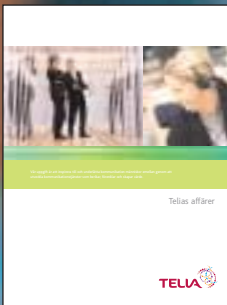




Our mission is to enable and inspire communication between people by developing communication services that create value and enrich and simplify life.

## Telia's relations 2001

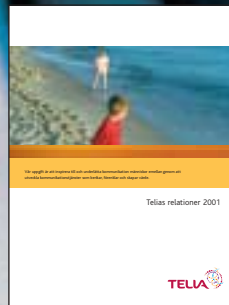




**Telia's Businesses**  
This is a presentation of Telia's strategy for developing our core businesses.



**Telia's Annual Report 2001**  
Here you will find the report of the Board of Directors, income statement, balance sheet, performance analyses for 2001 and more.



**Telia's Relationships**  
This contains information about Telia's relationships and cooperation with important interest groups such as customers, suppliers and employees.

These publications can be ordered via tel. +46 (0)8 713 7143 or fax +46 (0)8 604 5472.

This is the first of our reports to also include the social dimension and review the actions we have taken to date in this area, up to and including 2001. We have noted an interest from external parties in how we measure, follow up and publicize our efforts to fulfill our social responsibilities and demonstrate that we are conducting our environmental work in a sound manner.

We have decided to designate all our work in this area as "our ethical approach," for the simple reason that we believe the word "ethics" conveys the right feeling to our stakeholders. This report describes our relations with a number of stakeholder groups, namely, our customers, employees, investors, suppliers and society in general.

The aim of this report is to demonstrate to the community at large and to all our employees how, through our ethical approach, we contribute to a sustainable society.

This report includes the operations of wholly owned subsidiaries, both within and outside Sweden. The collection of data was made more difficult by divestments, organizational changes and so forth, with the result that certain parts of the report can only indicate development trends. In such cases, more detailed analyses may require more specific data.

This report has been approved by Telia management.

We have quality-assured incoming data and work on the report was examined on an ongoing basis by Telia's external auditors, Ernst & Young, who also examined the completed report.

As was the case with previous reports, the present report can be accessed at [www.telia.se](http://www.telia.se).

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## Dialog with stakeholders is important to our development.

Telia supplies services that facilitate and inspire communication between people. The use of our services also contributes to a sustainable society and a richer life.

A sustainable society protects the environment and also accepts responsibility for ensuring that future generations are able to enjoy a full life. More and more people are realizing that IT and telecommunications are the way forward to entirely new ways of living, one of the prerequisites for innovative social planning and a contributory factor to an enhanced quality of life.

#### **Environmental concern and social responsibility**

Telia has chosen to work proactively for an ethical approach to the wider community. By this we mean the way in which we relate to our stakeholders. We value dialog and wish to create as many avenues as possible for contacts and personal relations with our stakeholders.

In last year's Environmental Report we held out the promise that we would adopt a new, broader approach which would also include the social dimension, as a way of aligning Telia with what is now known as sustainable development. I am convinced that there are many factors that we can highlight in order to clarify the image of Telia as a "good" company. For many years we have conducted a systematic environmental program, as well as assuming our social responsibilities. We have already made considerable progress, and it is not without pride that we carry our history with us into the future. It will be a challenge for us to maintain the same breadth of commitment. Our sense of responsibility largely derives from our predecessor company, which operated without competition. While we naturally intend to continue nurturing our relations, we must now do so at the same time as we cope with increasingly challenging competition.

#### **Commitment pays off in the long run**

In October 2001 we received confirmation that we are handling our relations well when the Telia share was added to the Dow Jones Sustainability Index. Dow Jones bases its selections on an analysis that jointly evaluates financial, environmental and social performance. Only about ten Swedish companies are included in this prestigious global list.

We are continuing with our systematic environmental work. As an important step in our efforts to also develop a

management system for ethical issues, we formed the Telia Ethics Council during 2001. The Ethics Council task is to support management in efforts to decide what position to adopt regarding key ethical issues that are important for our business or significantly affect us in some other way. The Council consists of business and staff managers at Telia.

During 2001, the ethical guidelines that we adopted in 1996 were revised and ratified by both management and the Telia Board of Directors.

Skanova received certification during 2001 in the form of a combined environmental and quality certificate, in accordance with ISO 14001 and ISO 9001 respectively.

We have also noted a continued favorable trend in terms of the environmental and financial gains achieved through the use of our proprietary virtual meeting services. We also anticipate that our new Groupwide meeting policy will contribute to our own development, as well as to changes in behavior patterns. The policy assigns a higher priority to virtual meeting formats.

#### **A question of credibility**

In a world characterized by global injustices and environmental destruction that represent a threat both to ourselves and to future generations, it is becoming increasingly important to step forward and take a position. Globalization highlights the importance of serving as a model and affirms the need to assume responsibility for developing a sustainable lifestyle. Our goal is a Telia that safeguards the environment and demonstrates social concern – a company that uses its own products and services in a prudent and successful manner. We believe in what we do and are determined to practice what we preach.



Marianne Nivert



# Good relations with customers are founded on respect for the individual.

Our approach to our customers is equally important whether the focus is on how we communicate via our invoices or how we meet customer demands for availability and service. All forms of contact contribute in various ways to establishing relations between ourselves and our customers.

Innovative, responsive, rapid, reliable and simplicity are the guiding principles that characterize our approach to our customers. They are evident in how we listen, how we organize ourselves, how we provide diversity in our services to customers, and how we handle our invoicing and ensure payment security. But the future presents new challenges. What we do today for our customers places us under an obligation. We know that, despite increasingly severe competition, we will still be expected to maintain a high standard of service.

#### **Regular customer surveys**

For many years we have used the measuring tool TIM – Telia's Integrated Measuring tool, an important component of which is a Satisfied-Customer Index. During 2001 we upgraded the tool in order to modernize our measurements. We plan to begin applying the new measurement system during the second quarter of 2002.

