ABOUT THIS REPORT

This is Telia Company’s third Sustainability Update, available at www.teliacompany.com/en/sustainability/reporting. The Sustainability Update content and structure are inspired by the GRI G4 Guidelines’ Reporting Principles and aligned with Telia Company’s Annual and Sustainability Report, which is prepared using the GRI G4 Guidelines. Deloitte Sweden has conducted limited assurance of the report. See the Auditor’s Limited Assurance Report for more information.

The report lays out our sustainability work during the first half (H1) of 2017. Where relevant, it also includes information related to the third quarter. The report also contains an update on law enforcement statistics, as part of our commitment to transparency on freedom of expression and privacy.

For various reasons, primarily the availability of data and annual planning of activities such as training and risk assessments, we are unable to report on or provide a complete picture of our progress on all goals. We aim to report comprehensively on our goals in the upcoming 2017 Annual and Sustainability Report.

Throughout the report are references to Telia Company’s ‘core markets’. These are Sweden, Finland, Norway, Denmark, Estonia and Lithuania.

The Annual and Sustainability Report further explains governance, policies and risk management related to sustainability and calculation methods where relevant. The latest Annual and Sustainability Report can be found at annualreports.teliacompany.com. Earlier reports can be found at www.teliacompany.com/en/investor/reports-and-presentations/annual-reports/. Telia Company’s Code of Responsible Business Conduct, supplier code of conduct as well as other policies and guiding documents can be found at Public Policy.

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

### Significant events
- ‘Statement of materiality and significant audiences’ included in the 2016 Annual and Sustainability Report Corporate Governance Statement, highlighting the Board of Directors’ commitment to integrating sustainable, responsible business practices into business and strategy.
- Human Rights Impact Assessments for Telia in Lithuania and Sweden were finalized and published.
- Telia Company joined as a full member of the Global Network Initiative.
- Final settlement of USD 965 million reached with US and Dutch authorities regarding Telia Company’s entry into Uzbekistan and related financial transactions.
- Third-party due care guidelines and supplier sustainability due diligence manual implemented.
- Extensive external audit on GDPR readiness, with follow-up audits planned.
- Moldcell in Moldova received occupational health and safety management system OHSAS 18001 certificate in May, and Telia Denmark received OHSAS 18001 certificate in September.
- Key findings from the Children’s Advisory Panel were presented in the Children’s Voices report.

### Anti-bribery and corruption

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>2018 goals</th>
<th>2017 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>Third-party ABC due care guidelines issued.</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>Case-based ABC training on third party due care guidelines conducted for ethics and compliance professionals in region Eurasia.</td>
</tr>
<tr>
<td></td>
<td>Certified ethics and compliance professionals in all region Eurasia markets (by end of 2016).</td>
<td>Three new ethics and compliance professionals in region Eurasia enrolled for certification.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Approximately 1,400 employees completed ABC-specific training for defined target groups.</td>
</tr>
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</table>

### Freedom of expression and privacy

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>2018 goals</th>
<th>2017 progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enable, respect and support freedom of expression and privacy.</td>
<td>All markets covered in law enforcement disclosure regarding statistics on government requests as well as information on local legislation on direct access.</td>
<td>Seventh Law Enforcement Disclosure Report published, covering seven countries.</td>
</tr>
<tr>
<td>We are regarded as the trusted ICT industry leader in human rights.</td>
<td>All closed unconventional requests challenged.</td>
<td>Information on local legislation on direct access covering all of our markets.</td>
</tr>
<tr>
<td></td>
<td>Actively contribute to the work of the Industry Dialogue (ID) and its collaboration with the Global Network Initiative (GNI).</td>
<td>Around two-thirds of unconventional requests challenged.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>ID and GNI joined forces in March.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Our form for assessments and escalation of unconventional requests part of GSMA policy handbook.</td>
</tr>
</tbody>
</table>

### Customer privacy

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>2018 goals</th>
<th>2017 progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respect and protect the privacy of our customers.</td>
<td>‘Privacy by design’ implemented in all relevant project management processes.</td>
<td>Group common legal interpretations created and shared.</td>
</tr>
<tr>
<td>We are regarded as a trusted actor in handling personal data on the customer’s terms.</td>
<td>All employees are aware of the customer privacy requirements related to their work duties.</td>
<td>Local projects assessed and developed plans for GDPR activities in core markets and group functions.</td>
</tr>
<tr>
<td></td>
<td>Clear and easy-to-understand information about processing of</td>
<td>Strengthened governance and resources to meet GDPR requirements.</td>
</tr>
</tbody>
</table>
### Occupational health and safety

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>2018 goals</th>
<th>2017 progress</th>
</tr>
</thead>
</table>
| • An occupational health and safety culture that supports the ambition of Telia Company as THE place to work. | • Lost Time Injury Frequency (LTIF) maximum 0.52.  
• Sickness Absence Rate (SAR) maximum 1.9 percent.  
• No fatal accidents.  
• OHSAS 18001 implemented in all core markets (by end of 2016).  
• Engagement index: 83 percent. | • LTIF H1 2017: 0.26 (0.36 2016).  
• SAR H1 2017: 2.4 percent (2.4 2016).  
• No fatal accidents.  
• Moldcell in Moldova received OHSAS 18001 certificate in May and Telia Denmark received certificate in September. Telia Lithuania expecting certificate in November. |

