Telia Company Sustainability Reporting Framework

This version 2 of the framework is applicable to Telia Company’s 2019 Annual and Sustainability Report

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1. Framework description

As stated in Telia Company’s Statement of Materiality and Significant Audiences:

“It is Telia Company’s firm belief that integrating sustainable and responsible business practices in all aspects of business and strategy is a prerequisite for sustainable growth and profitability, which in turn creates long-term value for shareholders and supports sustainable development. […] Telia Company has adopted a stakeholder-based approach to sustainability. The approach is based on continuous engagement with key stakeholder groups to identify, understand and manage the most material current and future impacts on our stakeholders, the society and the environment. These material impacts guide how Telia Company operates and are reflected in our commitment to make a substantial contribution towards reaching the UN Sustainable Development Goals. Telia Company regularly monitors and discloses progress [on these material impacts] through [a] combined Annual and Sustainability Report.”

The Telia Company Sustainability Reporting Framework (“the Framework”) is applied to the parts of Telia Company’s Annual and Sustainability Report defined as the sustainability report (“the Report”). It is designed to ensure that Telia Company’s reporting meets the requirements set forth in the Swedish Annual Accounts Act (Årsredovisningslagen) regarding non-financial information, and to allow the Report to be subject to limited assurance according to ISAE 3000: Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The framework is publicly available at www.teliacompany.com/sustainability/reporting.

1.1 Framework alignment

To facilitate comparability, reported information draws upon and/or is aligned with disclosure guidance in established frameworks for sustainability reporting, including:

- Global Reporting Initiative (GRI) Standards
- The International Integrated Reporting Council’s (IIRC) Integrated Reporting (<IR>) Framework
- UN Global Compact Policy on Communicating Progress
- UN Guiding Principles Reporting Framework
- Task Force on Climate-related Financial Disclosures (TCFD) recommendations

The Report includes references to these frameworks as relevant. For example, reported information on greenhouse gas emissions is aligned with the basis for preparation and presentation in GRI 305 Emissions. Such references are clearly indicated in the Report.

Please note: a Report prepared according to this Framework shall not be considered prepared in strict accordance with any of the above frameworks.

1.2 External consultation

In 2018, during the initial development of the Framework, Telia Company engaged with some key shareholders to ensure that the framework’s reporting principles and content elements are aligned with
stakeholder expectations on reporting. The key issue raised, which has been taken into strong consideration in the design of the Framework, is ensuring comparability of reported information, particularly in relation to quantitative GRI disclosures. Telia Company’s assurance provider is continuously consulted on the development of the framework.

2. Reporting principles
The following principles, as proposed by the Corporate Reporting Dialogue¹, apply to the process of preparing the Report and to reported information:

- Accuracy
- Balance
- Clarity
- Comparability, including consistency
- Completeness
- Materiality
- Reliability

2.1 Definition and application of materiality
The Framework uses the definition of materiality found in the EU Non-Financial Reporting Directive:

“[A] company is required to disclose information on environmental, social and employee matters, respect for human rights, and bribery and corruption, to the extent that such information is necessary for an understanding of the company’s development, performance, position and impact of its activities”

The principle of materiality is both applied to the processes of determining material topics, and specific information considered material for those material topics. These processes should be considered ongoing rather than strictly limited to determining Report content.

3. Content guidance for material topics
The Framework provides both topic-specific and general content guidance for material topics:

- Topic-specific guidance for general information about the Report, sustainability governance, stakeholder engagement and materiality determination (3.1-3.3 below)
- General guidance for Responsible business focus areas (3.4 below)
- General guidance for other material topics (3.5 below)

¹ Corporate Reporting Dialogue: Understanding the value of transparency and accountability
For the respective topic, if what is considered material information is omitted, of limited scope and/or reliability, an explanation of what, why and the impact thereof is provided.

