Telenor TCFD Report

2022

telenor group

01 Introduction

We are currently in the first half of the so-called decade of climate action. The most recent assessment report from the Intergovernmental Panel on Climate Change (IPCC), the AR6, has shown that in order to limit global warming to 1.5°C, the world must decarbonize all sectors of society, and bring global emissions of greenhouse gases to net zero within 2050. According to the emission scenario aligned with the 1.5°C target, the SSP1-1.9 from AR6, the most rapid emission reductions occur at the beginning of the period between now and 2050.

Currently the world is not aligned with a 1.5°C warming scenario, but rather on a path toward 2.8°C warming by 2100. Some regions and countries of the world are planning for reaching a 1.5°C target, however, other parts of the world have very modest climate plans, which are far from aligned with the 1.5°C target. This means that both transition risks, from strict climate policies, as well as physical risks, emerging from not curbing global greenhouse gas emissions sufficiently, must be assessed.

In addition to risks to safety, security and food supply of the global population, climate change also represents financial risk to the global economy. With increased focus on risks connected to ongoing climate change, investors, lenders, insurers, and other stakeholders are requiring companies to report on relevant climate risks and opportunities. Financial markets need clear, comprehensive, high-quality information on the impacts of climate change. This includes the risks and opportunities presented by rising temperatures, climate-related policy, and emerging technologies in our changing world.

A task force was set up by the Financial Stability Board (FSB) to provide recommendations on how such reporting should be structured. FSB is an international body that monitors and makes recommendations about the global financial system. This task force, named the Task Force on Climate-related Financial Disclosures (TCFD), has written a set of comprehensive recommendations to improve and increase reporting of climate-related financial information. These recommendations are widely followed and have become something close to an international standard for reporting on climate risk. Telenor has decided to report climate risk following this framework.

At Telenor we support the TCFD recommendations and is committed to reporting climate-related financial risks and opportunities.

02 Executive summary

The most material climate risks—as per TCFD's recommended definitions—are:

- General inflation as result of increase in price of GHG emissions
- Reduced availability of renewable electricity due to low supply, high demand
- Physical risks from extreme weather events and chronic global warming effects

The most material climate opportunities to Telenor are:

- Increased demand for development of new services
- Evaluation as a climate resilient and prepared company
- Use of more efficient production and distribution processes

Impacts of transition risks are expected to be higher in the Nordic operations, while physical risk impacts are forecasted to be higher in operations in Asia.

Oversight of Telenor's Sustainability work rests with the Board of Directors, supported by the Sustainability and Compliance Committee (SCC). The Group Leadership Team (GLT) are responsible for the implementation of the strategy with execution within the field being the responsibility of the EVP and People, Sustainability & External Relations Officer (CPSERO) and the EVP and Chief Technology Officer (CTO), and the associated functional teams at Group and Business Unit (BU) level. Climate is covered as a fixed agenda point in the SCC minimum twice annually and through deep dives when required.

The risks and opportunities were identified through an analysis based on three scenarios: Strong Mitigation Scenario (SMS), Delayed and Disorderly Scenario (DDS) and Business as Usual Scenario (BUS), broadly aligned with the "Low" (SSP1-2.6), "Intermediate" (SSP2-4.5) and "High" (SSP3-7.0) scenarios in IPCC's 6th Assessment Report.

To mitigate the identified transition risks Telenor is working to reach its science-based emission reduction targets, including its scope 3 engagement target. Telenor sustainability and procurement teams are working to secure access to renewable electricity with predictable costs and strong additionality where possible, by utilizing Power Purchase Agreements (PPAs). Efforts are also being made to incentivize suppliers to pursue science-based emission reduction targets of their own and the company's Business Areas to continuously seek to control energy costs through dedicated energy efficiency initiatives. To mitigate physical risks due to extreme weather events and chronic global warming effects, Telenor works to increase the resilience of its network infrastructure to prevent damages to equipment, and limit outages. To capture identified opportunities globally Telenor grows its Internet of Things (IoT) area through a dedicated company, Telenor Connexion.