### Responsible sourcing

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>2018 goals</th>
<th>2017 progress</th>
</tr>
</thead>
</table>
| • All suppliers and sub-suppliers comply with our sustainability requirements.  
• All suppliers have signed our supplier code of conduct. | • 75 percent of assessed suppliers compliant with supplier code of conduct.  
• 25 percent reduction of supplier base (baseline 2015). | • Due diligence capacity building in region Eurasia, due diligence process introduced in Estonia and Lithuania.  
• New due diligence manual developed, ethical compass updated.  
• 1,416 supplier due diligence, 57 on-site audits. |

### Environmental responsibility

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>2018 goals</th>
<th>2017 progress</th>
</tr>
</thead>
</table>
| • Minimize negative and maximize positive environmental impacts in our value chain. | • All core markets ready for ISO 14001 certification (by end of 2017).  
• Buy-back programs for mobile devices established in all core markets (by end of 2017).  
• 10 percent lower energy consumption per subscription equivalent.  
• 33 percent lower CO2e emissions per subscription equivalent. | • ISO 14001 certification audit completed in Telia Lithuania, certificate expected in November.  
• Around 58,000 devices collected during the period through buy-back programs in core markets. |

### Children’s rights

<table>
<thead>
<tr>
<th>Strategic objective</th>
<th>2018 goals</th>
<th>2017 progress</th>
</tr>
</thead>
</table>
| • Respect and support children’s rights. | • Understand our impact on children’s rights in relevant business activities.  
• Block CSAM* in core markets.  
• Detect and report CSAM in internal IT systems in core markets.  
• Establish Children’s Advisory Panel (CAP). | • Established children’s rights as a responsible business focus area.  
• Analyzed and shared insights from CAP.  
• Joined the new EU alliance to better protect minors online. |

* Child Sexual Abuse Material.
COMMENTS FROM JOHAN DENNELIND, PRESIDENT & CEO

Closing a chapter
In September, we finally reached the settlement that ends an unfortunate chapter in the company’s history. The resolution and related financial sanction is a painful reminder of what the company did wrong and why implementing sustainable business practices, with strong corporate governance, compliance and a clear tone from the top at the core, has been a vital part of last years’ change journey. We see clear proof that transparency and cooperation pay off in rebuilding stakeholder trust.
I encourage all companies to learn from our example. We have an obligation to share our experiences from the journey that has taken us forward as a company making sustainable business part of our reason to exist.

Continued commitment to sustainability
Two years ago, together with the global telecommunication industry, Telia Company committed to actively supporting the United Nations Sustainable Development Goals. As we continue to develop our business, we are using the goals as a framework for discussions and as a lens through which we evaluate our future business.
In our 2016 annual and sustainability report, the Board of Directors chose to include a ‘Statement of materiality and significant audiences’. The statement affirms that at the core of our business approach is engaging with significant stakeholder groups to understand Telia Company’s current and future impact on its stakeholders, the environment and society. Material aspects guide how Telia Company develops and drives its business strategy, including how the company is contributing to the fulfillment of the UN Sustainable Development Goals. This approach is not at the expense of shareholder returns, it is our firm belief that it is how we can secure sustainable growth and profitability. I am humbled knowing that we are among the first listed companies in the world to include such a statement. I am also well aware that making such a statement is the easy part as the proof will be in how we act as a company.

Understanding our impact on children
During the winter and spring, we made an extra effort to develop our work regarding children’s rights, our most recent responsible business focus area. Together with Save the Children Sweden, we scrutinized our business from a child’s perspective to develop new safe and secure services to help them and their parents navigate in the ever-evolving online world. During the spring, we also published and discussed the findings from the Children’s Advisory Panel about life online, which showed children being more mature and aware of online risks than most adults expect them to be, but also that children expect adults to be present online and develop responsible online settings. We continued to fight child sexual abuse material online by supporting other companies following our example and implementing detection and reporting of child sexual abuse material on their internal IT-systems.

Recognition for our work
We are seeing more external recognition for the effort we have put into creating and implementing solid sustainable business practices. In some of our core markets, we are considered leaders in promoting ethical business, which was made clear as both Telia in Estonia and Lithuania received national awards for business transparency. MSCI ESG rated us ‘AAA’ for the third consecutive year, with a particular mention of our strong anti-corruption and human rights commitments. If you are interested in knowing more about our ESG profile, we are happy to tell you more.

Johan Dennelind
President & CEO

“We are seeing more and more external recognition for the effort we have put into creating and implementing solid sustainable business practices.”
SIGNIFICANT EVENTS

Settlement regarding entry into Uzbekistan
On September 22, Telia Company announced that a global settlement has been reached with the US Department of Justice (DOJ), Securities and Exchange Commission (SEC) and the Dutch Public Prosecution Service (Openbaar Ministerie, OM) relating to previously disclosed investigations regarding historical transactions in Uzbekistan. Telia Company has agreed to a total financial sanction of USD 965 million. The US and Dutch authorities conclude that Telia Company’s conduct was in violation of the FCPA (Foreign Corrupt Practices Act) and Dutch legislation and that corrupt payments of approximately USD 330 million were made by the company. The global resolution brings an end to all known corruption related investigations or inquiries into Telia Company.