New products and services are developed in cooperation with customers, using methods such as customer panels.

#### **13-14 million contacts in one year**

Telia Sverige AB is our main sales and customer-care company, with branches in a large number of communities in Sweden. During 2001, we had some 13-14 million contacts, mainly via our Customer Service facility, which is open 24 hours a day, and also through the Telia stores that are located throughout the country to give our customers personal service. Customers also meet Telia through our retail dealers, who to a large extent represent our face to the outside world.

We are well aware that our development and performance are of interest to the media. This was already the case before our stock-exchange listing, and is even more so now. As a result, much of our information is communicated via the media. A few years ago, in order to meet journalists' demands for rapid and factual information, we instituted a press office that is open 24 hours a day. In this way, our customers rapidly receive information about important matters.



In markets outside Sweden, each business area deals with its customers via local sales companies. The sales organizations of Telia Mobile, Telia Internet Services and Telia Networks are mainly concentrated in the Nordic region, while the Telia International Carrier business area is represented by sales companies – many of them established during 2001 – in more than 20 countries.

#### **Window on the world**

Customers can choose between options ranging from person-to-person dealings with expert sales personnel at Telia to listening to a simple interactive voice message on the telephone.

Telia International Carrier is an example of how we build close relations with our major customers around the world. It is a matter of operating in different cultures and developing durable, stable relations.

Our websites are important windows to the outside world that offer possibilities for dialog. During 2001 we took further measures to improve our international website, [www.telia.com](http://www.telia.com). We increased the scope for ordering via the Internet. Both private and corporate customers can now choose to obtain personal and secure entry points to our web.

#### **Simpler payment systems**

Invoicing is the contact interface common to all our customers. We have steadily improved our invoicing systems, so that today we can offer quarterly or monthly

billing. Customers can obtain a real-time follow-up service either via the Internet or via telephone. All bills clearly show the types of calls the customer has made. Customers who so wish can be provided with a detailed account.

During 2001 we introduced the option for private customers to receive their bills electronically.

Before a customer becomes a subscribing Telia customer, a credit check is performed. If we are informed of payment irregularities, we require advance payments in the form of deposits.

#### **Focus on customer security**

It has become increasingly important for us to protect our customers against fraud and other criminal activities. We are the first company in Sweden to have introduced the CERT function. Telia CERT's main purpose is to investigate IT-related security infringements, directed either at Telia as a company or at our customers.

Taking the UN regulations as our starting point, we have formulated a policy for customers with functional impairments. This policy commits Telia to taking functional impairments into consideration in the design of products, information and premises, and to contributing to the development of better solutions and services.



## Telia's People Concept:

Feel the spirit and share the success of innovation. At Telia we are dedicated to shaping the future of communications.

We believe in combining diversity, great individual freedom and teamwork. We support you in your choice of career path and work-life balance. And we strive for a relationship with you, also during periods of your life when you choose to do other things.

You will find exceptional opportunities for personal growth and competence development. We provide services across many borders, and you will find challenges both in the local market and in the international arena. Work with globally recognized pioneers, share your knowledge in a creative and informal atmosphere, make a difference!

# Companies that accept their responsibilities attract both customers and competent employees.

Telia has increasingly developed into a knowledge company. The capacity to attract and develop the right competence will, exactly as before, be a decisive factor for our success in gaining the market position we seek to achieve.



Individual interviews are one of the basic tools for personal development. Employees discuss their work situation with their manager, focusing on such aspects as goals, results, job satisfaction and personal development plans. The interviews are conducted in the form of structured dialogs that take place at least once each year. The dialog on goals and development leads to a job contract with individualized goals, an updated individual competence profile and a personal development plan for both the short and long term.

During 2001, dialogs were also conducted as one of the parameters for balanced scorecards at management level.

The dialogs are a key component in our competence development system and lead onward to various competence-enhancement programs, such as:

- Telia's Management Development Program.
- Several international exchange programs, including Euroteam, ADEPT and exchange programs.
- Trainee Program.
- ASTEP, our leadership development program, which is aimed at women who already work in management positions. They have a certain amount of management experience, wish to expand their potential, be strengthened in their management role and broaden their networks.
- Nexexecutive is a management development program conducted in cooperation with the Stockholm School of Economics. The participants are successful managers with the potential to take up strategic management positions within the Group.
- Various development measures focusing on individual work situations.

In order to secure the supply of managers in a longer perspective, we have initiated an internal Executive Search function, which gives us a method for identifying and monitoring the progress of employees who have the potential to assume key roles within the Group.

#### **My Way – a method for matching availability to demand**

During 2001, in order to establish a more efficient process for competence supply, we improved our web-based tools and began to introduce what we call our "Competence Portal," which will provide an effective tool to assist managers and employees in the task of planning and following up development initiatives. It will also serve as

an internal marketplace for the training companies with which we have signed framework agreements.

My Way is one of our primary recruitment tools. Users can enter their CVs, see what positions are vacant within the Group and receive offers of jobs that match both their preferences and their competence profile. My Way is also accessible to people who are not Telia employees, and has aroused considerable interest. At year-end, more than 10,000 persons – including Telia employees and non-employees – had registered.

#### **Nine out of ten employees have learned more about our strategy**

The strategy integration program conducted by Telia last autumn was implemented comprehensively. The most recent measurements indicate a participation rate in excess of 90 percent.

#### **Options program – to foster participation**

All Telia employees, in principle, have the opportunity to purchase Telia shares at a predetermined price as part of the personnel options program that was approved by the Annual General Meeting in 2001. This is a way to further strengthen the ties with our employees.

#### **New measurement portal**

Development work on a new Groupwide measurement and monitoring system for Telia continued during 2001. We are developing a measurement portal aimed at providing information of the customer, competence and capital markets more rapidly and more cost-efficiently. The measurement portal will become an integral part of MyNet, our personalized intranet.

