during the exit process is the independent Human Rights Impact Assessments that have been carried out. We have kept up the momentum in implementing our anti-bribery and corruption, responsible procurement and freedom of expression programs with the same ambition as before. All of this work has been necessary to be able to divest our Eurasian operations responsibly. I am proud of what we have achieved so far and of the commitment to do right that I see across our entire organization.

Johan Dennelind
President and CEO
SIGNIFICANT EVENTS

New Code of Responsible Business Conduct
On September 15, we launched our new Code of Responsible Business Conduct, which replaces the previous code of ethics and conduct. The new Code is available in English, Russian, Kazakh, Azeri, Romanian, Georgian and all local Nordic and Baltic languages. It consists of 17 chapters that are all also covered by specific policies or instructions in Telia Company’s governance framework.

Rollout started in Sweden with face-to-face training and a dilemma game for managers, and the Code will continue to be rolled out to all employees in the Nordics, Baltics and Eurasia in 2016 and 2017. The launch is complemented by an e-learning program that will be compulsory for all employees. The program covers the reasons for having a Code, expectations on our employees and includes a section about speaking up.

Telia Company’s divestment of Ncell in Nepal
On April 11 we completed the divestment of our Nepalese operations, Ncell, to the Malaysian operator Axiata. Our exit from Ncell was the result of a shift in strategic focus and had nothing to do with our view on Ncell and the market going forward.

During the eight years that Telia Company was the majority owner, Ncell’s investments contributed to a positive change in society where the full benefits are yet to be seen. In 2013, 2014 and 2015, Ncell paid SEK 1.5 billion in corporate taxes alone, making it the third largest corporate tax payer in Telia Company group.

Carrying out a responsible exit was a key consideration, but even so, the way we exited was questioned in the local debate. There were claims that Telia Company should pay capital gains tax in Nepal. However, based on our thorough analysis of the situation, in which we received support from advisors both locally in Nepal as well as in other countries, we believe that we made a correct assessment fully in line with the tax legislation in Nepal that the transaction should not be subject to taxation in Nepal.

We conducted extensive due diligence and background checks of the companies and parties involved in the divestment, using both in-house and external expertise. The commitment, programs and policies on responsible business and corporate governance best practice of the buyer were also discussed. Telia Company is also actively seeking to engage the buyer in the Industry Dialogue on Freedom of Expression.

Transparent and ethical tax practices
During the period, the topic of ethical corporate tax practices was highlighted in Swedish media and internationally.

Telia Company is a responsible tax payer, promoting transparency and ethical tax practices. As one of few listed companies we report our corporate income tax by country. Between 2013 and 2015, we paid more than SEK 9.4 billion in corporate income tax throughout our markets. In many of our markets we are one of the largest corporate income tax payers and we promote the importance of transparency and fair, ethical tax practices. You can find more information in our Annual and Sustainability Report 2015.

“\nIn many of our markets we are one of the largest corporate income tax payers and we promote the importance of transparency and fair, ethical tax practices.”
Promoting the UN Global Goals

In September, Telia Company co-hosted the Stockholm Tech Fest and the Solutions Summit, a two-day event aimed at bringing together startups and investors. This year’s theme was the UN Sustainable Development Goals, with startups from around the world presenting their solutions. At the event, we announced our new ‘Division X’ business innovation and acceleration unit, our ‘Scale your business’ mentoring program together with Ericsson and released the Accelerating Sustainable Growth report.

On September 18 and 19, CEO Johan Dennelind attended the UN Social Good Summit held in conjunction with the UN General Assembly at which he presented and highlighted the mobile industry and Telia Company’s view on how ICT plays a key role in reaching the Global Goals. At the SGS, mobile industry association GSMA launched its ‘SDGs in Action’ app where users can learn about the SDGs and share actions.

To highlight the one-year anniversary of the SDGs, all of our operators in the Nordics and Baltics launched internal and external social media campaigns.

Whistle-blowing

During the first half of 2016, 53 whistle-blowing reports were recorded. The reported issues related mainly to conflicts of interest, abuse of position, improper third party relationships and customer complaints. Most of the reports were received through the Speak-Up Line, through direct contact with group or local ethics and compliance officers, or through line managers. The majority of reports came from regions Sweden and Eurasia. 28 internal investigations were conducted by the Special Investigations Office at Group Ethics and Compliance. All case closure reports were submitted to the Group Ethics Forum for review and decisions on disciplinary action where allegations were substantiated. During the period, six disciplinary decisions were taken by the Group Ethics Forum. These included warnings or termination of employees and managers.

We introduced two KPIs related to whistle-blowing with the following results during the period:

- 90 percent of all cases were closed within 8 weeks (goal is 80 percent).
- 67 percent of disciplinary decisions were implemented within 4 weeks (goal is 100 percent).