Telia Company’s cooperation in the investigation and its extensive remedial measures, including terminating all individuals involved in the misconduct; creating a new and robust compliance function throughout the company; implementing a comprehensive anti-corruption program and overhauling the Company’s corporate governance structure has been recognized by the authorities. Telia Company received an aggregate discount of 25 percent off of the bottom of the otherwise applicable US Sentencing Guidelines fine range. Based on the Company’s remediation and the state of its compliance program, the authorities determined that an independent compliance monitor was unnecessary. Telia Company will continue to cooperate with the authorities and has committed to continuing to enhance its compliance program and internal controls.

“We have come a long way to establish a more sustainable company with a strong focus on governance and compliance but it is a never-ending journey as we aspire to embed this into our culture making sure that all employees understand the importance of doing the right thing all the time.”

Leaving Tajikistan
In April, we finalized the sale of our majority stake in Central Asian Telecommunications Development BV, thereby completing the divestment of Tcell in Tajikistan. The divestment marks the second step in the process of leaving region Eurasia, following the divestment of Ncell in Nepal in 2016.

The new owner was given the full report of the findings of the human rights impact assessment carried out in 2016, as well as the report from the “backlog” due diligence project carried out on existing supplier and third-party relations.

Continued implementation of the Code
In September 2016, a new Code of Responsible Business Conduct was introduced. The implementation of the new Code continued throughout the first half of 2017, and with a Code launch event in Uzbekistan in July, all local companies have now introduced it. Training all managers and employees on the contents and implications of the new Code has been a central component in its implementation. By the end of the second quarter, nearly 800 managers across five markets had received in-person manager-specific training. The manager training builds on real ethical dilemmas experienced throughout Telia Company.

To complement the in-person training, an online training program was rolled out in December 2016. The program provides an introduction to the Code and practical examples of how the Code and our framework of policies translate into everyday work situations. The online training is mandatory for all employees, as well as all external consultants working for Telia Company in Sweden. By the end of Q2, over 22,000 employees from all markets except Uzbekistan had completed the training.


Human rights impact assessments
In 2016, Telia Company commissioned independent non-profit organization BSR to undertake human rights impact assessments (HRIAs) of our local operations in Lithuania and Sweden as part of ensuring local human rights due diligence. BSR undertook these HRIAs between June and October 2016 using a methodology based on the UN Guiding Principles on Business and Human Rights.
The HRIs identified actual and potential human rights impacts, risks and opportunities for each company related to areas such as security and privacy, freedom of expression, anti-discrimination and children’s rights.

In May, we published BSR’s conclusions and recommendations for Telia Lithuania and Telia Sweden here. Guided by group experts, these companies are now putting together action plans based on BSR’s recommendations. The short-term aim is to start executing these plans already during 2017. Challenges on the local level differ and are in essence connected to complexities in the respective operating environment as well as resources and prioritizations.

“Sweden’s status as an established liberal democracy is the source of significant human rights protections and substantially reduces the severity of Telia Sweden’s human rights risk. However, the status of human rights protections in Sweden is very relevant to human rights protections elsewhere in the world—any shortcomings in Sweden could be referenced by other governments to justify their own shortcomings. For that same reason, Sweden also has the opportunity to lead by example on human rights. This is relevant for Telia Company’s ongoing international presence and investments.”

BSR Human Rights Impact Assessment, Telia Sweden

New employee engagement program

In March, we launched Younite, an employee engagement program where employees in core markets are encouraged on a volunteering basis to engage in societal contribution through ‘quests’. We consider Younite to be our first step towards directly linking employee engagement with sustainability, allowing employees to use their time and skills to get involved in creating positive digital impact. The quests relate broadly to digitalization, for example improving seniors’ digital skills, teaching children how to code or to stay safe online, or supporting hackathons for social entrepreneurs.

External recognition

During the period, Telia Company’s sustainability and business ethics work was recognized by several external stakeholders.

In April, Telia Lithuania was named Responsible Company of the Year 2016 by the Investors’ Forum in Lithuania. In June, Transparency International Lithuania listed Telia Lithuania as the Most Transparent Company in Lithuania. Telia Estonia was recognized by the Forum for Responsible Business in Estonia for its responsible business practices, receiving the highest possible ranking in their assessment.

In July, MSCI ESG Research reiterated Telia Company’s AAA rating for the third consecutive year, with a particular mention of our strong anti-corruption and human rights commitments. We remained a constituent of the FTSE4Good Index and Oekom Prime.

In April, the Swedish Ministry of Enterprise published an assessment of the companies with state ownership using the Corporate Human Rights Benchmark methodology. While the scores were generally low Telia Company was among the top-rated companies.

