

(a) Implementation of a long-term incentive program 2021/2024 and (b) transfer of own shares

Background

The remuneration framework within the Telia Company group (the “Group”) may consist of fixed base pay, short-term variable pay, functional variable pay, long-term incentives, pensions and other benefits. Several key employees participate in long-term incentive programs approved at previous annual general meetings. All in all, these parts constitute an integrated remuneration package. In accordance with the decisions of the annual general meetings 2010-2020 neither short-term nor long-term variable cash remuneration is paid to members of the Telia Company Group Executive Management team.

The Board of Directors have carried out reviews of the Performance Share Program to ensure that it continues to meet its stated objectives – i.e. to strengthen the ability to recruit and retain talented key employees, drive long-term company performance, align key employees’ interests with those of the shareholders and encourage key employee shareholding. As a result of this review, the Board of Directors considers that a long-term incentive program should be implemented for key employees of the Group also this year.

Main changes compared to the Performance Share Program 2020/2023

In order to strengthen the link to long-term company performance, as well as to align the program with market trends, the following main changes are proposed to the Performance Share Program 2021/2024 as compared to the Performance Share Program 2020/2023:

- a Return on Capital Employed (ROCE) target is introduced in addition to the EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization) and the TSR (Total Shareholder Return) targets. This will align the performance measures with the Group’s strategic priorities. If the Company reaches its selected ROCE target 100 percent of the Performance Shares under the ROCE part will vest. If the target is not met, nothing will vest.
- the weighting of the performance targets is changed to 25 percent EBITDA, 50 percent TSR and 25 percent ROCE.

The long-term incentive program proposed by the Board of Directors to be implemented during 2021, relating to the financial years 2021-2023 and that may result in so-called performance shares being received during the spring of 2024 (the “Performance Share Program 2021/2024”), is further described below.

Outline of the Performance Share Program 2021/2024

The Performance Share Program 2021/2024 shall be offered to approximately 200 key employees within the Group. Provided that certain performance conditions, consisting of financial targets linked to EBITDA, TSR and ROCE, are met during the financial years 2021-2023 (the “Performance Period”), participants in the Performance Share Program 2021/2024 shall be given the opportunity to receive Telia Company shares without consideration (“Performance Shares”).

Participants in the Performance Share Program 2021/2024 will be granted a conditional award over Performance Shares, which is a right to receive a specific number of such shares at a future date provided the relevant conditions are met. The maximum number of Performance Shares which can be subject to an award at the time of grant remains unchanged from 2020. Under the Performance Share Program 2021/2024, the number of Performance Shares subject to an award at the time of grant may not have an aggregate market value which exceeds 30 percent of the participant’s annual gross base salary (i.e. before taxes) per year-end 2020 or, if a participant has become employed thereafter, the calculated annual gross base salary for 2021 (the “2020 Base Salary”).

Further, the maximum aggregate market value of Performance Shares which can be received by a participant following the end of the Performance Period (i.e. on the vesting of the award when the

participant becomes entitled to receive their shares) shall not exceed 60 percent of the participant's annual gross base salary (i.e. before taxes) per year-end 2023 (the "2023 Base Salary").

The receipt of Performance Shares is normally subject to continued employment within the Group up to and including the day of publication of the interim report for the first quarter 2024.

Participants will receive their Performance Shares following the publication of the Company's interim report for the first quarter 2024.

The Performance Share Program 2021/2024 shall in total comprise of no more than 2,764,502 Telia Company's shares, which corresponds to approximately 0.07 percent of the total number of outstanding shares in the Company.

The Board of Directors' full proposal is set out in item (a) below.

The value of and the estimated costs for the Performance Share Program 2021/2024

The participants' rights to receive Performance Shares under the program are not securities and cannot be pledged or transferred to others. Neither are any shareholders' rights transferred to participants in the program prior to the day when they receive their Performance Shares and become the owners of the shares. An estimated market value of the conditional rights to receive Performance Shares can however be calculated. The Board of Directors has calculated the total value for the rights to receive Performance Shares under the Performance Share Program 2021/2024 as approximately SEK 60.0 million, under the following essential assumptions: (i) a share price of SEK 34.73, calculated as the average of the daily noted volume-weighted purchase price of the Company's shares on Nasdaq Stockholm's official list during December 2020, (ii) an annual employee turnover of five percent, (iii) a share price appreciation of five percent per year, (iv) a 50 percent achievement of the TSR condition, (v) a 100 percent achievement of the ROCE performance condition and (vi) and a 50 percent achievement of the EBITDA performance condition. The total cost under these conditions would be SEK 96.0 million excluding the costs for the program's hedging measures and assuming a 60 percent mark-up for social security costs and pensions. The costs are accounted for as staff costs (share-based benefits) over the three-year Performance Period.