Awareness-raising activities are conducted continuously to build a culture of transparency and non-retaliation as we recognize that fear of retaliation remains a major concern throughout the group. Region Eurasia HR directors were trained in HR’s role when dealing with whistle-blowers, and region Europe management was trained in management’s role with regard to internal investigations.
HUMAN RIGHTS IMPACT ASSESSMENTS IN REGION EURASIA

In 2015, Telia Company commissioned independent non-profit organization BSR to undertake human rights impact assessments (HRIs) of the companies in region Eurasia as part of ensuring local human rights due diligence and a responsible exit from the region. BSR undertook these HRIs between October 2015 and May 2016 using a methodology based on the UN Guiding Principles on Business and Human Rights. (No assessment was carried out for Ncell in Nepal, as a divestment was announced in December 2015.) Telia Company further commissioned BSR to carry out HRIs for operations in Lithuania and Sweden during the third quarter, with HRIA reports to be finalized in the fourth quarter.

General conclusions

The HRIs identified actual and potential human rights impacts, risks and opportunities for each company related to e.g. security and privacy, freedom of expression and children’s rights. BSR’s HRIA summary report made the following general conclusions (HRIA summary report excerpt, pages 15-16):

- At the global level, Telia Company has made substantial progress addressing human rights since the Danish Institute for Human Rights impact assessment undertaken in 2013.
- 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.
- While each country is different, the local corruption and human rights context presents significant systemic challenges to applying Telia Company’s human rights infrastructure.
- Active and engaged ownership is a pre-condition to advancing respect for human rights in local markets.
- Ownership transparency has a material influence on human rights leverage.
- Law enforcement disclosure reports are influential.
- 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.
- The amount of space available for civil society organizations to pursue their objectives is a key variable in the extent of human rights leverage.
- Increased dialogue with local stakeholders on topics such as telecommunications policy reform and economic development could help establish a more supportive policy context.
- 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.

Recommendations


The ‘responsible divestment plan’ covers:
- Undertaking pre-sale due diligence on potential purchasing entities.
- Attaching human rights conditions to the sale.
- Undertaking post-sale activities designed to enhance respect for human rights after Telia Company’s exit.

The human rights approach recommendations cover:
- Establishing a single human rights policy.
- Identifying likely remedy options for potential human rights grievances.

Next steps

Each local company is now, guided by region and group experts, putting together action plans based on BSR’s recommendations. The short-term aim is to start executing on these plans already during 2016. The more long-time aim is for each local company to be able to continue its work to respect human rights also after divestment. The main challenges on group level, as to the responsible exit recommendations, are connected to the complexity of the mergers and acquisitions processes. Challenges on the local level differ between markets, but are in essence connected to complexities of the respective operating environment but also to resources and prioritizations.

More information

An excerpt of the HRIA summary report containing further information on the context, conclusions and recommendations is available at www.teliacompany.com/sustainability/reporting.

“At the global level, Telia Company has made substantial progress addressing human rights since the Danish Institute for Human Rights impact assessment undertaken in 2013.”
LAW ENFORCEMENT DISCLOSURE REPORT SUMMARY

Authority requests* January – June 2016

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<th>Country</th>
<th>Lawful interception</th>
<th>Historical data</th>
<th>Subscription data</th>
<th>Challenged/rejected requests</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denmark</td>
<td>2,836</td>
<td>1,048</td>
<td>4,700</td>
<td>0</td>
</tr>
<tr>
<td>Estonia</td>
<td>1,483 *1</td>
<td>816</td>
<td>137,937 *2</td>
<td>928 *3</td>
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<tr>
<td>Finland</td>
<td>1,920</td>
<td>961</td>
<td>3,493</td>
<td>10</td>
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<tr>
<td>Georgia</td>
<td>No statistics available</td>
<td>328</td>
<td>129</td>
<td>126</td>
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<tr>
<td>Moldova</td>
<td>No statistics available</td>
<td>4,813</td>
<td>2,611</td>
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<tr>
<td>Norway</td>
<td>1,115</td>
<td>3,514</td>
<td>4,668</td>
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<td>Spain</td>
<td>9,464</td>
<td>12,825</td>
<td>17,265</td>
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<tr>
<td>Sweden</td>
<td>1,728</td>
<td>1,147</td>
<td>1,148</td>
<td>97</td>
</tr>
</tbody>
</table>

* As explained below, direct access is not included in the statistics.
*1 In Estonia, a direct access system is used. This figure has been provided by the Estonian authorities.
*2 This figure includes all requests for Subscription data. For other countries the corresponding figure only covers requests that are handled by authorized personnel, and automated requests that refer to a criminal case.
*3 This figure includes all requests to which we were not able to answer, most often because the requested information was about a customer not of our operations but of another operator.

Telia Company and Telco have not been granted permission to publish statistics regarding how many requests we have received in Lithuania. See the full Law Enforcement Disclosure Report, page 20, for further information.