#### **Telia Redeployment**

The task of Telia Redeployment is to provide support for managers and other employees in matters relating to reassignment when overstaffing situations occur in Telia's companies and units. The procedures are regulated in a special agreement describing Telia's security undertaking on behalf of its personnel. During 2001, approximately 300 employees were affected by reassignment measures.

Telia Redeployment also coordinates the Group's external recruitment through ongoing reassignment activities, primarily aimed at making the best use of internal competence and facilitating internal mobility.



### Diversity

As a result of our history and the technical nature of our operations, we have previously had a typically male-dominated management organisation. Since the beginning of the 1990s, we have endeavored to improve the balance between women and men in various positions within the company. We have attempted to create an environment in which both men and women can feel, to a considerable extent, that it is acceptable to combine their careers with their leisure activities. The following are a few examples:

- Favorable parental-leave conditions. We make up the difference so that all Telia employees in Sweden – both men and women – receive up to 90 percent of their normal pay during six months of parental leave.
- Fathers' groups. We have experimented with discussion groups for fathers at Telia, with the aim of persuading more men to take advantage of parental leave.
- Management sharing. We have also conducted trials of management sharing in several units. While the results were positive, we have no plans as yet to implement this approach on a larger scale.
- Management recruitment. When recruiting for key positions within the Group, we apply the rule that there must be at least one woman among the candidates.
- Career development program for women. The aim of the course is to encourage women to reflect on their careers and how they wish to develop.
- Women on the Way. A network for female managers.

### Increased focus on employee health

#### **Our work environment – a place for development and balance in life**

*"Telia's operations are permeated by an environmental approach that makes a positive contribution to the Group's business development and generates the physical and mental well-being, commitment, quality of life and personal development for all our staff."*

Excerpt from Telia's work-environment policy.

We have a long tradition of work environment programs in which we have systematically endeavored to assign responsibility for this area to the operational level. An example is the model we use for certifying managers' competence in the work-environment area. The model comprises both a training component adapted to individual needs and a certification component.

A broad health-promotion program should contribute to a well-balanced life for employees. A practical example is a health and fitness allowance whereby employees can receive compensation for regular physical exercise, up to the maximum amount that applies in each unit.

Another example is the Group's support for some 90 local Telia Sports and Leisure Time (TIF) clubs that offer a broad range of leisure, cultural, hobby, fitness and sports activities.



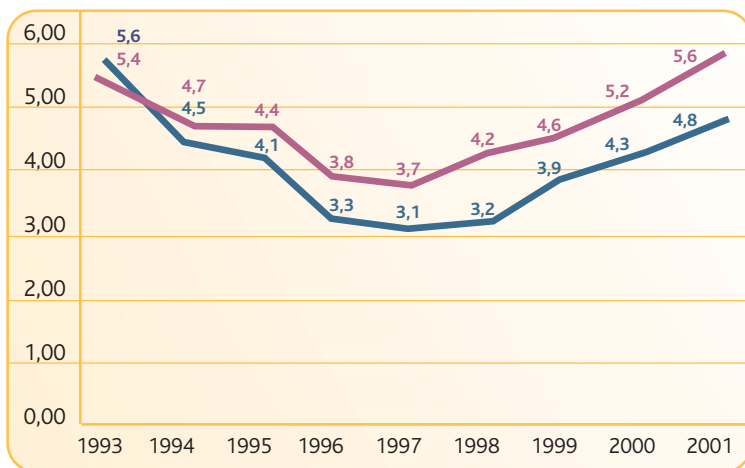
**A new health policy was implemented during 2001:**

*Telia should be an attractive workplace where health awareness helps to generate the inclination in each employee to develop his or her physical, psychological and social well being so that he or she will feel fit at work as well as in private life.*

In order to eliminate risks that could conceivably affect Telia's personnel, we apply a systematic risk-management program. The measures taken may include protection against accidents, robbery, assault and threats, or the possibility to request assistance and risk analyses in connection with business travel and work assignments outside Sweden. Each unit has a person who is responsible for crisis management.

During 2001, we focused particularly on international security, including both security for personnel on international assignments and recruitment of key personnel abroad. We also conducted a review of Telia's crisis preparedness.

Sick leave as a percentage of gross work time has increased during the past few years, but is still considerably below the average for the Confederation of Swedish Enterprise.



■ Confederation of Swedish Enterprise   ■ Telia

The sick-leave trend raises questions about the possible role of the work situation. We have initiated two projects – one to study so-called "burnout" and the other to examine the boundaries between working life and private life, given that technical advances in our own services have made it possible for an increasing number of people to work where and when they wish.

The frequency of work-related injuries within the Group during 2001 was 4.6 injuries per 1,000 employees. While it is true that this represents a 50-percent decline compared with previous years, a direct comparison is irrelevant, since the field operations that have historically given rise to the highest injury figures are no longer included in the reference base.



## An open dialog with investors.

The market demands the right information at the right time. An increasing number of investors are also interested in consideration for the environment combined with social responsibility.

During summer 2000, Telia was introduced on the Stockholm Stock Exchange. Demand for Telia shares, from both private investors and institutions, was considerable. At the end of 2001, Telia had more than 800,000 shareholders.

We make every effort to keep our shareholders and the capital market informed about the company's financial and strategic position and development. The Investor Relations unit is responsible for the Group's contacts with the capital market. Its most important task is to ensure that all information supplied to the media and capital market is accurate and is conveyed in accordance with the standard practice for stock exchange-listed companies. Our aim is that information about Telia should be rapid and correct.

#### Daily dialog creates good relations

The Investor Relations unit and Telia management maintain daily contact with stock market players, including shareholders, institutional investors (both Swedish and non-Swedish) and private investors. As a service to the large number of private shareholders, we offer a highly developed shareholder service, internet based, containing general information about the company, and the opportunity to order information materials or to contact us by e-mail.

By participating in the local meetings of the Swedish Shareholders' Association, we maintain contact with many shareholders throughout the country.