3.1 General information
Information vital to understanding the Report, including:

- Scope of the Report
- Significant changes since last Report
- Restatements, and the effects of such restatements
- Details on limited assurance
- Contact point for questions or feedback regarding the Report

3.2 Sustainability governance
Information related to Telia Company’s governance of sustainability, including:

- Strategy and strategic integration
- Policies and other guiding documents
- Management of risks and uncertainties
- Responsibilities and involvement of, and reporting to, senior management and the Board of Directors
- External frameworks to which Telia Company adheres

3.3 Stakeholder engagement and materiality determination
Information related to Telia Company’s:

- Processes and key outcomes of internal and external stakeholder engagement for the purpose of understanding its impacts on, and expectations of, key stakeholder groups
- Approach to determining material topics for management and for reporting

3.4 Responsible business focus areas
Reported information covers but is not limited to:

- Governance including policies and/or other guiding documents
- Ambitions, goals and other relevant performance indicators
- Challenges related to meeting ambitions, goals and other relevant performance indicators
- Work during the reporting period, including achievements and outcome on goals and other relevant performance indicators
- Other information considered material for the specific topic, such as training and stakeholder engagement
3.5 Other material topics

Reported information covers but is not limited to:

- Policies and/or other guiding documents
- Ambitions, goals and other relevant performance indicators where such exist
- Relevant work during the reporting period, including achievements and outcome on goals and other relevant performance indicators where such exist
- Other information considered material for the specific topic

4. Definitions and basis for preparation applicable to the most recent Report

This version 2 of the Framework has been applied to the 2019 Annual and Sustainability Report.

4.1 Definitions

The following definitions have been applied to the process of preparing and presenting information.

General information

- **Core markets** refers to operations in Denmark, Estonia, Finland, Lithuania, Norway, and Sweden
- **Continuing operations** refers to operations in Core markets, Telia Carrier operations outside core markets, and LMT in Latvia
- **Discontinued operations** refers to:
  - For 2017: Azercell in Azerbaijan, Geocell in Georgia, Kcell in Kazakhstan, Moldcell in Moldova, Ucell in Uzbekistan, and Tcell in Tajikistan
  - For 2018: Azercell in Azerbaijan, Geocell in Georgia, Kcell in Kazakhstan, Moldcell in Moldova and Ucell in Uzbekistan
  - For 2019: Moldcell in Moldova

Children’s rights

- **Child sexual abuse material (CSAM)** is defined by the World Childhood Foundation White Paper on Child Protection Online as “any material that visually depicts a child in real or simulated explicit sexual activities or any representation of the sexual parts of a child for primarily sexual purposes, including photography, video, drawings, cartoons, text and live streaming.”

Environment

- **Subscription equivalent** is defined as a subscription (e.g. mobile, IPTV, PSTN) which has been adjusted to account for the energy intensity of delivering the product. Factors used are 0.5, 1 and 3. Subscription numbers used are from the operational data published as part of Telia Company’s
quarterly report and slightly adjusted for some subscription categories that are not specified in those published figures
  o gasoline, diesel, natural gas, heating oil and business travel

- **Buy-back program** refers to a setup where a customer may return a used mobile device. Depending on the model and condition of the device, the customer may receive financial compensation such as a discount on a new device

**Freedom of expression and surveillance privacy**

- **Unconventional request** is defined as a request or demand from the government that may potentially have serious impacts on the freedom of expression and surveillance privacy of individuals
- By **Lawful interception** we mean secret real-time wire-tapping and monitoring by the police and secret police, e.g. real-time access to the content of communications or traffic data (“listening in”, wire-tapping, checking who is calling who, when and for how long or access to location information or Internet traffic). 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 e-mail 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 as well as the identity of the communication equipment (including IMSI and IMEI). 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

**Health and well-being**

- **Sickness absence** is defined as reported absence from work due to sickness. Maternity leave is not considered sickness absence
- **Lost-time injury** is defined as an injury occurring at work that results in one or several full consecutive days of absence. Injuries occurring to or from work are not considered lost-time injuries
- **Headcount** includes full-time permanent and temporary employees but excludes hourly paid employees
Responsible sourcing

- *Non-conformity* is defined as a supplier’s process or practice, or lack thereof, that does not meet Telia Company’s supplier requirements. Non-conformities are categorized as minor, major or critical, indicating the severity or systematic weakness related to the non-conformity.

- *Red flag* is defined as a critical non-conformity identified during general risk assessment or in-depth due diligence.

Safeguarding customer information

- *Personal data and Personal data breach* are defined as per Article 4 GDPR.

- *Data subject [access] request* refers to Article 15 GDPR.

Human rights

- *Salient issue* is defined as per the UN Guiding Principles Reporting Framework as “[t]he issue at risk of the most severe negative impact through the company’s activities and business relationships.”

Whistle-blowing cases

- *Closed investigations* – investigations are considered closed when a final report has been delivered by the case manager or lead investigator such as local ethics and compliance officers or the Special investigations office to appropriate management (determined on a case by case basis).