About the Law Enforcement Disclosure Report

This summary of Telia Company’s Law Enforcement Disclosure Report aims to provide insights into the extent of authorities’ collection of customer data for law enforcement in eight of Telia Company’s markets. The full report can be found at www.teliacompany.com/en/sustainability/reporting/law-enforcement-disclosure-report/. Our aim is to contribute to a meaningful oversight and discussion of the proper limits of government surveillance powers. Maintaining customer privacy is of utmost importance to Telia Company. At the same time, Telia Company and its local subsidiaries – like all telecommunications companies – are obliged by legislative, administrative, license or law enforcement requirements to respond to requests and demands from authorities to disclose customer information. Such obligations are specified by law and are based on specific reasons, such as enforcing criminal law and safeguarding national security.

According to our policies and procedures, we are to disclose information to surveillance authorities only to the extent required by law. This is a non-negotiable part of the way we are to operate. It should be noted however, in this context, that governments also have direct access, i.e. signals intelligence and real-time access without having to send requests to the operators. As to such direct access, operators have no insight into the extent of surveillance and cannot provide statistics. We therefore publish, on www.teliacompany.com, a chart with links to legislation providing the authorities with such real-time direct access.

We provide statistics covering requests from the police and other authorities in Denmark, Estonia, Finland, Georgia, Moldova, Norway, Spain and Sweden. The table above shows the number of authority requests based on a court order or other legal demand by the police or other authority during January – June 2016.

Challenges and limitations

Several factors make it difficult to compare the statistics between countries. Telia Company has different market shares in different countries, which is probably reflected in the figures. Furthermore, Telia Company does not have knowledge of the authorities’ working methods and priorities in different countries, but the methods are likely to differ. Also, within Telia Company, there are different working methods in different countries. This causes issues related to completeness and accuracy of reported data. We aim to streamline these working methods and define best practice, to further improve data quality.

Also note that the figures show the number of requests from authorities, not the number of individuals that have been targeted. Not even we as the operator and provider of the information have this knowledge. Most likely, in the category of lawful interception, the number of requests is larger than the number of individuals that have been targeted.

Pertaining to requests for cell tower dumps (i.e. requests that oblige the local operator to disclose data about the identity, activity and location of any device that connects to targeted cell towers over a set span of time) the number of affected individuals will naturally become larger than the number of requests.
Depending on the scope of the request, Telia Company are required to hand out varying amounts of customer data. This depends on the timeframe of the request as well as where the cells within the scope of the request are situated. In urban areas the amount of disclosed data is naturally higher.

Definitions

By ‘Lawful interception’ we mean secret real-time wire-tapping and monitoring by the police and secret police, e.g. real-time access to the content of communications or traffic data (‘listening in’, wire-tapping, checking who is calling who, when and for how long or access to location information). In some countries lawful interception requests may include requests for historical data. In order to avoid duplicate reporting, these are not reported separately below in ‘historical data’.

By ‘Historical data’ we mean historical traffic data, location data on mobile devices and cell-tower dumps. Traffic data relates to the use of telecommunications services, including call data records, SMS records, and internet records. These records include information such as the number of a called party, and the date, time and duration of a call. Internet session information includes the date, time and duration of internet sessions as well as email logs. This figure also includes manual emergency positioning requests by the emergency centers and police. Emergency positioning is normally automatically initiated after a dial to the local emergency number, i.e. 112.

By ‘Subscription data’ we mean secret numbers and information about supplementary services. Subscription data refers to details which appear on a bill, such as the customer’s name, address and service number. It can also include other information we may hold, such as a customer’s date of birth and previous address. This figure consists of requests that are either handled by authorized personnel or by an automated interface with reference to a criminal case identification number.

‘Challenged/rejected requests’ contains information on how many requests we have challenged, for example by asking for clarification, the correction of formalities or rejecting the request. All requests from authorities must be legally correct. Telia Company will challenge or reject any request that does not conform to the established form and process, for example when a form has not been signed or has not been sent by an appropriate sender.

CASE: Lobbying new surveillance legislation

When promoting freedom of expression in telecommunications in relation to surveillance, we advocate clear and transparent legal provisions on proportionality and necessity. We also advocate that governments should not have direct access to our networks and systems and we encourage governments to be transparent about their use and scope of surveillance of communications.

During the first half of 2016 we published three articles providing our view on new surveillance legislation:


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Integration of shared value creation

All In is Telia Company’s platform for integrating shared value creation in our business strategy. It focuses on the biggest opportunities for positively impacting society and providing solutions to reach the UN Sustainable Development Goals and potential new business through:

- Connecting the unconnected
- Education for all
- A healthy and safe society
- Digital entrepreneurship and innovation

During the period, our companies in the Nordics and Baltics further integrated All In in their business planning processes and carried out activities to support its objectives. A few examples:

- Telia in Sweden partnered with local anti-bullying organization Friends. Through the #hatahat campaign they support a number of schools and organizations such as sports teams to spread the message of respect, especially on the internet.
- ‘SmartLabs’ after school programs in Estonia, where 5000 children participated in IT related learning sessions such as robotics and programming workshops.
- Over 20,000 children were trained in online security, in person or via webcast, as part of employee volunteering at Omnitel and Teo in Lithuania.
- We hosted or supported startup accelerators and ‘hackathons’ such as VUNK in Estonia, SDG ‘hackathon’ in Sweden and Telia Hub in Lithuania.