Whistle-blowing and internal reporting

During the first half of 2017, 102 whistle-blowing reports were recorded (53 during the same period 2016). The reports related mainly to reproach to management (such as lack of communication), leadership (such as management style), conflict of interest and customer complaint or enquiry. 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. Most of the reports came from Sweden, Kazakhstan and Uzbekistan. There was also an increase in the use of the Speak-Up Line in the Nordic countries, largely due to training and awareness activities.

During the first half of 2017, 28 internal investigations were conducted by the special investigations office at the group ethics and compliance office (same number during the same period 2016). Five disciplinary action decisions were taken (six during the same period 2016), including warnings issued to employees and managers.

The effectiveness of the whistle-blowing process is tracked using two measures:

- 88 percent of concluded cases were closed within eight weeks (target is 80 percent).
- 100 percent of disciplinary decisions were implemented within four weeks (target is 100 percent).

The effort to build a strong culture of transparency and non-retaliation continues. Relevant case reports are converted into ethical dilemmas that can be used to train employees and managers. Learnings from cases are used to provide targeted training for relevant management teams.

Speak-Up Line

Telia Company operates a Speak-Up Line, a whistle-blowing tool that enables employees and external parties to anonymously report violations of proper accounting, reporting or internal controls, as well as non-compliance with local laws or breaches of Telia Company’s policies.

We encourage our employees, customers, business partners and other stakeholders to report any concerns they may have that our policies are being violated at speakupline.ethicspoint.com.
LAW ENFORCEMENT DISCLOSURE REPORT UPDATE

Authority requests* January–June 2017

<table>
<thead>
<tr>
<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>4,006</td>
<td>1,026</td>
<td>5,275</td>
<td>0</td>
</tr>
<tr>
<td>Estonia</td>
<td>2,093</td>
<td>665</td>
<td>125,739</td>
<td>650</td>
</tr>
<tr>
<td>Finland</td>
<td>1,775</td>
<td>1,083</td>
<td>3,726</td>
<td>8</td>
</tr>
<tr>
<td>Georgia</td>
<td>No statistics available</td>
<td>451</td>
<td>34</td>
<td>29</td>
</tr>
<tr>
<td>Moldova</td>
<td>No statistics available</td>
<td>4,962</td>
<td>2,646</td>
<td>82</td>
</tr>
<tr>
<td>Norway</td>
<td>894</td>
<td>3,226</td>
<td>5,124</td>
<td>32</td>
</tr>
<tr>
<td>Sweden</td>
<td>2,014</td>
<td>1,486</td>
<td>867</td>
<td>54</td>
</tr>
</tbody>
</table>

* As explained below, direct access is not included in the statistics.
1 Includes all requests for Subscription data. For other countries the corresponding figure covers only requests that are handled by authorized personnel, and automated requests that refer to criminal cases.
2 Includes all requests to which we were not able to answer, most often because the requested information was about a customer of another operator.

Telia Company and Telia Lietuva have not been granted permission to publish statistics regarding how many requests we have received in Lithuania. See the full Law Enforcement Disclosure Report published March 2017, page 19, for further information.

About the Law Enforcement Disclosure Report

Telia Company’s Law Enforcement Disclosure Reporting (LEDR) aims to provide insights into the extent of authorities’ collection of customer data for law enforcement in seven of Telia Company’s markets. The latest full report can be found here. Our aim is to contribute to a meaningful overview and discussion of the proper limits of government surveillance powers. Maintaining customer privacy is of the 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 based on specific reasons including enforcing criminal law and safeguarding national security.

We disclose information to surveillance authorities only to the extent required by law. This commitment is incorporated in our policies and procedures and is a non-negotiable part of the way we operate. It should be noted in this context however, that governments also have direct access, i.e. signals intelligence and real-time access without having to send requests to operators. Regarding such direct access, operators have no insight into the extent of surveillance and cannot provide statistics. This is why we have published a chart in our full LEDR 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 and Sweden. The table above shows the number of authority requests based on a court order or other legal demands by the police or other authority between January and June 2017.

Challenges and limitations

Several factors make it difficult to compare 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 working methods of the authorities or priorities in different countries, but the methods are likely to differ. Also, there are still different working methods within different countries in Telia Company. This leads to 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 an operator and provider of the information has 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.
Definitions

By ‘Lawful interception’ we mean secret real-time wiretapping 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 whom, 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 that 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.

**HIGHLIGHT: Leading in transparency reporting on cell tower dumps**

Telia Company was one of the first ICT companies to have its law enforcement disclosure statistics undergo external assurance and also to add information on local legislation regarding government direct access in its LEDR.

In our efforts to continue to lead when it comes to transparency, on pages 5-6 in our [2016 report](http://example.com), we added insights into the scope of “cell tower dumps” in the Nordic countries. These are requests that oblige Telia Company to disclose data about the identity, activity and location of any device that connects to targeted cell towers over a set span of time.

In the Nordic countries, we usually receive roughly 10 to 50 cell tower dump requests per month and country. An answer to a cell tower dump request can include information from some few devices to even tens of thousands of devices. As these requests are reported as individual requests, they pose a challenge in relation to law enforcement statistics. The number of affected individuals will naturally become significantly larger than the number of requests. Depending on the scope of such a request, Telia Company is 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.