Diversity, equal opportunity and non-discrimination

- *A warning*, written or verbal, is a disciplinary action with the purpose of clarifying to the employee that if no change in behavior is shown, the employment may be terminated.

Due diligence in M&A

- *Significant transaction* is defined as a transaction where the transaction value exceeds 1 GSEK.

- *Majority transaction* is defined as a transaction where Telia Company owns or will own a controlling stake.

4.2. Basis for preparation of information

The following basis for preparation has been applied to the process of preparing information.

Anti-bribery and corruption
Data regarding employees undergoing ABC-specific in-class training is manually collected by the group ethics and compliance office from the local ethics and compliance officers based on attendance lists. Data regarding e-learning is collected from the internal e-learning system.

Children’s rights

- The number of children interacted with about online safety is provided by the manager for the employee volunteering program Younute.

Environment

- **GHG emissions scope and category definitions** as defined in the Greenhouse Gas Protocol Corporate Accounting and Reporting Standard have been applied.

- Group environmental targets regarding energy and GHG emissions intensity are based on Group total (excluding Discontinued operations and Telia Carrier) scope 1 and 2 energy consumption and GHG emissions. Telia Carrier is excluded as its operations does not produce equivalent subscription figures.

- For all areas below, the overall approval and quality controls are carried out by the group environmental manager mainly through comparing reported numbers with historical numbers.

- Regarding Discontinued operations: Azercell in Azerbaijan, Geocell in Georgia, Kcell in Kazakhstan and Ucell in Uzbekistan were divested during 2018. Azercell and Geocell are excluded from 2018 data as they were divested early in the year but are included in historical data. Since no actual data was available for the full year 2018, 2017 figures regarding energy consumption and business travel were used for Kcell and Ucell for 2018. 2019 figures only include Moldcell in Moldova.

- Energy reporting consists of:
  - Scope 1: Diesel, gasoline, natural gas and heating oil consumption from company-owned or leased vehicles, back-up generators and offices
  - Scope 2: District heating, district cooling and electricity consumption from networks, offices, shops and other facilities like warehouses

- Energy consumption numbers are collected mainly from meters or invoices and reported by local companies into a common software tool. Energy consumption for Telia Carrier covers only electricity and is estimated based on a hardware inventory system.

- Reported network consumption numbers are adjusted for co-location, meaning customers’ network equipment that Telia Company does not own but is located at our premises is not included, and electricity consumption from where Telia Company is co-locating its equipment at another operator’s site is included.

- Business travel data is received from the common travel agent and complemented by HR systems data on e.g. employee car travel.

- Waste data is collected from waste management suppliers or contractors locally. Waste reporting only covers operations in Finland and Sweden, where we are sufficiently confident in the data provided by suppliers. Waste reporting is limited to electronic waste as it is considered the most material waste category and is based on reliable supplier data.
Data regarding mobile devices collected in buy-back/take-back programs is collected internally or requested from program partners and reported manually by local companies and by the Telia Finance subsidiary. The share of devices bought/taken back is based on sales figures provided by the sourcing organization.

Data regarding reused and resold network equipment is collected from the partner which keeps an inventory of volumes and shipments.

GHG emissions are as far as possible calculated as CO₂e. Figures are reported as CO₂e as we estimate that the difference between CO₂ and CO₂e are negligible.

Scope 1 GHG emissions are calculated using the latest available Defra emission factors.

Scope 2 GHG emissions are reported using both location-based and market-based approaches.

- Location-based GHG emissions (electricity, district heating and district cooling) are calculated using IEA country-based emission factors for electricity.
- Market-based GHG emissions are calculated using a "hybrid" approach. Emissions from electricity consumption in core markets and Latvia are calculated using the Nordic residual mix factor, adjusted for the purchase of Guarantees of Origin (GoO) for which the emission factor 0 g/kWh is used. Emissions from electricity consumption outside core markets and Latvia are calculated using IEA country-based emission factors for electricity. Emissions from district heating and district cooling are always calculated using the IEA country-based emission factors for electricity as relevant national averages do not exist.

Leased assets are generally considered scope 1 and scope 2.

Scope 3 GHG emissions were calculated using either one or a combination of the following methods:

- Spend based method - combining sourcing spend data with emission factors for the products or activities
- Average data method - combining product and materials quantity data with associated emission factors
- GHG emissions from business travel (category 6) have been tracked and reported for several years using actual data and are reported separately.