‘Accelerating Sustainable Growth’ report

In this report by Deloitte UK, commissioned by Telia Company and released in September, Deloitte have taken a closer look at how the services made possible by digitalization can accelerate more sustainable growth in the Nordics and Baltics.

The Nordic countries have historically performed well but are currently facing a number of socio-economic challenges. These include low economic and productivity growth, high unemployment especially among young people, and the rising cost of healthcare for a growing and aging population. The Baltic countries face similar economic challenges as the Nordic countries and lag behind other EU countries’ income and productivity.

According to the report, increasing the scope and scale of digitalization in the Nordics and Baltics could add up to EUR 100 billion to their economies in 2021, while also contributing to all dimensions of development covered by the UN. (Figure 1)

Figure 1: New sources of growth are needed to overcome economic challenges in the region

(Chart showing productivity growth, significant pressure on public finances, and high levels of unemployment)

The report highlights three critical areas:

Boosting sustainable growth: Enhanced use of digital solutions among governments, businesses and consumers could increase productivity by 3.5 percent on average across the Nordics and Baltics while creating up to 470,000 additional jobs. (Figure 2)

Figure 2: Enhanced use of digitalization in the Nordics and Baltics could unlock growth in the region

(Chart showing productivity, employment, and wages growth)

Protecting the environment: Increased digitalization of the Nordic and Baltic economies could reduce greenhouse gas emissions by up to 20 percent. This is equal to taking nearly nine million cars off the road for a year. (Figure 3)
Improving people’s lives: Up to 23,000 premature deaths could be avoided through e-healthcare while connected smart transportation could save up to 1,000 lives annually on our roads in 2021. (Figure 4)

Overcoming the barriers
While digitalization may unlock new more sustainable economic growth, a number of significant barriers still need to be overcome to realize the opportunities of digital services. These include development of the regulatory environment for complex issues such as privacy, data security, taxation of shared assets and liability for machine actions. (Figure 5)

Download the full report at www.teliacompany.com/accelerating-sustainable-growth. If you have any questions or for more information, contact sustainability-group (at) te-liacompany.com.
External benchmarking of ABC program

In June, we engaged the Ethisphere Institute to review our anti-bribery and corruption (ABC) program. The review was expanded to also cover the compliance framework and the Code of Responsible Business Conduct.

According to Ethisphere Institute’s assessment:

“The Telia Company has made incredible progress since 2013 in developing its ethics and compliance program, most notably its anti-corruption program. Telia Company appears to be very engaged in implementing a best practice ethics and compliance program.”

The assessment is a benchmark of best practice, and we do not yet meet the ‘Certified Leader Verification Criteria’. According to the review, we need to address mainly the following issues to meet the criteria:

- Ensure that areas covered in the Code of Responsible Business Conduct are managed by using the compliance framework.
- Regular and effective training and communication.
- Encourage compliance through disciplinary measures and incentives.

Country ABC risk self-assessments

Almost all countries in the group carried out ABC risk self-assessments. The assessments indicate how well the existing governance and control mechanisms set out in the policy requirements are mitigating the corruption risk. After completion of the assessment, action plans are developed based on the gaps identified. The remaining countries will complete their assessments by the end of the third quarter.

The key result from the ABC risk self-assessments is that the ABC program framework elements are to a large extent implemented uniformly. We do, however, need to continue with third-party due care especially in high-risk areas and ensure that local ABC plans are implemented accordingly to plan.

Strengthening the organization

In region Eurasia, we have two certified SCCE (Society of Corporate Compliance and Ethics) ethics and compliance officers and two TRACE Anti-Bribery Specialist Accreditation ethics and compliance officers. Three more are undergoing certification.

ABC training

ABC training was carried out according to plan for regions Sweden and Europe, but lagged behind in region Eurasia due to ethics and compliance officer turnover and resource constraints. With the launch of the Code of Responsible Business Conduct in September there will be an increase in ABC-related training activities such as dilemma training.

Telecom operators for transparency

In June, we hosted the first Transparency International Telecom Integrity Initiative in Stockholm. The members shared their best practices and challenges in achieving an effective ABC program. At the next meeting we will work towards formalizing the group through formal commitment and defining strategic objectives.

CASE: Challenging improper payments to intermediaries

The telecommunications industry is heavily regulated and operators frequently interact with regulatory authorities, for example to obtain permits to deploy equipment. Local accredited state organizations (ASO) support with certifications that the equipment complies with local laws and regulations.