Toward the end of 2001, Telia was awarded the prize for the best Investor Relations of any major Swedish company, as well as the prize for the Nordic company that had made the greatest improvement to its IR work during the year. In addition, the head of Telia's IR unit was named as the best IR manager in Sweden. Also, as the only Swedish company among three Nordic companies, Telia was nominated in the category for the Best Annual Report in the Nordic region. The winners were chosen by more than 160 analysts and fund managers in the Nordic region and London.

#### Increasing number of fund managers offer ethical funds

Many international investors are interested in finding alternative ways of making investments. During the past few years, a trend has developed that is known as Socially Responsible Investment, Sustainable Investment or Ethical Investment. The concept is based on the premise that companies which handle their environmental issues well also pursue a progressive personnel policy, command respect in

the social sphere, and are therefore sound long-term investments. Today, most of the major fund managers offer their customers some kind of ethical fund.

Different asset managers apply different criteria to decide which companies are entitled to inclusion in their portfolios. We have responded to a number of different questionnaires, based on which the Telia share is now included in the list of companies for several different ethical funds.

#### Telia share added to Dow Jones Sustainability Index

Two years ago, Dow Jones introduced an index that tracks the share performance of a number of "sustainability-driven companies." Of the approximately 2000 major companies that are included in the Dow Jones Global Index, 10% have been selected as leaders in terms of a combined evaluation of their financial, environmental and social performance.

As a result, the Telia share is now listed in the global DJSI World index and also in the DJSI STOXX index, which only includes European shares. In purely practical terms, this means that certain fund managers more or less automatically include our stock in their ethical funds.



#### Safeguarding the company's value

Telia has introduced Enterprise Risk Management – an overall approach that shows how we relate to the risks to which large organizations are exposed. It is vital that our networks, services and support systems are protected against intrusion and manipulation. Information that could affect the share price, or which is sensitive in terms of competition and integrity must be protected against unauthorized access.

As part of the Group's strategic planning, we carried out a Groupwide risk analysis during 2001 that enabled us to identify critical risks. We operate an active Risk Management program, ensuring that risk scenarios are constantly analyzed and that risk-management and risk-finance programs are in place.



# Suppliers play an increasingly important role.

Our suppliers make a substantial contribution to the value we create. Their importance for our operations is increasing as a result of the divestment of certain support functions.

We strive for long-term stability in our relations, and we value suppliers who pursue an active development strategy. Our approach to our suppliers is also clear from the following excerpt from our ethical guidelines: "We work on the principle that the value of that which is jointly created is greater than the sum of the parts. We are clear and respectful when cooperating with others, and we expect to be treated in a corresponding manner."

### Suppliers' role increasing in importance

The growing contribution made by suppliers highlights the increasing strategic importance of the procurement process. The requirements on suppliers, which previously focused, for example, on their products and environmental

management systems, are increasingly being expanded to include such aspects of contractor operations as their vehicles and machines.

Concentration to core operations has had the consequence that suppliers often represent us vis-à-vis our customers. Accordingly, the agreements into which we enter include a code of conduct, which is supplemented by regular meetings. This is an area that we propose to develop further.

During 2001 we purchased goods and services to a total value of MSEK 25,000. The 15 largest suppliers accounted for some 40% of the purchased value, about 98% of which involved companies in the Nordic region, Europe and North America..



#### **Environmentally accredited and quality-assured suppliers**

For several years, Telia's purchasing and logistics units have had a highly developed system for assessing suppliers and formulating the requirements they must meet. The assessments cover both operations and products, and may also include financial resources, delivery performance, quality and the environment. We give priority to companies whose operations are quality-assured, and we estimate that most of our suppliers have some form of quality-assurance or environmental management system.

When we examine a supplier's suitability as a prospective partner, we also try to develop an impression of the company's profile in terms of its ethical and social commitment. However, this is an area that requires further development.

#### **Our 15 largest suppliers:**

Ericsson LM Telefon AB  
 Kinnevik Industriförvaltning AB  
 Nordictel Holdings AB  
 Alcatel  
 Manpower  
 Cisco Systems  
 Nokia Svenska AB  
 Amplion Fastigheter AB  
 GE Company  
 Percy Nilsson Byggnads AB  
 Cap Gemini AB  
 Birka Energi  
 Posten AB  
 Nordbanken AB  
 Schenker



# We contribute to social development through active dialog.

We participate in various working groups and national and international projects. This is our way of influencing developments and debate in the social sphere.

Telia's vision:

*In the new world, Telia will facilitate communications between people and inspire people to communicate.*

Telia's business concept

*Telia offers communications services that enrich, simplify and create value.*

*– We utilise the best competence and leading-edge technology to attain success.*

We conduct an open dialog with large sections of society – in particular, parliamentary representatives, the Swedish Government, political parties, authorities and various interest groups. This dialog takes place primarily in Sweden, where the largest share of production and the major portion of the company's value are located.

In order to be able to monitor developments in Europe, we have permanent representation in Brussels. Our dialog with local politicians and trade and industry representatives is conducted via our branches in 24 different locations in Sweden.

We maintain frequent contact with the Swedish National Post and Telecom Agency (the regulatory authority for telecommunications in Sweden) as well as with other authorities, such as the Swedish Competition Authority, the National Rural Agency and the Swedish Environmental Protection Agency.

It is also important for us to engage in dialog

with a number of different interest groups, such as pensioners' organizations, tenants' associations and organizations for the disabled.

We receive virtually daily visits from politicians, trade and industry representatives, researchers and students, among others – at both the national and international level.

## **Focal points for dialog**

There are several permanent locations where we conduct dialogs with our stakeholders. At our VisionsCenter in Farsta, south of Stockholm, we have created a unique exhibit in which we use a variety of scenarios in a home or work environment to demonstrate a number of our innovations.

Here we arrange exclusive showings, demonstrations and presentations for customers, business partners, politicians and decision-makers, journalists and other interested parties.