Telenor is currently operationally tracking metrics related to climate mitigation and transition across scopes 1, 2 and 3 in line with the GHG protocol. Our-science based targets, which were validated by SBTi in 2021, define Telenor's emissions reductions for Scope 1 and 2 in line with a 1.5°C pathway and our supplier engagement requirements for Scope 3.

03 Governance

The role of the Board of Directors

The **Board of Directors** (Board) is responsible for overseeing the management of Telenor Group. The Board convenes approximately monthly and is responsible for safeguarding the proper organisation of the business and shall supervise the day-to-day management and Telenor's business in general, including Sustainability and thereby climate-related topics. To do this, the Board annually approves Telenor's Strategic Action Plan as well as its associated budget. The Strategic Action Plan covers Responsible Business where climate is a key element. The Board also approves Telenor's Annual Report that includes the Sustainability Report containing the company's climate-related priorities, status and progress towards the company's science-based targets. This TCFD report is a supplement to the Annual Report.

The **Sustainability and Compliance Committee** (SCC) is a preparatory working committee of the Board that supports the Board in fulfilling the Board's responsibilities to specifically address climate and environment, human rights, labour standards and anti-corruption. Climate is included as a fixed agenda point in the sustainability update in the SCC minimum twice annually and through dedicated deep dives when required.

The **Risk & Audit Committee** (RAC) supports the Board in fulfilling the Board's responsibilities with respect to financial reporting, internal controls, internal and external audit, risk management and risk framework and is established in accordance with the requirements of Audit Committees in the Norwegian Public Limited Companies Act.

The **People and Governance Committee** (PGC) supports the Board in fulfilling the Board's responsibilities with respect to remuneration, among other areas. PGC recommends renumeration incentives related to climate-related targets to the Board. Telenor have decided to include a climate related scope 3 KPI in the short-term incentive plan for its Group Leadership Team in 2023. The company's People, Sustainability & External Relations Officer and Chief Technology Officer (CTO) are responsible at executive level for this KPI.

Within the climate area two operational KPIs are reported quarterly to the Board. They reflect progress towards the company's two science-based emission targets for Scope 1+2 and Scope 3 respectively.

The role of Management

Climate and Environment is part of the sustainability responsibility of Telenor Group's EVP and People, Sustainability & External Relations Officer (CPSERO) who has the policy responsibility for climate-related issues across all operations in Telenor Group including climate ambitions, strategy, overall measures/initiatives and reporting. The execution of the company's strategies and plans within climate mitigation and adaptation sorts under several functions and departments, such as the sustainability function, the operational and technical departments, the financial function as well as the purchasing organisation.

The CPSERO reports regularly on climate to the SCC. Material issues are raised and aligned with GLT and further reported to the SCC and Board when appropriate when appropriate.

Risk management is an integral part of Telenor's Management Model. The Group Enterprise Risk Management function aggregates risks from the BUs, analyses these risks across the Telenor Group in a Group Risk Forum and presents Telenor's risks, risk responses and process to Group Leadership Team (GLT), the RAC and ultimately to the Board. The Board reviews Telenor's top risk picture twice per annum.

04 Strategy

Telenor updates its strategy annually, in the Strategic Action Plan. The strategy is based on three strategic pillars, one of which is Responsible Business. Climate-related ambitions, targets, plans as well as risks and opportunities are addressed and managed under the company's Responsible Business agenda. The company assesses climate risks in three time-horizons: short (until 2025), medium (until 2030) and long (until 2050), in line with the scenario recommendations of the TCFD. Climate risk assessment uses longer-term horizons since several of the climate risks, particularly physical ones, have the most severe potential effects toward the end of the long-term horizon and worsen after that. This approach differs from other risks that are typically assessed in a three-year horizon aligned with the Telenor Group Action Plan.