During a review of high risk third parties at one of our local companies the analysis of payments towards certification fees showed a substantial increase within two years. Investigations revealed that a privately held company had been engaged to help obtain the certifications required for the permits issued by the ASO and to interact with the ASO. In practice, it was acting as an intermediary between our local company and the ASO.

Interviews indicated that the ASO appointed by the Ministry had directed our local company to use this particular intermediary. The local employees had agreed, fearing that the consequence of not using that particular intermediary would cause difficulties in obtaining permits.

Due diligence revealed that the intermediary had an unreasonably small workforce to carry out the necessary inspections. The intermediary claimed that they had been accredited by the ASO to provide the necessary certifications required for permits but could not produce sufficient evidence to support the claim.

Despite initial fear of negative consequences from delayed payments, the local management decided to suspend payments to the intermediary pending further review of the situation.

As part of the review we sent official letters to the Ministry asking for clarification on the use of the “accredited intermediary”. The response was that there is only one accredited organization and that is the ASO. Thus, the requirement by the ASO to use an ‘accredited intermediary’ was misleading. The contract was terminated and the permits are now being applied for directly by the local company to avoid the risk of potential improper payments.
CUSTOMER PRIVACY

EU Data Protection Regulation
During the first half of 2016, the main focus was assessing impacts of the new EU Data Protection Regulation (GDPR), which comes into force May 2018. The new requirements will have a fundamental impact on our industry – the amount of personal data processed is increasing exponentially, cloud-based services and cross-border data transfers are increasingly common, and customer trust is a cornerstone for business.

Group-wide governance setup for driving GDPR compliance and risk mitigation work was approved by Group Executive Management during the first quarter. Regions, countries and group functions are accountable for ensuring compliance and risk mitigation. On group level a GDPR work stream led by the group privacy officer was established to provide harmonized interpretations and guidance to local units, oversee risk mitigation status and steer as well as follow up closely on implementation. Progress on GDPR activities and risk mitigation status is regularly reported to local and regional GREC meetings and to Group Executive Management.

Initial gap assessments regarding the new requirements were performed by local privacy officers in regions Sweden and Europe. The assessments focused on defining actions to ensure timely implementation of the requirements and appropriate risk mitigation. First group level interpretations of the new requirements were developed and privacy officers were trained in them. Privacy resources were added on both the group and local levels to ensure that we will meet the GDPR requirements.

Privacy Impact Assessment integration
The Privacy Impact Assessment process was integrated into Telia Company’s main project model during the first quarter as a mandatory activity in each project. Project managers and other relevant stakeholders were also trained in the requirements.

Transparency of data processing
We aim to increase transparency of the collection and use of personal data by ensuring that comprehensive, easy to understand information is available to customers.

A group common ‘Privacy Notice’ model was created to set a standard for how Telia Company provides information on data processing to customers. The Privacy Notice contains information on, for example, the reasons that personal data is processed and what rights customers have. Local privacy notices are expected to be aligned gradually with the model and to be published on local websites by the end of 2016 in regions Sweden and Europe.

CASE: Strengthening ‘Privacy by design’
‘Privacy by design’ – taking privacy into account at the earliest possible stage of projects, initiatives and product development – is one of the key privacy principles supporting our efforts to ensure that the privacy of our customers is respected and protected. The Privacy Impact Assessment model helps projects and other initiatives assess and mitigate privacy risks in the collection, use and transfer of personal data. In addition, the model facilitates a ‘Privacy by design’ approach by proactively ensuring that the target design is compliant with laws and our internal requirements from the very early stages of a project or other initiative.

“The new EU Data Protection Regulation introduces a fundamental change to the principle of accountability. We have to be able to demonstrate compliance, which means, for example, that we have robust, documented and regularly reviewed processes in place to safeguard privacy. Privacy Impact Assessments and the whole process that includes privacy sign-offs are good examples of Telia Company creating such accountability,” says Michaela Angonius, Head of Group Regulatory Affairs.
**OCCUPATIONAL HEALTH AND SAFETY**

**KPI summary**

<table>
<thead>
<tr>
<th>OHS KPIs</th>
<th>H1 2016</th>
<th>2015</th>
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</table>

¹ Lost-Time Injury Frequency: total number of lost-time injuries per million possible working hours.
² Sickness Absence Rate: total hours of sickness absence per possible working hours (full year average).

**OHSAS 18001 certification**

We are working to achieve OHSAS 18001 certification in all countries, with the goal of being certified by the end of 2016. Telia Estonia received its OHSAS 18001 certification in January, while certification work for Azercell in Azerbaijan and Sonera in Finland was performed during the spring and the formal certificates were received in August and September. Ucell in Uzbekistan and Kcell in Kazakhstan were certified already in 2015. Despite ongoing work not all countries will meet the goal.