During 2001, Telia helped to organize an exhibition about the home of the future at the Telecommunications Museum in Stockholm. This exhibition, which opened in January 2002, shows how technology could become an integral part of our homes in 2010.

#### **Involvement in various forums**

° In 1996 we signed the Environmental Charter of the European Public Telecommunications Network Operators' Association (ETNO). The Charter describes how signatories undertake to work toward sustainable development by, for example, promoting the environmental benefits of IT services. Another aim is to encourage companies to reduce the environmental impact of their own operations.

° Since 2001 we have been affiliated to the Global e-Sustainability Initiative (GeSI) through our membership of ETNO. GeSI is an initiative within the IT industry to support energy-saving solutions. Affiliated companies also undertake to reduce waste and to work toward solutions in the traffic and transport areas.

° Telia is a participant in the "Forum for IT and the environment" – a working group set up by the Swedish Government. In its IT proposal, the Government stated that a concerted effort was needed in this area. The group's work, under the leadership of environment minister Kjell Larsson, is based on the premise that IT applications offer a way of reducing environmental impact and promoting sustainable development.

° The UN has set up an international working group with the task of investigating how IT can help to reduce world poverty. The working group reports directly to the UN Secretary General, Kofi Annan. A Swedish reference group, of which Telia is a member, has been established.

° "Bygga Bo" and "Framtida Handel" – two projects initiated by the Environmental Advisory Council at the Ministry of the

Environment, to foster dialog between society and the business community, continued their work during 2001. The projects present a picture of a society of the future and the measures that may be needed in order to make it a reality. In both cases, the IT sector has contributed to new approaches. Telia is involved in both projects, the final aim of which is concrete agreements.

° We are represented in the Swedish IT&Telecom Industry's Environmental Committee, which, among other functions, serves as the review body in legislation issues. A current issue during 2001 related to the implementation of legislation on producer responsibility for electronic waste.

° Together with other organizations, including the National Road Administration, NCC, Volvo and Ericsson, Telia is participating in a project led by the environmental organization The Natural Step Foundation. The aim of the project is to develop a reflexion document for the development of sustainable traffic and transport systems as a contribution to the ongoing debate on the best way to show environmental consideration.

° Stockholm Partnership for Sustainable Cities is an event scheduled to take place at the beginning of June 2002, 30 years after the United Nations Conference on the Human Environment in Stockholm 1972. The aims include demonstrating different ideas that could contribute to sustainable development in major cities. Telia is contributing with a project entitled "The use of virtual meetings in organizations for reducing traffic and environmental stress. A way for people to change attitudes and behavior in relation to meetings and travel." The project is primarily aimed at companies and employees in the Stockholm metropolitan region and focuses on ways of influencing the behavior of employees regarding work-related travel. You can read more about the project in the chapter "Practicing what we preach."

° We have been cooperating for several years with the International Institute for Industrial Environmental Economics (IIIEE) at Lund University, the most recent example being the Institute's participation in the project work described under the preceding point.

#### **Sponsorship is a part of our social commitment**

Sponsorship and events are an integral part of our market communications, and give us the right to be associated with an organization, for example. Such involvements must contribute to Telia's desired brand position, and the projects must be commercially advantageous and characterized by concrete reciprocal benefits.

Noteworthy sponsorship projects are currently under way in cooperation with the Royal Dramatic Theater in Stockholm and the Childhood Foundation. Telia is one of ten companies that co-founded the Foundation and continue to support it. The organization works to support ongoing projects and influence decision-makers to protect children's rights. The aid provided is currently focused on Brazil, Russia and the Baltic States.

*"We must impose high standards on ourselves in relation to people and organizations in our business environment. But at the same time we must require of others that they act toward us in a corresponding manner – only then can we achieve mutual respect. Mutual respect is a prerequisite for continuous enhancement of the quality of life, the environment and competitiveness for the benefit of people and organizations. All of us at Telia must assume our share of the responsibility for this process."*

From Telia's Ethical Guidelines.



## Environmental work is a continuous process.

Concentration on core operations and reorganization of our business areas has not changed our overall orientation regarding our environmental work. The aims expressed in our environmental policy continue to apply.

### **First to obtain combined environmental and quality certification**

The changes that are occurring once again highlight the need for a systematic approach and the introduction of environmental management systems. The possibility of certifying an operative system still remains to be investigated. Three of the four companies that decided in favor of certification last year have taken this step.

To the best of our knowledge, our network wholesale operation Skanova is the first company to obtain a combined environmental and quality certificate, in accordance with ISO 14001 and ISO 9001 respectively. The certificate is based on an integrated environmental and quality man-

agement system that was developed entirely within Skanova. The company defined quality and environmental objectives and a common policy. External auditing of operations will take place twice each year. Skanova accounts for a substantial portion of our sales and is responsible for ownership, operation and maintenance of the entire fixed network.

### **Environmental work within the Group during 2001**

The report covers those companies that are included in core operations and which, by virtue of their size and/or the nature of their operations, are significant for the Group's environmental work. Of 25 companies, one (Skanova) has obtained certification and another has decided to seek certification during 2002. A total of 15 companies have someone in their management group who is responsible for environmental issues. Four companies have some form of environmental management system and eight companies have established environmental



objectives for 2002. We do not currently conduct any operations that require a permit in accordance with Chapter 9, paragraph 6 of the Environmental Code.

Regarding our inventories of lead cables and impregnated poles, we have previously conducted investigations to determine whether they cause any environmental impact. The results show that any spread of substances from either lead cables or poles is essentially negligible and indicate that this does not constitute an environmental problem.

Until the mid-1980s, when we were known as the Swedish Telecommunications Administration we had operations for impregnating poles. Today, as far as we are aware, Telia has no responsibility for the decontamination of sites formerly used for impregnating poles.

Planned changes to the web-based environmental training program have not been implemented. Instead, the aim is to integrate environmental training with other training programs.