Cell tower dump requests are part of the statistics provided in this report, but not reported separately. In countries where these requests are part of the law enforcement measures, it is reported under the ‘Historical data’ category.

“We are continuously looking into how to expand our transparency reporting, listening closely to our stakeholders’ requests for transparency,” says Patrik Hiselius, Senior Advisor Digital Rights.
SHARED VALUE CREATION

Integration of shared value creation
We continuously integrate shared value creation in business strategy and processes. Our approach focuses on the areas with the biggest opportunities for positively impacting society and providing solutions to reach the

CASE: 1,000 Norwegian sheep in unique IoT pilot

Telia Norway launched a first of its kind pilot project where 1,000 sheep will be equipped with Narrowband IoT (NB-IoT) technology to allow tracking while on summer pasture.

NB-IoT is a cost efficient communication technology that enables excellent coverage indoors, outdoors and in the ground. It is ideal for things that run on battery or only send data irregularly. In December 2016, Telia Norway launched a “Smart Farming” service using NB-IoT technology that provides farmers with a system for monitoring irrigation systems.

Telia Norway and start-up Nortrace have equipped 1,000 sheep with collars with tracking modules. This allows the farmer to monitor their position and well-being while they are on summer pasture in Rogaland in western Norway.

“This is a great example of how new technology, NB-IoT in this case, can help meet real needs. Using NB-IoT for tracking purposes is one of the most important areas of IoT and 5G in the future. It can be used on pretty much everything that is mobile – animals, ships, containers and other means of transportation,” says Jon Christian Hillesstad, Head of Enterprise at Telia Norway.

Telia expects to gain valuable experience from the pilot project. “With such a big pilot we will get a pretty good picture of how the technology works and how it can be transferred to other applications,” Hillesstad says. “NB-IoT opens up an immense number of opportunities, and with the use of this technology and our platform, we can now connect multiple devices and develop exciting commercial solutions with partners.”

The product, called Gjeteren (“The shepherd”), is expected to be commercially available in late 2017.

CASE: Bus operator Nobina and Telia innovate on smart transportation

Nobina, the largest bus transport group in the Nordics, is cooperating with Telia in Sweden to develop solutions for smarter travel and public transport in the future by analyzing anonymized mobile data.

Bus traffic planning is usually based on ticket statistics, travel habit surveys as well as statistical data showing commuting trends. However, only 40 percent of passengers are regular commuters, so Nobina needed deeper understanding of how the remaining 60 percent travel. In addition, better knowledge of the entire trip is required - the final destination, the route used by the passengers before they get on the bus, and actual total travel time.

To learn more, the innovation divisions of Nobina and Telia Company are working together using Crowd Analytics to test how the use of aggregated and anonymized mobile network data can be used to better understand travel patterns.

“The cooperation with Telia is aimed at helping us gain better insight into how passengers move, and not only when they travel on our buses. This gives us insight into how we can adapt to people’s actual mobility needs. By using this method, we also hope to gain information more quickly regarding new travel needs to be able to offer better solutions that meet the requirements of society,” says Henrik Dagnäs, Vice President of Nobina.

In the pilot, mobile data was used from Södertörn south of Stockholm, where Nobina operates commuter bus service. The results showed, for example, that morning commuting declines by 16 percent on Fridays. By analyzing modes of transport into Stockholm, it was possible to identify where passengers have the greatest need to be able to bring their bikes on the bus.

“The results show that new technical solutions combined with data can contribute to a large number of different improvements in society, such as improving mobility and communications. This is an innovation area and part of our work on smart cities,” says Magnus Leonhardt, Head of Strategy and Business Development in Telia Sweden.
ANTI-BRIBERY AND CORRUPTION

ABC risk assessments
Region Eurasia companies continued to follow up on the implementation of ABC action plans formulated based on the results of ABC risk self-assessments carried out in 2016. Progress is monitored quarterly and reported to the region Eurasia Governance, Risk, Ethics and Compliance (GREC) meetings.

Based on experience from 2016, we are aiming to improve the methodology of risk assessments and to conduct training for local ethics and compliance professionals in the second half of 2017. This will strengthen capacity to carry out local ABC risk self-assessments.

Third-party due care
Since 2014, we have been running retrospective due diligence projects on existing suppliers and third-party engagements in region Eurasia. The aim has been to understand and mitigate ABC risks in our supply chain and in other high-risk third-party engagements we entered into prior to the implementation of an adequate ABC due care process.

Geocell in Georgia and Moldcell in Moldova started their backlog projects in 2017. The backlog processes were completed in Kcell in Kazakhstan, AzerCell in Azerbaijan and Ucell in Uzbekistan, with results summarized in closure reports available for use by local management, ethics and compliance professionals and due diligence officers. Cases that raised potential corruption concerns were referred to the special investigations office for attention.

The closure report for Tcell in Tajikistan was completed ahead of the divestment and findings were handed over to the new owner.