**OHS development in Telia in Norway**

As part of OHSAS 18001 implementation, Telia in Norway developed an additional set of local OHS KPIs for bi-weekly management follow-up. The company developed a template called “OHS on the Agenda”, a tool for managers and teams on different organizational levels to work with and follow up on OHS risks, goals and activities. The results are reported to the company management. A new online OHS handbook was implemented to provide managers and employees with easy access to relevant information, templates and guidelines.

**Focus on well-being**

OHS experts from the Nordics and Baltics met to discuss how to measure and understand what drives employee well-being. The engagement index from our employee engagement survey Purple Voice is used for benchmarking purposes as there is strong correlation between employee engagement and well-being.

**Preventive measures for soon-to-be parents**

Telia in Danmark offers pregnant women personal pre-natal counseling that focuses on four areas: work, health, home and psychosocial health. The counseling led to a decrease in pregnancy-related sickness absence from 30 sick days per pregnant woman per year, to 5 days. In 2016 we expanded the practice to also cover the other parent involved.

Telia in Sweden began piloting an initiative to better include well-being and health topics in employee-manager dialog by using our ‘You First’ performance management system. This also helps us meet new provisions by the Swedish Work Environment Authority (Arbetsmiljöverket) which requires the organization to set targets that promote a good social and organizational work environment. The provisions cover topics such as social interaction and working time, for example, the expectation to always be available.

**CASE: Sonera’s “Doctor in a pocket”**

To promote the health of its employees, Sonera in Finland now offers the possibility for them to see an occupational healthcare specialist (physician, nurse, physiotherapist or psychologist) online anytime and anywhere – a “doctor in your pocket”. The digital service was planned and implemented together with Sonera’s contracted occupational healthcare service provider.

Downloading a mobile app and registering for the digital service allows the user to not only discuss health issues but also to take care of them anywhere, anytime.

For managers, the service provides an easy-to-use channel of specialists to support their employees’ health and to solve problems at work.

The digital service is expected to replace one third of all visits to and contact with doctors, which will generate significant savings in cost, time and environmental impact.
RESPONSIBLE PROCUREMENT

Common procedures and processes
Our aim is for procurement throughout the group to be based on common processes and tools, rules and governance framework. During the first half of 2016 we continued rolling out and implementing our common procurement processes in region Eurasia. The rollout included local capacity building and training of local internal resources.

New due diligence platform
During the period we developed a due diligence platform that will be implemented during autumn. It is a tailor-made system that will strengthen our supply chain due care process across the group. The system includes risk assessment and supplier evaluation measuring suppliers’ fulfillment of the requirements in the supplier code of conduct and security directives. For identified high-risk transactions, we perform extended due diligence in the form of database searches on the supplier and their organizational structure.

Audits
We completed 123 audits (of which 18 were Joint Audit Cooperation (JAC audits) across our supply chain and continue to see the need for more continuous engagements to strengthen awareness and train suppliers in critical improvement areas such as work place security and labor rights. Occupational health and safety was one of our focus areas for audits in 2015 and continued to be so in 2016. Compliance issues are found in high-risk areas such as building, service and maintenance of networks throughout our supply chain in all regions.

New audit program focus areas
Based on key findings from audits conducted in 2015, industry discussions, new customer requirements and new EU guidelines and requirements, we defined the following strategic focus area programs for 2016. We estimate that some of these focus areas will take several years to conclude and we will closely monitor progress with our suppliers until we are satisfied that they meet our requirements.

Occupational health and safety
The work environment of our suppliers and sub-suppliers shall be safe and healthy. The aim of this program is to support key suppliers performing hazardous work in achieving OHSAS 18001 certification or the equivalent standard. Our focus is on training and supporting local sites in high-risk areas such as maintenance of our networks and to improve the reporting of work-related accidents and fatalities to support continuous improvement.

Mapping and managing privacy risk
This program aims to prepare our supply chain for the upcoming strengthening of EU privacy and data security regulations.

During the period we identified suppliers where we will conduct audits and training to prepare them for the new requirements.

Financial punishment of employees
Financial punishment may potentially be used as a disciplinary measure, for example, withholding salary for lack of performance or as compensation to the company if an employee accidentally damages company property such as a mobile phone or laptop. This practice is widespread and has been found in our supply chain in almost all regions where we have performed audits.

Use of overtime at suppliers in China
Given that a basic salary may not be sufficient to cover normal living costs, for example, for housing, education and healthcare, employees may indirectly be forced to work up to eleven hours a day seven days a week. During audits in 2015, we identified consistent use of overtime by an estimated 60 percent of audited suppliers in China. The volume of such overtime is in violation of Chinese labor law and our supplier code of conduct requirements.

Conflict minerals
Our ambition is to ensure that our supply sources minerals responsibly and is not contributing to potential violations of human rights in high-risk regions such as the Democratic Republic of Congo and the surrounding countries. An upcoming revision of our supplier code of conduct will include clear expectations on suppliers’ responsible sourcing practices. These expectations will be managed through the due diligence platform.