#### Environmental costs are a part of operations

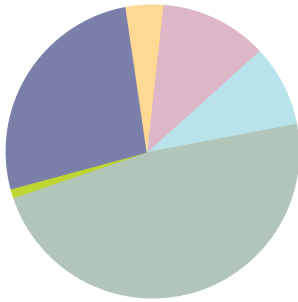
Environmental costs are not normally treated as a separate item but are included as a part of operating expenses in general.

The table opposite shows costs that are directly related to the environment. Personnel costs and man-hours are not included.

Environmental costs for 2001, SEK 000s

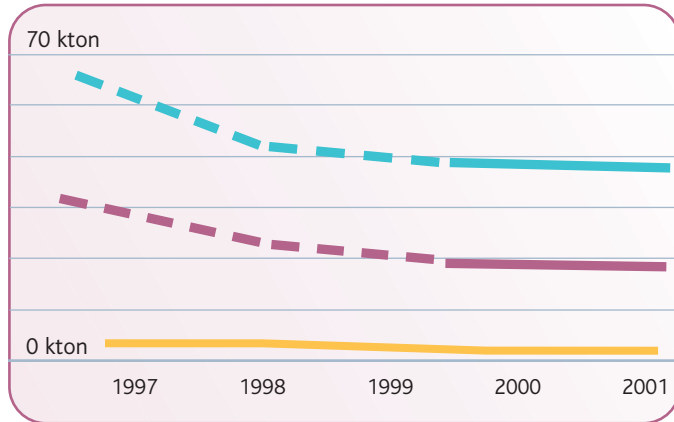
|   |               |
|---|---------------|
| Environmental communications                            | 6,100         |
| Environmental management                                | 1,150         |
| Life cycle assessments (Centrex)                        | 440           |
| Environmental training                                  | 610           |
| Research & Development                                  | 1,000         |
| Phase-out of freons, HCFCs                              | 20,000        |
| PCB inventories (buildings)                             | 180           |
| Handling of returned materials                          | 7,500         |
| Environmental charges                                   | 40            |
| Other operating corporate expenses, excluding personnel | 1,500         |
| <b>Total</b>  | <b>38,620</b> |

CO<sub>2</sub> emissions



- Premises
- Contractors
- Vehicles
- Transport of goods
- Business travel
- Network operations

CO<sub>2</sub> emissions from passenger transports



- Air travel
- Train travel
- Cars for official use/company cars/private cars

**Energy use and CO<sub>2</sub> emissions**

Telia's negative environmental impact is predominantly the result of vehicle use, travel, transports, energy use and consumption/use of materials. We report those parts that are relevant to operations. Divested operations and contractors are included to the extent that they were utilized and are quantifiable. Travel and similar expenses for the services of external consultants are not included.

Telephone directory operations have been conducted for several years by Eniro, a stock exchange-listed company that is no longer part of the Telia Group.



CO<sub>2</sub> emissions during year 2001CO<sub>2</sub> (kton)

|                            |                                |             |
|----------------------------|--------------------------------|-------------|
| Trains                     | 23,000 journeys                | 0.00006     |
| Air travel                 | 109,000 journeys               | 25.0        |
| Rental cars                | 6,146 journeys                 | 0.5         |
| Taxis                      | 182,000 journeys               | 0.8         |
| Vehicles and work machines | 7,700 units                    | 41.6        |
| Transport of goods         | 39,000 tons                    | 0.7         |
| Contractors                | 524,000 hours                  | 9.6         |
| Premises                   | 630,000 m <sup>2</sup>         | 11.4        |
| Network operation          | 39,000,000,000 traffic minutes | 3.8         |
| <b>TOTAL</b>               |                                | <b>93.4</b> |

### Handling of waste and residual products

All waste materials and residual products are handled by environmentally certified contractors. Source-sorting is applied in all larger office buildings and is handled by Telia's workplace support unit. For field operations, a large number of environmental stations in three different sizes are distributed throughout the country.

The Ordinance on Producer Responsibility for Electronic Products came into force on July 1, 2001. This means that Telia, in common with other companies in the industry, has a responsibility to take back telecom products when their useful life is over. The solution we have adopted is to become a member of a joint system known as Elretur. This ensures that waste materials and residual products are handled in an environmentally efficient system and disposed of by environmentally certified contractors.

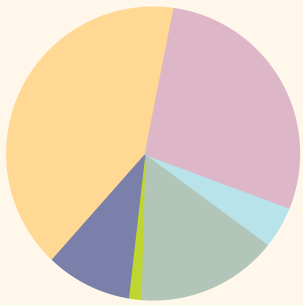
During 2001, slightly more than 3 tons of HCFCs were eliminated. In accordance with the applicable legislation, no refilling will take place.

### Incidents – some example from 2001:

- The environment office of a Swedish municipality requested that measures be taken regarding a creosote-impregnated telephone pole. The pole is located in the garden of a private house, whose owner has expressed concern about leeking of preservative. Telia is in discussion with the parties concerned to find a solution.
- Another municipality complained about large amounts of discarded cable left at a site where work had been completed. The contractor responsible had neglected to remove the cable and the problem was resolved.
- Soot emissions occurred during testing of a reserve power generation plant, resulting in complaints from nearby residents via the municipality. Adjustments were made and discussions are being held with the environment office to establish whether the measures taken are sufficient.



Energy use during 2001, GWh



|                    |                |   |
|--------------------|----------------|---|
| Premises           | 231            | Electricity, oil and district heating. Based on invoicing records, office floor area in use and the REPAB standardized industry index.                  |
| Contractors        | 36             | Based on invoicing records.   |
| Vehicles           | 145            | Production vehicles, work machines, company cars and privately owned cars used for business purposes.   |
| Transport of goods | 3              | Does not include telephone directories.   |
| Business travel    | 122            | By train, air, airport taxis, other taxis and rental cars. The number of journeys by air declined by approximately 7% compared with the preceding year. |
| Network operation  | 349            | Does not include customers' electricity use.  |
| <b>Total</b>       | <b>886 GWh</b> |   |

### Environmental product declarations and life cycle assessments

We have performed a number of life cycle assessments in order to verify and underpin the environmental benefits of IT services.