Scenario Analysis

Telenor have developed three distinct scenarios for its climate risk assessment. The scenarios roughly correspond to public domain scenarios from IPCC, as follows:

Telenor Scenario	IPCC 6th Assessment Report	IPCC - Warming by 2100 (best estimate)
Strong Mitigation Scenario (SMS)	SSP1-2.6 "Low"	1.3-2.4°C (1.8°C)
Delayed and Disorderly Scenario (DDS)	SSP2-4.5 "Intermediate"	2.1-3.5°C (2.7°C)
Business as Usual Scenario (BUS)	SSP3-7.0 "High"	2.6-4.6°C (3.6°C)

Strong mitigation scenario (below 2 °C) – SMS

In this scenario, the world is able to regulate GHG emissions so that best estimate global warming does not exceed 2 degrees and net zero CO_2 emissions are achieved in second half of century. The mitigation pattern is roughly equivalent to the "Low" SSP1-2.6 scenario from IPCC's 6th Assessment Report. The primary risk to Telenor in this scenario is transitional and comes from policy change, as goods and services, including energy becomes more expensive due to increased pricing of greenhouse gas emissions.

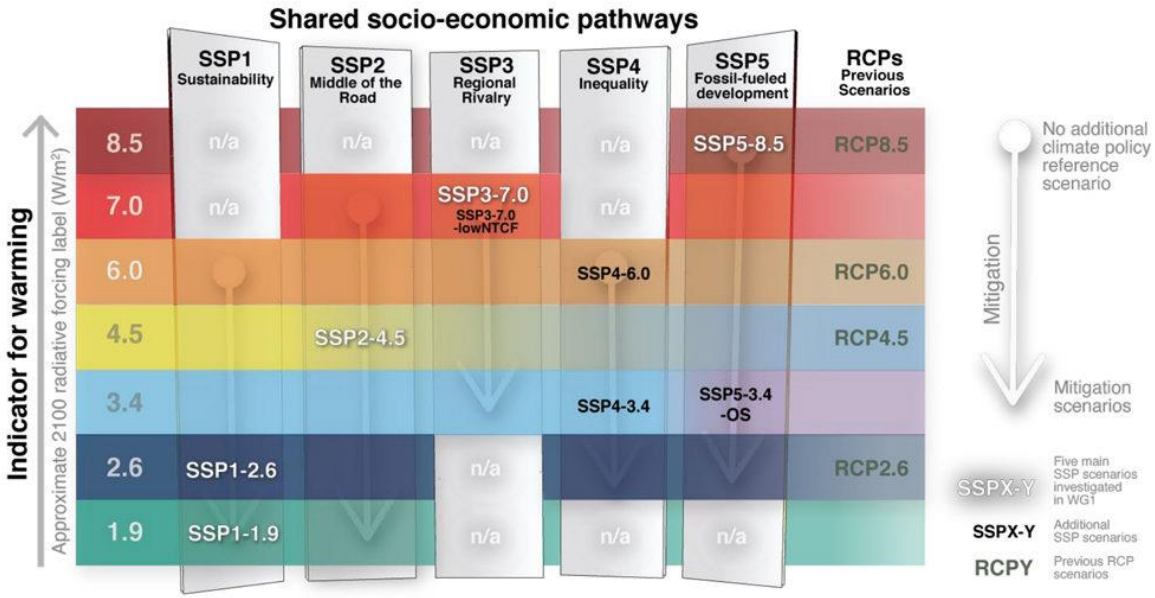
Delayed and disorderly scenario – DDS

The physical damage from climate change is more severe in this scenario and the mitigation/transition is disorderly, as the global community adapts to a changing world. The emission profile in this scenario is roughly equivalent to the "Intermediate" SSP2-4.5 scenario from IPCC's 6th Assessment Report. The transition risks to Telenor in this scenario are less severe than in SMS. However, the physical risks and adaptation impacts are more severe, especially toward the end of the long-term horizon.

Business as usual scenario – BUS

In this scenario, global emissions of GHGs continue to rise at approximately current levels. The pace and severity of global warming increase significantly. In this scenario, there are significantly less stringent policies put into effect worldwide. The emission profile in this scenario is roughly equivalent to the "High" SSP3-7.0 scenario from IPCC's 6th Assessment Report. The primary risk to Telenor in this

scenario comes from accelerating severity of acute and chronic physical risks of climate change, as extreme weather, sea level rise, and temperature rise all have increasingly severe effects long term.