If the EBITDA performance condition is achieved to 100 percent whilst assumptions (i) through (v) remain unchanged, the total value of the Performance Share Program 2021/2024 is estimated to be approximately SEK 72.0 million. The total cost would in this case be SEK 115.2 million.

If EBITDA, TSR and ROCE performance conditions are achieved to 100 percent, the total value of the Performance Share Program 2021/2024 would amount to SEK 96.0 million assuming conditions (i) through (iii) remain unchanged. The total costs would in this case amount to SEK 153.6 million.

Dilution and effects on key ratios

The Performance Share Program 2021/2024 will not entail any dilution effect, as the program is proposed to be hedged by either treasury shares or a hedging arrangement with a bank or another financial institution relating to already issued shares.

The costs for the Performance Share Program 2021/2024 are expected to have a marginal effect on the Group's key ratios.

Preparation of the proposal

The proposal regarding the Performance Share Program 2021/2024 to the Meeting has been prepared by the Company's Remuneration Committee and the Board of Directors has resolved to present this proposal to the Meeting.

Hedging

The Board of Directors has considered two alternative hedging structures for the Performance Share Program 2021/2024; either (i) the transfer of shares held by the Company itself to participants in the Performance Share Program 2021/2024 or (ii) a hedging arrangement with a bank or other financial institution securing delivery of shares under the program. The Board of Directors considers the first alternative as its preferred option. However, should the annual general meeting not approve the proposed transfer of own shares to participants in the program, in accordance with item (b) below, the Board of Directors may enter into a hedging arrangement with a third party to hedge the obligations of the Company to deliver Performance Shares under the program.

Since the social security costs are not expected to be significant in comparison with the Company's operating cash flow, such costs are intended to be financed by cash and bank holdings.

The Board of Directors' proposals for resolutions

The Board of Directors proposes that the Meeting resolves to (i) implement the Performance Share Program 2021/2024, based on no more than 2,764,502 Performance Shares, and on the further main terms and conditions set out in item (a) below, and (ii) transfer own shares to participants in the program, and to subsidiaries within the Group, in order to secure their obligations to deliver Performance Shares under the program, in accordance with item (b) below.

(a) Implementation of a long-term incentive program 2021/2024

Main terms and conditions

1. The Performance Share Program 2021/2024 shall be offered to approximately 200 key employees within the Group who will receive a conditional award over a number of Performance Shares (i.e. a right to receive such shares at a future date if the relevant conditions are met) in 2021.
2. Each participant will receive an award over a number of Performance Shares with an aggregate market value not exceeding 30 percent of the participant's 2020 Base Salary. The market value shall be calculated based on the average of the daily noted volume-weighted purchase price of Telia Company's shares on Nasdaq Stockholm's official list during December 2020.
3. Provided that the performance conditions described below, consisting of targets linked to EBITDA, TSR and ROCE are met during the Performance Period, participants in the Performance Share Program 2021/2024 will receive the Performance Shares subject to their award without consideration.
4. The performance conditions applying to the awards granted under the Performance Share Program 2021/2024 will be based 25 percent on the Company's EBITDA¹ target during the Performance Period ("EBITDA Part"), 50 percent on the Company's TSR during the Performance Period ("TSR Part") in relation to TSR in a peer group of approximately 10 comparable Nordic and

¹ EBITDA is defined as Earnings Before Interest, Taxes, Depreciation and Amortization, with a possibility for the Board of Directors to make adjustments for extraordinary events and/or exchange rate fluctuations.

western European telecom companies defined by the Board of Directors (“TSR Comparator Group”)², and 25 percent on the Company’s ROCE target during the Performance Period (“ROCE Part”).