All cables and ducting included in the telecommunications network are covered by environmental product declarations. Acting on Telia's suggestion, the Swedish IT&Telecom Industry have formulated an industry-wide environmental product declaration for telecommunications equipment. The purpose of the declaration is to make it easier for customers to obtain information about product content.

The environmental product declaration for Telia Centrex (Telia's virtual telephone switchboard) has been certified in accordance with the Swedish Environmental Management Council's criteria. A life cycle assessment performed previously showed that the environmental impact of Centrex is at least 50% less than that of a physical company switchboard.

### Life cycle assessments performed to date

|      |  |
|------|--|
| 1997 | Videoconferencing, mobile telephony      |
| 1998 | TeleSvar, cable laying                   |
| 1999 | Telia Centrex, radio links, IP telephony |
| 2000 | Fixed telephony                          |
| 2001 | Review of Telia Centrex                  |



### **ETNO collaboration on mobile telephony and electromagnetic fields**

The debate concerning the possible risks associated with mobile telephony continues, focusing on the risks associated both with mobile phones and base stations. A high priority has been assigned to the issue, and we have been working systematically for several years on the health and safety aspects of mobile telephony.

In order to gain a broad overview of the information currently available, Telia has for several years had a scientific council, consisting of established researchers, which continuously discusses and presents the latest information available.

We base our activities on a large number of national and international research studies, which to date have been

unable to find any evidence of health risks associated with mobile telephony.

There is however widespread public concern on this subject, despite the studies that have been presented. We view this concern with the utmost seriousness. Our approach is based on professionalism, honesty and empathy. We actively participate in the public debate and keep the general public informed by publishing extensive information on our website, [www.telia.se](http://www.telia.se).

During the past year, the issue of public concern about electromagnetic fields was also a key issue for ETNO. Collaborative efforts under Telia's leadership resulted in a Reflection Document, in which readers are referred to the recommendations of EU committees. Read more at [www.etno.be](http://www.etno.be).

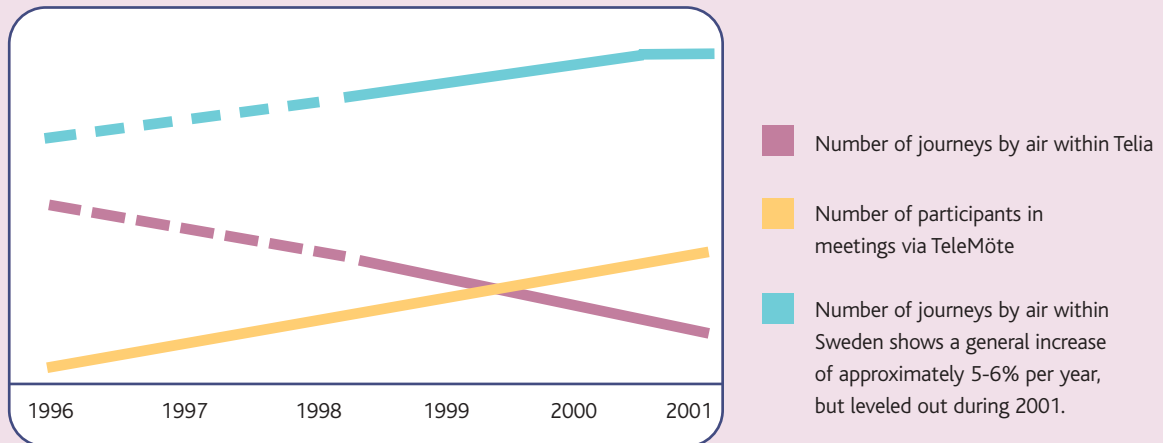


## Practicing what we preach – new business opportunities.

Practicing what we preach means setting a good example in the way that we use various IT services as an alternative to other actions that impact on the environment. This can result in reduced travel costs and an enhanced quality of life for many people.



Schematic diagram showing development trends for air travel and meetings via Telia TeleMöte internally within the Group



An increasing number of people are discovering the possibilities offered by flexible working, and many of our employees work remotely from wherever they wish. During the past year, the amount of air travel within the Group continued to decline. At the same time, the number of meetings via TeleMöte continued to increase for the fourth successive year.

A number of good examples from companies and organizations show how they have changed their practices. By using IT in the right way, we can together reduce environmental impact and contribute to sustainable development. We have collected a number of examples on our environmental web page, and some of these have been published in book form under the title "Good examples of new practices."

#### Virtual meetings reduce travel

During 2002, Telia plans to complete the project "Virtual meetings as an alternative to travel." The aim of the project is to bring about a change in behavior regarding meetings within the Telia Group. By encouraging more extensive use of virtual media, we can create an effective

alternative to work-related travel. The driving forces for the project are cost and time savings, both during and outside working hours, and a clear environmental gain through the reduction of CO<sub>2</sub> emissions.

Subprojects carried out to date show a savings potential of about 25% of travel-related costs.

In the beginning of 2002, in order to establish the conditions for a change in behavior, we adopted a meeting policy that takes precedence over our travel policy. The next stage will be its implementation in individual companies in the Group. In cooperation with Ericsson, we have also developed a Internet-based tool to enable employees to perform individual measurements and follow-up analyses.

The aim is that the "Virtual meetings" project will provide the basis for productization of salable meeting concepts.

In previous environmental reports, we described the CommIT project, the aim of which was to solve traffic problems in the Nacka Strand area of Stockholm. CommIT is included as part of the project "Virtual meetings as an alternative to travel."



## Report Attestation

### To the reader of the report "Telia Relations 2001"

At the request of Telia AB, we have reviewed the report "Telia Relations 2001".

The report, for which Company management is responsible, was prepared at corporate level by the environmental unit.

#### Approach

The scope of our review, which was determined in consultation with the customer, involved focusing mainly on reviews of internal controls of information collection and the processing and presentation of information in the report "Telia Relations 2001".