Reported total scope 3 emissions are based on 2018 spend data from Telia Finland which was multiplied based on Telia Finland's share of net sales, to produce an estimate for Continuing operations. The Corporate Value Chain (Scope 3) Standard was applied to calculate all 15 categories of scope 3 emissions. The most relevant scope 3 categories have been reported separately. These include:

- Purchased goods and services (category 1) – OPEX including purchased mobile devices
- Capital goods (category 2) – CAPEX including network equipment
- Use of sold products, downstream leased assets (categories 11, 13) – GHG emissions related to the use of sold or leased products, such as mobile phones and customer premises equipment (CPE)

"Other material categories" includes the other seven categories considered material.

Energy consumption and related GHG emissions from network joint ventures in Denmark, Finland and Sweden are included 50%. Operations in Latvia are included 100%.
Freedom of expression and surveillance privacy

- Law enforcement requests are logged by local companies. Local company systems might differ because they are designed to meet the needs for reporting to, or interaction with, local law enforcement authorities. A very limited number of employees have access to the information and there are strict security controls in place. Statistics are reported on a six-monthly basis to the Group focus area owner. A local senior security manager coordinates the collection of local statistics which are approved by the Group focus area owner.

- Escalated potentially unconventional requests are recorded manually in a log by the Group focus area owner. The log contains classification of the cases (what type of unconventional request) including the assessments, escalation and applicable approvals on if and how a point of challenge was established, as well as further context. A request is considered closed when it has been assessed, escalated and actions to be taken by Telia Company have been approved. Information in the log undergoes periodic internal review by the Head of Enterprise Risk Management for possible guidance and to ensure that not just only the Group focus area owner has access to and understands the information in the log.

Health and well-being

- Sickness absence rate (SAR) is calculated as a percentage ratio of days of absence related to sickness per days of total contractual work time. The figure includes both permanent and temporary employees, working full time or hourly paid. For full-time employees, total contractual work time depends on employment country.

- SAR on country level and total for all countries using the common HR system is automatically calculated monthly in the common HR system and provided to the group health and well-being manager. The annual total SAR is manually calculated by the group health and well-being manager as the monthly average.

- Lost-time injury frequency (LTIF) is calculated as the ratio of number of injuries resulting in absence from work per million theoretical work hours. The figure is manually calculated by the group health and well-being manager.

- The number of injuries is reported to a common software tool. Approval and overall quality control are carried out by the group health and well-being manager.

- The number of theoretical work hours is based on headcount reported to the group accounting system. Theoretical work hours per headcount is normalized across countries.

- The length of absence related to injury is not included in the calculation.

Responsible sourcing

- Due diligence assessment statistics are collected from the due diligence software tool. A due diligence assessment report includes the supplier self-assessment information and a due diligence officer’s evaluation of required mitigating activities to contract the supplier. Mitigating activities are based on possible non-conformities with supplier requirements.

- On-site audit statistics are collected from a “supplier development card”, where all audit reports are registered. An audit report contains all identified non-conformities and related corrective action plans.
• JAC audits includes all audits performed on suppliers related to Telia Company during the year. This means that we are not only reporting audits performed by Telia Company employees or by Telia Company contracted third party auditor. JAC audit statistics are imported from the member-shared JAC software tool.

Labor relations
• Percentage of employees covered by collective bargaining agreements is based on figures provided by local HR managers. Coverage excludes some of the employees in Finland and Lithuania which are not formally covered by collective bargaining agreements, but where its conditions are still applied.

Whistle-blowing cases
• Whistle-blowing reports made through the Speak-Up Line website are stored in a system provided by an external service provider. Speak-Up Line emails are manually logged by the special investigations office in the same system.
• Reports through other channels, such as emails to the group or local ethics and compliance officers or oral statements, are summarized in written management reports which are manually logged in the above system.
• Reports are assessed to decide whether an investigation should be opened. The assessment is based on the allegations made and credibility of the provided information. Reports can also be sent to other functions if they concern matters such as fraud or security incidents which are not managed by the special investigations office.

Diversity, equal opportunity and non-discrimination
• The number of reported discrimination and harassment cases and investigations was manually collected from the special investigations office as well as the local security and HR organizations in core markets and Telia Carrier. The number is significantly higher than earlier reported, which can be explained by the expanded scope of sources providing information.

Community engagement
• Numbers regarding employee participation in Younite is collected by the group manager for Younite from the online platform where employees enrol in activities or from participant lists from activities