SIM card suppliers in China
In a pre-assessment for a group led SIM card tender in 2015 we conducted audits of manufacturers in China. We identified several deviations from our supplier code of conduct security and quality requirements. This program has addressed these compliance deviations and as a result, we now have a list of four pre-qualified suppliers to invite to participate in the tender. The program will be concluded by the end of 2016.

Bond contracts in India - see case below.
CASE: Bond contracts in the Indian IT sector

In 2015, a number of Telia Company audits of suppliers in the IT service sector in India revealed the use of bond contracts between the suppliers and newly-educated IT students.

Companies may offer two-year employee contracts that stipulate the employee’s right to IT skills training and relevant education to carry out his or her daily work. The employee is obliged to sign the contract to be employed and an early termination of the contract may force the employee to pay back education fees and accumulated earned salary. This practice seems to be common practice and may potentially be in violation of national labor laws. Labor unions to protect labor rights barely exist in the Indian IT sector today.

Out of eight audits conducted of IT suppliers in India in 2015, we found evidence of the use of employee bond contracts at seven of them. As a result, we initiated audits of all our main IT suppliers in India during 2016. We also developed a training program in collaboration with suppliers to tackle the issue. The program focuses on identifying solutions to maintain employee motivation without the use of bond contracts and to create top management commitment to these solutions. A dialog with suppliers’ top management to discuss and raise awareness is ongoing with a number of key suppliers. A common response from the suppliers is that these contracts help keep employee expertise within the company and avoid the loss of employees to competitors, and that they are a culturally accepted practice. Tackling this and other labor rights challenges is complex and requires joint efforts and effective multi-stakeholder collaboration.
ISO 14001 certification in Finland
In September, Sonera in Finland received ISO 14001 certification covering the entire company. Together with Telia in Sweden where parts of the organization are certified, 32 percent of regions Sweden and Europe are now covered by ISO 14001 certification (based on share of net sales 2015).

Buy-back programs
Buy-back programs, also known as take-back or upgrade programs, extend the lifetime of devices that are often in perfect working condition. In April, Telia in Estonia launched its buy-back program, which means that all companies in regions Sweden and Europe except for Sonera in Finland have buy-back programs in place. During the period, more than 40,000 mobile devices were bought back. The biggest contribution came from Telia in Norway, which bought back over 16,000 devices and donated NOK 200,000 to the national environmental protection organization Miljøagenten.

100 percent ‘green electricity’ procurement
As part of a new procurement directive on electricity, regions Sweden and Europe shall purchase electricity from renewable sources, either through a ‘green contract’ or through purchasing Renewable Energy Certificates (REC). In contracts where we are the tenant or co-host, we shall strive to influence the electricity contract owner to use renewable energy. It is impossible to, with full certainty, reach ‘100 percent renewable’ considering the large number of contracts where we are not in charge of electricity procurement, but the share of renewable electricity consumption (close to 70 percent in regions Sweden and Europe in 2015) will certainly increase.

“Buy-back programs, also known as take-back or upgrade programs, extend the lifetime of devices that are often in perfect working condition. During the period, more than 40,000 mobile devices were bought back.”

Telia in Sweden trial new fuel cell technology
As part of its research and development cooperation with PowerCell, Telia in Sweden began trials of PowerCell’s diesel-powered fuel cell solution designed for back-up power as well as off-grid energy supply at fixed and mobile network installations. This is the first trial in Europe and second in the world of such a solution. Initial results were successful and the trials will be evaluated.

CASE: ISO 14001 in Finland supports operational efficiency and new business opportunities
Since 2015, Sonera in Finland has been working to implement an environmental management system (EMS) based on ISO 14001. The EMS is integrated with the new OHSAS 18001 occupational health and safety management system and will later be expanded to include ISO 9001 quality management. During the first half of 2016, the company passed the pre-certification audit and received final certification in September. Sonera is now the only Finnish operator with ISO 14001 and OHSAS 18001 certification.

The EMS covers all Sonera’s operations and focuses on two of the group’s key environmental aspects: energy and waste. The biggest positive opportunities were identified in improving joint management for better energy efficiency and improving waste recycling.

“The EMS will not only help us work in a more cost-efficient way, it strengthens our offering in public procurement and towards business customers with high requirements on environmental responsibility,” says Eija Pitkänen, ethics and sustainability officer in Sonera.
CHILDREN ONLINE

Children Advisory Panel

Children have the right to be listened to, and adults do not necessarily know very much about children’s experiences or lives online. This is why we decided to let the children explain to us, in their own way, the role that the internet plays in their lives. To do this, during the first half of 2016, we partnered with local NGOs and schools to design a Children Advisory Panel (CAP) in regions Sweden and Europe. This makes CAP a Telia Company group initiative with local implementation and realization.

The partner schools will host co-creation workshops where 6th and 9th grade students will encounter a challenge related to real life and the internet, and work together to come up with solutions. The workshops will be conducted in cooperation with local NGOs for professional support on the children’s perspective. In addition, some children will be interviewed in more depth about their online experiences.