Strengthening the organization
During the first half of 2017, two ethics and compliance professionals were certified by the Society of Corporate Compliance and Ethics (SCCE) and three from region Eurasia were enrolled for certification by SCCE or TRACE Anti-Bribery Specialist Accreditation (TASA).

Two new ethics and compliance professionals from region Eurasia received onboarding ABC training in Sweden at the beginning of 2017. Approximately 1,400 employees completed ABC-specific training for defined target groups.

External collaboration
In January, the second meeting of the Telecommunications Industry Integrity Initiative Forum was held together with Orange and Transparency International Hungary. On the agenda were matters such as new bribery and corruption legislation and sharing of best practices in corporate ABC programs.

In May, we co-hosted a workshop together with Swedish fashion company H&M about corruption risks in supply chains in emerging markets. Transparency International Sweden was a partner at the workshop.

HIGHLIGHT: New third-party due care guidelines

The ABC program was strengthened by the introduction of third party due care guidelines. The document sets forth principles and describes the checks that should be performed to meet the ABC requirements of third party due care. The primary goal is to gain knowledge of business partners and achieve reasonable assurance that existing and prospective third parties do not and will not engage in corrupt practices.

In connection with the introduction of the guidelines, case-based advanced ABC training was developed and a first round of training was conducted for ethics and compliance professionals in region Eurasia. The training material includes:
• A case study of a listed company’s failures to adhere to local corruption legislation
• Methodology in identifying and determining high-risk third parties
• Levels of due diligence to apply in accordance with the associated risk
• Examples of potential ABC red flags

It also includes best practice built on experience and knowledge from our own operations and investigations, recommendations on mitigation actions and recommendations for the separate stages of the third party management process, such as pre-engagement and post-engagement controls, selection, negotiation, contracting, payment approval and service delivery.

In the second half of 2017, we aim to conduct this training for selected employees in other roles exposed to high corruption risks in region Eurasia.
CHILDREN ONLINE

Children’s Advisory Panel
Key findings from the Children’s Advisory Panel (CAP), where we together with local children’s rights organizations ask young internet users about their lives online, were presented in a report and at various events. By sharing and discussing the results, we want to better understand how we as a company can improve our approach to children’s rights and children as users of our technology. The insights from the CAP now constitute a foundation for our children online activities in core markets. Ideas created from discussion around the CAP results will be evaluated for further development and the next CAP will be initiated.

Fighting Child Sexual Abuse Material online
We continue to actively participate in the fight against child sexual abuse material (CSAM) online. During the first half of the year, we continued to call for other companies to join the fight. We presented our approach to and advised a number of other companies to detect CSAM on their own IT systems or equipment. We also participated in dialog with other telecom companies on how to increase our efforts and further improve the outcome, i.e. to rescue children from ongoing abuse and protect others from abuse in the future.

Children’s Rights and Business Principles
The assessment of how our operations impact children’s rights based on the Children’s Rights and Business Principles was concluded at the beginning of the year. An action plan was approved by Group Executive Management and implementation started. The most important measure is to increase internal awareness of how children are affected by our operations. To this end, several workshops were run with employees in key functions such as consumer and enterprise divisions, group sourcing, TV and media.
Implementation of the Children’s Rights and Business Principles action plan, including the actions we have committed to through the EU Alliance, will continue in all operations to ensure that Telia Company respects and supports children’s rights.

Joining the new EU Alliance to better protect minors online
On Safer Internet Day February 7, the European Commission and ICT companies including Telia Company gathered to form the Alliance to Better Protect Minors Online. The Alliance is a self-regulatory initiative intended to address harmful content, harmful conduct and harmful contact online. Other organizations involved are other ICT and telecom companies, broadcasters, NGOs and UNICEF.

HIGHLIGHT: Key findings from Children’s Advisory Panel
In March, we released the Children’s Voices report, a summary of CAP workshops. Key findings were:
CAP kids embrace opportunities in their life online. It is their go-to channel for searching for information, social engagements and communication as well as entertainment and passing time. CAP-kids show a high degree of maturity and resilience in their online presence. They are aware that they should be concerned about the reliability and trustworthiness of online content and they use different strategies to tackle these concerns.
CAP kids care about their own and others’ online identities. They are very particular about how their identities are composed and portrayed, at the same time being aware that the online identities of others are not always truthful either. When it comes to online behavior, children refer to an established unwritten common “code of conduct” common to all Nordic and Baltic countries, that is (largely) invisible to adults.
CAP kids need good connectivity for social inclusion and they expect presence and guidance from adults, however from a distance. The adults’ role is to take care of the infrastructure and administration – providing an organized, safe online environment – but to hold back in other participation and remain invisible.
CUSTOMER PRIVACY

Focus on GDPR compliance
The new requirements in the EU General Data Protection Regulation (GDPR), which comes into force in May 2018, will have a fundamental impact on the ICT industry as 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.

At the end of 2016, we strengthened the work structure for handling GDPR requirements by forming a more comprehensive GDPR program. The program addresses all aspects of GDPR and covers our core markets as well as group functions. Project managers assigned by the respective local privacy officers run and control the local and group projects.