5. The targets include a minimum level which must be achieved in order for any Performance Shares to be received at all, as well as a maximum level in excess of which no additional Performance Shares will be received. Should lower results than the maximum levels be achieved, a proportionate lower number of Performance Shares may be received.
 - a. EBITDA part represents 25 percent of the total award:
 - i. If 100 percent (or above) of the EBITDA target is met, 100 percent of Performance Shares under the EBITDA part will vest.
 - ii. If 97.5 percent (or less) of the target is met, 0 percent of Performance Shares under the EBITDA part will vest
 - iii. If between 97.5 to 100 percent of the target is met, a proportionate amount of Performance Shares under the EBITDA part will vest.
 - iv. No Performance Shares will vest under the EBITDA Part if the Company’s accumulated EBITDA is below the minimum level and no additional Performance Shares will vest if the Company’s accumulated EBITDA is above the maximum level.
 - b. TSR part represents 50 percent of the total award:
 - i. If the Company’s TSR is ranked first or second compared to the defined peer group of companies, 100 percent of the Performance Shares under the TSR part will vest.
 - ii. If the Company’s TSR is ranked third or fourth, 75 percent of the Performance Shares under the TSR part will vest.
 - iii. If the Company’s TSR is ranked fifth or sixth, 50 percent of the Performance Shares under the TSR part will vest.
 - iv. If the Company’s TSR is ranked seventh or lower, no Performance Shares under the TSR part will vest.
 - c. ROCE part represents 25 percent of the total award:
 - i. If 100 percent (or above) of the Company’s ROCE target is met, 100 percent of Performance Shares under the ROCE part will vest.
 - ii. If less than 100 percent of the Company’s ROCE target is met, no Performance Shares under the ROCE part will vest.
6. The receipt of Performance Shares shall normally be subject to the participant’s continued employment within the Group up to and including the day of publication of the interim report for the first quarter 2024.
7. Participants will receive their Performance Shares following the publication of the Company’s interim report for the first quarter 2024. Rounding off shall be made to the closest whole number of Performance Shares.
8. The maximum number of Performance Shares a participant may receive under the Performance Share Program 2021/2024 shall have an aggregate market value not exceeding 60 percent of the

² TSR is equal to the overall return a shareholder would receive on his or her shareholding taking into account both share price appreciation and dividends (if any). When calculating TSR, an average TSR-index number for December 2020 shall be compared with December 2023 for the Company and for the companies included in the peer group defined by the Board of Directors. The peer group presently consists of Telenor ASA, Elisa Oyj, Tele2 AB, KPN NV, Orange SA, Deutsche Telekom AG, Vodafone Group Plc, Telefonica SA, Proximus PLC and Swisscom AG.

participant's 2023 Base Salary. The market value shall be calculated based on the average of the daily noted volume-weighted purchase price of the Company's shares on Nasdaq Stockholm's official list during 20 trading days prior to the day of publication of the interim report for the first quarter 2024. Rounding off shall be made to the closest whole number of Performance Shares.

9. The Performance Share Program 2021/2024 shall in total comprise of no more than 2,764,502 Telia Company's shares, which corresponds to approximately 0.07 percent of the total number of outstanding shares in the Company.
10. Recalculation of the number of Performance Shares subject to an award granted under the Performance Share Program 2021/2024 shall take place in the event of an intervening bonus issue, split, rights issue and/or other similar events.
11. In addition to what is set out above, the Board of Directors shall under certain circumstances be entitled to reduce the number of Performance Shares subject to an award or, wholly or partially, terminate the Performance Share Program 2021/2024 in advance and to make such local adjustments of the program that may be necessary or appropriate to implement the program with reasonable administrative costs and efforts in the concerned jurisdictions, including, among other things, to offer cash settlement.
12. The Board of Directors shall be responsible for the further design and administration of the Performance Share Program 2021/2024 within the framework of the above stated main terms and conditions.

Performance outcome

The performance outcome will be determined by the Board of Directors after the expiry of the Performance Period (December 31, 2023), in 2024. In connection therewith the Board of Directors will also publish the performance results.

(b) Transfer of own shares

The transfer of own shares to participants in the Performance Share Program 2021/2024, and to subsidiaries within the Group in order to secure their obligations to deliver Performance Shares under the program, may be made on the following terms and conditions.

1. No more than 2,764,502 Telia Company shares may be transferred to participants in the Performance Share Program 2021/2024 as Performance Shares.
2. The entitlement to receive Performance Shares without consideration shall only be offered to persons within the Group who are participants in the Performance Share Program 2021/2024. In addition, subsidiaries shall be entitled to acquire shares without consideration in order to immediately transfer such shares to participants in the Performance Share Program 2021/2024 in accordance with the terms and conditions of the Performance Share Program 2021/2024.
3. The transfer of shares without consideration shall be made when the participants are entitled to receive their Performance Shares in accordance with the terms and conditions of the Performance Share Program 2021/2024, which will be following the publication of the Company's interim report for the first quarter 2024.
4. The number of shares that may be transferred shall be subject to recalculation in the event of an intervening bonus issue, share repurchase offer, split, rights issue and/or other similar events.

The reason for this proposed deviation from the shareholders' preferential rights is because the transfer of own shares is an integral part of the implementation of the Performance Share Program 2021/2024 and the Board of Directors considers that the implementation of the Performance Share Program 2021/2024 will be to the advantage of the Company and the shareholders as it offers participants the opportunity to become shareholders in the Company.

The Board of Directors proposes that the resolutions under items (a) and (b) above will be voted on at the Meeting as two separate resolutions. The proposal under item (b) on the proposed transfer of shares is conditional on the Meeting having approved item (a), i.e. the implementation of the proposed Performance Share Program 2021/2024.