Through the CAP, we will identify qualitative opportunities and benefits of online activity for children and young people. We will share our findings to improve our approach to children’s rights as users of our technology and to contribute to the industry and society’s understanding of children as online citizens.

Fighting Child Sexual Abuse Material online

We are actively participating in the fight against child sexual abuse material (CSAM) online. We maintain filters on some of our networks that block access to websites defined by authorities to be illegal for hosting CSAM. As Telia Company stands for and promotes an open internet, this is the only area where we have taken an active stand for blocking.

To further emphasize our commitment we activated a technology in our Nordic and Baltic operations that alerts if CSAM is detected anywhere in Telia Company’s own IT systems or equipment. If such is detected, a police report is filed, with subsequent police investigation of the case and dismissal of the employee in the case of an actual legal offense.

According to international studies, more than 50 percent of the persons who view CSAM, often on their work computers, also abuse children. By detecting and reporting people who view CSAM at work in our company, we support the police in rescuing children from ongoing sexual abuse and protect others from abuse in the future.

Continued efforts during 2016

The Children Advisory Panel workshops and interviews will be carried out during the autumn and the first findings will be available by the end of this year. Additionally, we will evaluate ongoing separate country activities, such as the Digital Directory (see case below), for possible implementation in more countries.

CASE: Digital dialog tool helps families talk about online life

When children begin to explore the web, they meet lots of new opportunities for socializing, learning and playing games. Research indicates that the risk of bad experiences online can be lowered through dialog in the family about 'online life'.

A survey by Telia in Denmark showed that only about one half of Danish parents talk to their children about online behavior. To promote family dialog, Telia and Save the Children Denmark provides the free online dialog tool “Your Digital Directory”. Parents get the tools they need to start an open and constructive dialog with their children about the pitfalls of social life on the web.

“Children's digital security is an important area, and there is a need for action so that parents can better guide their children to be more responsible when using the internet and mobile phones. This is why we are very pleased to be collaborating with Save the Children to develop relevant services and tools for families who use our services,” says Mette Honoré, Head of Communications at Telia in Denmark.

For more information, see http://dindigitalejeviser.sikkerchat.dk/
AUDITOR’S LIMITED ASSURANCE REPORT ON TELIA COMPANY’S SUSTAINABILITY UPDATE

To Telia Company AB (publ)

Introduction
We have been engaged by the Management of Telia Company AB (publ) to undertake a limited assurance engagement of the Telia Company Sustainability Update for the period January 1 to June 30 2016.

Responsibilities of the Board of Directors and the Executive Management for the Sustainability Update
The Board of Directors and the Executive Management are responsible for the preparation of the Sustainability Update in accordance with the applicable criteria, as explained on page 20 in the Sustainability Update, and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the Sustainability Update, the materiality analysis for the annual Sustainability Report 2015 as well as the accounting and calculation principles that the Company has developed. This responsibility also includes the internal control relevant to the preparation of a Sustainability Update that is free from material misstatements, whether due to fraud or error.

Responsibilities of the auditor
Our responsibility is to express a conclusion on the Sustainability Update based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Update, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB’s Standards on Auditing and other generally accepted auditing standards in Sweden. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Executive Management as described above. We consider these criteria suitable for the preparation of the Sustainability Update.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

Conclusion
Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the Sustainability Update, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and Executive Management.

Stockholm 20 October 2016

Deloitte AB

Jan Nilsson
Authorized Public Accountant

Didrik Roos
Authorized Public Accountant
ABOUT THIS REPORT

This is Telia Company’s second Sustainability Update, available at www.teliacompany.com/sustainability/reports. The report is aligned with Telia Company’s Annual and Sustainability Report, which is prepared using the GRI G4 guidelines, and which further explains governance, policies and risk management related to sustainability. The latest Annual and Sustainability Report can be found at annualreports.teliasonera.com. The Sustainability Update is inspired by the GRI G4 Guidelines Reporting Principles. Topics included in the Sustainability Update is based on the most material issues identified in the materiality analysis presented in TeliaSonera’s Annual and Sustainability Report 2014. Calculation methods are disclosed in connection with reported information when deemed appropriate.

Telia Company’s Code of Responsible Business Conduct and supplier code of conduct as well as other policies and guiding documents can be found at www.teliacompany.com/en/about-us/public-policy/public-policy.

Deloitte has conducted limited assurance of the report. See Assurance Statement for further information.

We are happy to receive feedback and provide further information regarding our reporting and our sustainability work. Please contact sustainability-group (at) teliacompany.com.

TELIA COMPANY IN BRIEF

Telia Company provides communication services helping millions of people to be connected and communicate, do business and be entertained. By doing that we fulfill our purpose to bring the world closer - on the customer´s terms.

For more information about Telia Company, see www.teliacompany.com