The program is governed by an executive steering committee and focuses on strategic compliance issues. Members include the chief operating officer, local chief technology officers and representatives from the group legal, commercial and security functions. The projects within the program govern the tactical questions of legal compliance with GDPR and are similarly staffed with participants from group legal, commercial and IT functions. Local companies are accountable for ensuring compliance and risk mitigation but the program is working to achieve common synergies through sharing best practices, common legal interpretations and common solutions.

Data mapping and GDPR gap assessments started in group functions and local companies in the core markets at the beginning of 2016. Solutions for technically fulfilling GDPR obligations based on the data mapping are under design or implementation.

In addition, the group sourcing function is analyzing vendors and suppliers that process personal data on behalf of Telia Company. This is done to address new data processing instructions from Telia Company.

Legal interpretations
During the period, more than ten different comprehensive legal interpretations were finalized. These provide detailed internal guidance on how to apply GDPR requirements. More work will be carried out to ensure a common understanding of our legal obligations within the group.

HIGHLIGHT: External audit analyzing GDPR readiness
During the period, an external law firm performed an in-depth audit of the local companies in the core markets as well as group functions to determine readiness to comply with GDPR by the time it enters into force. The scope of the audit was to provide a high-level analysis of the possible risks for failing to reach GDPR compliance.

As part of the audit, written documentation prepared by the local company and group projects, including detailed deliverables, plans and solutions, were reviewed to understand the requirements and ambition level for GDPR compliance within Telia Company. In addition, interviews were conducted with employees within the local companies and group functions working with GDPR compliance projects.

The project report summarizes the conclusions of the audit, focusing on issues and findings that at this stage may have an impact on the local companies and group functions’ ability to reach GDPR compliance on time. We are currently addressing these findings and plan to conduct follow-up audits.
ISO 14001 implementation
To support ISO14001 implementation in the core markets, a new environmental virtual team was created. The virtual team shares good practices and benchmarks existing processes. Telia Lithuania underwent ISO14001 certification audit in August and expects to receive the certificate in November. During the same month, Telia Norway renewed its local Eco-Lighthouse certification for the next three years.

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. Buy-back programs are implemented in all core markets except Finland. During the first half year, about 58,000 mobile devices, mainly phones, were bought back in these markets and through Telia Finance’s leasing agreements. The biggest contribution came from Telia Norway, 22,000 devices, which donates a share of the buy-back value to support Norwegian start-up No Isolation and their work to help children with long-term illnesses keep up in school and talk to friends using AVI communication via a helper robot. Read more about the collaboration here.

Helsinki Data Center
In June, Finland’s largest open data center, Helsinki Data Center (HDC), reached a milestone when the construction progressed to roof height. Owned by Telia Company, HDC will be completed in April 2018. It features efficient heat and energy reuse and will run on renewable energy.

In November 2016, a memorandum of understanding was signed between Telia Finland and energy company Fortum to use recovered heat from HDC in 10-20,000 households in the nearby city of Espoo. Read more about HDC here.

HIGHLIGHT: Telia Finland in Climate Leadership Council
As the first telecom operator member, Telia Finland was admitted to the Finnish Climate Leadership Council. The Climate Leadership Council is a community of Finnish forerunner companies aiming to lead by example to move towards carbon-neutrality and sustainable use of natural resources. This links to the companies’ strategies of supporting SDG12: Responsible consumption and production and SDG13: Climate action. The council’s work being carried out through several work streams and Telia Finland is currently selecting the most relevant streams to support the company’s environmental goals.

“The fight against climate change is a major challenge for our time, and it is important that we work on climate change prevention with other pioneering companies in the Climate Leadership Council. I expect that cooperation will bring tangible results,” says Stein-Erik Vellan, CEO of Telia Finland.
OCCUPATIONAL HEALTH AND SAFETY (OHS)

KPI summary

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<th>H1 2017</th>
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<td>LTIF(^1)</td>
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\(^1\) 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

Our goal is to achieve OHSAS 18001 certification in all markets. Work is ongoing in the remaining local companies without certification - Telia Sweden and Geocell in Georgia – with plans to have the management system certifications in place by end of 2018. In May, Moldcell in Moldova received their OHSAS 18001 certificate. In June, Telia Denmark underwent the certification audit and received the certificate in September. Telia Lithuania underwent the certification audit in August and expect to receive the certificate in November.

Management training

A full-day OHS training was carried out for around 360 leaders within group functions and Telia Sweden. The training provides the necessary know-ledge and understanding for leaders to support a safe and healthy work environment. This means creating an individual plan for actions to be taken within the team’s specific work environment and understanding the tools and models to implement the plan. The goal is to reach all 900 leaders.

Health and well-being to reduce SAR

The sickness absence rate throughout the group is higher than the group target. There are significant differences between the markets, with the biggest gaps meeting targets in the core markets. OHS experts from the core markets met in June to discuss and share measures taken to improve the ability to work and the drivers for health and well-being.