#### Basis of our review

Our review mainly encompassed the following five core areas:

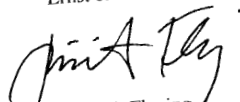
- 1) Discussions with the executives responsible concerning the focus, contents and scope of the work.
- 2) Discussions with the executives responsible concerning the report "Telia Relations 2001" and the background information for the statements made in the report.
- 3) A review of the principles applied for selecting information and presenting it in the report "Telia Relations 2001".
- 4) A review of the systems used for collecting and processing information. This review encompassed examination that Telia's
  - chosen principles for selecting subject areas, formulating questions/forms and methods for requesting information have been adhered to
  - systems for the digital collection of information from the relevant data providers are satisfactory
- 5) Review that the data for 2001 were compiled and processed in accordance with the selected principles and methods on the basis of the data provided by the units concerned.
  - methods are used to establish that the information provided corresponds to actual conditions or to formal decisions regarding future actions
  - methods for reconciling and assessing the reasonability of the information received are reliable
  - methods for digitally storing, correcting, supplementing, processing, updating and compiling the information received are reliable.
  - methods are in place for documenting the completed processing's and for ascertaining that the audit trail is complete.

#### Conclusions

Our overall assessment is that the information for 2001 reported in the report "Telia Relations 2001" has been compiled, selected and presented in a correct manner based on the methods and principles applied by Telia for the collection of information. The review did not result in any findings that would indicate that the examined information is misleading.

Stockholm in March 2001

Ernst & Young AB

  
 Birgit Flening  
 Authorized Public Auditor

**Carbon dioxide – CO<sub>2</sub>**

Formed during combustion. Carbon dioxide is the most important of the greenhouse gases, accounting for approximately 50% of the greenhouse effect.

**CFCs, HCFCs**

Halogenated hydrocarbons, best known under the brand name Freon. Used in cooling systems, among other applications. Freons are ozone-depleting and also contribute to the greenhouse effect. HCFCs, known as “soft freons,” have a weaker ozone-depleting effect and a shorter lifetime.

**CO<sub>2</sub>**

See carbon dioxide.

**Creosote**

Organic wood preservative produced from coal tar. Has less of an environmental impact than CCA salts, particularly if its relatively easy destructibility is taken into account.

**CV, Curriculum vitae**

A description of a person and his or her career, including qualifications, often used in job applications.

**Elretur**

System for the collection, pretreatment and materials-recovery processing of electrical and electronic products in an environmentally correct manner. More information is available at [www.el-retur.se](http://www.el-retur.se)

**EMF, electromagnetic fields**

A basic prerequisite for the functioning of all forms of wireless radio communication (radio waves). Power lines and some electrical devices are surrounded by electromagnetic fields of greater or lesser strength.

**Environmental product declaration**

Declaration stating a product's content and characteristics that could be of importance for the environment.

**ETNO**

European Public Telecommunication Network Operators' Association. Website: [www.etno.be](http://www.etno.be)

**Freon**

See CFCs, HCFCs.

**GeSI**

Global e-Sustainability Initiative. Initiative within the telecom industry, including suppliers, to promote environmental advances in the industry and increase awareness of the contributions that IT can make to social development. See also [www.gesi.org](http://www.gesi.org)

**Greenhouse effect**

Incoming heat from the sun is prevented from radiating out into space by so-called greenhouse gases, the most important of which are CO<sub>2</sub>, CFCs, methane and N<sub>2</sub>O (laughing gas). Changes in the atmospheric content of greenhouse gases have consequences for the earth's climate.

**IIIEE**

International Institute for Industrial Environmental Economics at Lund University. Website: <http://www.lu.se/IIIEE>.

There is a direct link to Peter Arnfalk's licentiate thesis on the environmental consequences of videoconferencing and distance working at [http://www.lu.se/IIIEE/it\\_in\\_pp/](http://www.lu.se/IIIEE/it_in_pp/)

**ISO 14001**

The International Organization for Standardization's standard for environmental management systems.

**IT (information technology)**

Used as a synonym for various types of telecommunications and data applications.

**Life-cycle assessment (LCA)**

A systematic method for calculating and evaluating how various products and

services affect the environment during their entire lifetime. A life-cycle assessment follows either the entire life of a product, from raw material to the disposal of waste and residues, or a selected portion of the life cycle.

The Swedish Environmental Management Council has been assigned the task of supporting the introduction of, and providing information about, the EU Directive concerning environmental management and environmental reporting. See also [www.miljostyrning.se/](http://www.miljostyrning.se/)

**Producer responsibility**

Producer responsibility means that the producer of a product is responsible for ensuring that the product is disposed of in an environmentally correct manner when its useful life ends. Implementation of producer responsibility began with the Ecocycle Proposition of 1993, and the principle has been introduced both through legislation and through voluntary undertakings from the industries concerned.

**REPA Register**

The organization that administers the overall issues relating to the collection of packaging materials. The REPA Association administers and distributes fees intended to finance the recycling of packaging.

**Sustainable development**

Long-term sustainable development means satisfying today's needs without jeopardizing the ability of future generations to fulfill their needs.

**Telia Centrex**

Telia's virtual company switchboard in the telephone network.

**Telia TeleMöte**

A meeting via telephone with several participants who participate by entering a special code.

www.telia.se



15.000 LZTA.802.1004/01 E. production: Telia AB and Tiliäinen Reklambyrå  
Translation: The Bugli Company, Stockholm. Photo: Telia Bildbank  
This brochure is printed on environmentally approved paper.



#### Dialog/Contacts

This report, together with additional information, can also be accessed at [www.telia.se/miljo](http://www.telia.se/miljo).

If you have any questions, either prompted by this report or about Telia, IT and the environment in general, you are welcome to contact us by e-mail: [environment-telia@telia.se](mailto:environment-telia@telia.se), or by telephone: +46 8-713 10 00.