Supplier OHS development

OHS is one of the seven responsible sourcing focus area programs. The OHS network continued to support the local supplier audit teams with OHS audit expertise and to work with supplier OHS development. The OHS auditor network is growing, with the latest auditor training conducted in Estonia. The plan is to include all countries in the supplier OHS development.

HIGHLIGHT: OHSAS 18001 supports better work environment in Denmark

Telia Denmark underwent OHSAS 18001 health and safety management system certification in June. The scope of the management system is the whole company. OHS focus areas are improving the well-being of employees and the psychosocial work environment. The OHSAS 18001 management system supports integration of OHS with the strategic people management tools of Telia Company such as YouFirst.

“It has been important to build up the OHS management system so it can provide our top and line management with a better understanding of particularly psychosocial health risks that may exist in the company. It also gives us a framework to help the management reduce these risks,” says Kenneth Sonberg, OHS manager at Telia Denmark.
RESPONSIBLE SOURCING

New sourcing organization
In the second quarter, group procurement was reorganized and renamed group sourcing. The shift reflects a new way of managing relationships with key suppliers. A new supplier relationship management model enables closer collaboration with strategic suppliers to support innovation.

Responsible sourcing is an integral part of the new approach. During the second half of 2017, we are working towards aligning our work in responsible sourcing with the new working model and with other work streams such as compliance and risk management.

Ethical compass
We use an “ethical compass” for assessing the severity of risks in suppliers’ operations. During the period the ethical compass was updated mainly to clarify risk ownership. The new version of the ethical compass is rolled out during the second half of 2017.

Due diligence and on-site audits
During the period, 1,416 sustainability assessments were performed using the due diligence platform. The results revealed that the main challenge remains understanding and interpreting the supplier code requirements. The platform was introduced in Telia Estonia and Telia Lithuania (in use in region Eurasia since earlier).

During the period we carried out 52 on-site audits, complemented by five audits within the JAC cooperation, and some 254 audit deviations were closed. Approximately 850-900 deviations were open at any time.

Strengthening due diligence expertise
In region Eurasia, we recruited and trained local due diligence officers. This strengthens due diligence resources and allows us to apply local knowledge in often complex assessments. We also finalized the roll-out of a new due diligence manual, a step-by-step guide to carrying out sustainability due diligence.

Audit program focus areas
In 2016, we defined seven responsible sourcing focus area programs. One program was successfully closed at the end of 2016 (SIM card suppliers in China) and the others remained as focus programs for 2017. Below is an update on some of the programs. See the 2016 annual and sustainability report for more information. We aim to report comprehensively on progress in the upcoming 2017 annual and sustainability report.

Occupational health and safety (OHS)
To complement group sourcing’s audit resources, one person in each local company in regions Europe and Eurasia is being trained to perform on-site health and safety audits. Group sourcing supports the OHS network with training.

Responsible sourcing of minerals
We see a need to develop more specific requirements regarding responsible sourcing of minerals, including traceability of conflict minerals. The work of updating the supplier code of conduct, in which these requirements are a part, is currently ongoing.

Mapping and managing privacy risk
This program focuses on closing potential gaps at our suppliers in relation to the GDPR. More information is provided below.

HIGHLIGHT: A joint audit approach in Sweden
The new EU General Data Protection Regulation (GDPR) introduces fundamental changes to customer data governance requirements. Telia Company must demonstrate that is has robust, documented and regularly reviewed processes in place not only within its own operations but also at its data processor suppliers and their sub-suppliers.

Some suppliers that at first glance may not be expected to handle customer data, actually do. These include contractors working with fiber and cable deployment that often also rely on sub-contractors. In the past few years, Telia Sweden has been relying on many such contractors to ensure enough capacity especially in fiber deployment.

This presented an opportunity as these contractors are also considered high-risk suppliers from a health and safety and labor rights perspective. We therefore decided to conduct joint audits focusing on health and safety and labor rights for workers as well as to review procedures regarding customer privacy. Normally, such audits are carried out separately. We plan to carry out twelve such joint audits, also at sub-suppliers, if necessary.

Before audits are carried out, potential suppliers are pre-screened using the due diligence platform. The due diligence process identifies potential gaps in their processes when it comes to our requirements and whether they sub-contract. Any identified gaps are communicated to the suppliers and followed up in an agreed time plan. The audit is not considered closed until the supplier closes the gaps.
Stockholm, October 19 2017

Johan Dennelind
President & CEO

Telia Company in brief

We’re Telia Company, the New Generation Telco. Our 21,000 talented colleagues serve millions of customers every day in one of the world’s most connected regions. With a strong connectivity base, we’re the hub in the digital eco-

system, empowering people, companies and societies to stay in touch with everything that matters 24/7/365 - on

their terms. Headquartered in Stockholm, the heart of innovation and technology, we’re set to change the industry and bring the world even closer for our customers. Read more at www.teliacompany.com.
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 2017.

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 2 in the Sustainability Update, and 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 2016 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 International Standard on Assurance Engagement (ISAE) 3000, Assurance Engagement Other Than Audits or Review of Historic Financial Information. 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, October 19 2017
Deloitte AB

Jan Nilsson  Didrik Roos
Authorized Public Accountant  Authorized Public Accountant