Source: IPCC's 6th Assessment Report (AR6 WGI)

Climate-Related Risks and Opportunities

Risks in this assessment are categorized into two categories, as outlined by the TCFD:

- **Transition risks**, caused by the world's transition to a low-carbon economy as a result of carbon regulation changes, and
- **Physical risks** caused by a changing climate.

The most material climate risks to Telenor are:

- Increased inflation from policy changes increasing the price of GHG emissions
- Low supply and high demand of renewable electricity
- Physical risks from extreme weather events and chronic global warming effects

The most material climate opportunities to Telenor are:

- Increased demand for development of new services
- Evaluation as a climate resilient and prepared company
- Use of more efficient production and distribution processes

The TCFD risk assessment also includes additional risks, as outlined below.

An internal quantification exercise has been conducted of the business impact of risks and opportunities, and this has informed the identification of top risks and opportunities.

Transition risks are mostly due to increased direct and indirect costs due to carbon pricing and cost of renewable electricity. Physical risks impacts are mostly related to costs and lost revenue due to network outages caused by higher intensity in extreme weather events.

Opportunities primarily reflect an expected growth of IoT and AI-related revenues and energy efficiency measures, partially offset for additional investments required for increased network robustness and availability for business-critical communication services.

Telenor has operations across the Nordics and in Asia. The following table represents a summary of the assessment of the severity of the identified climate risks for medium (by 2030) and long (by 2050) term. It is based on Telenor's own evaluations supported by external sources where available, such as regional prognosis from *IPCC WGI interactive Atlas* and *IPCC Regional Fact Sheets* and country specific CDP's City Hazards and Adaptation inputs collected regularly from local authorities.

Scenario	Time Horizon	Nordics		Asia	
		Transition risk	**Physical risk**	**Transition risk**	**Physical risk**
Strong mitigation scenario (SMS)	2030	High	Low	Medium	Medium
	2050	Medium	Medium	High	High
Delayed and disorderly scenario (DDS)	2030	Medium	Low	Low	Medium
	2050	Medium	High	High	High
Business as usual scenario (BUS)	2030	Low	Low	Low	High
	2050	Low	High	Low	Very High

Note: The severity designations and time horizons are different from Telenor's regular risk designation matrix, and the levels in this diagram should be read as relative severity levels.

In general, transition risks are expected to emerge earlier in the Nordics than in Asia. Physical risks are forecasted to have higher impacts in Asia.

Transition risks

A. Policy and Legal Risks

The policy and legal risks are especially relevant in SMS, partially relevant in DDS, and less relevant in BUS. In SMS, climate change will be less severe, but there will be stringent climate policies at the national and international level.

TR1: General inflation as result of increase in price of GHG emissions

In SMS, governments will implement stringent climate policies, such as cap and trade systems as well as carbon taxes. The European Union (EU) will increasingly limit the amount of available emission allowances in the Emissions Trading System (EU ETS) and mitigate "carbon leakage" by the adoption of the of Carbon Border Adjustment Mechanism (CBAM). Governments in Asia may follow, modelled on systems Europe, US, or China, but later than in the EU. As a result, the price of emission allowances will increase significantly, with the direct result of making electricity, fuels, and energy in general more expensive. There will be indirect and sustained cost increases on purchased goods and services, above historical average inflation rates. This is likely to be the most material cost increase for Telenor in SMS. Almost 80 of Telenor's total emissions are scope 3 emissions, coming mainly from purchased goods and services. Telenor's suppliers will be impacted by increased energy costs in their value chains and will in part compensate by raising their prices. Telenor expects an emission trading system (ETS) or carbon tax level of 100 EUR in Europe and 10-20 USD in Asia based on NIESR's inflation impact analysis.

Mitigation

To limit direct energy costs Telenor is in a process of securing access to renewable electricity at predictable costs through PPAs where such are available. Where not possible EACs will be used in the meantime to ensure the company's global emissions are reduced in line with the scope 1 & 2 science-based target. In parallel, energy efficiency programmes in BAs systematically implements a wide set of measures to limit energy consumption and emissions despite underlying traffic growth, including replacing diesel generators with solar solutions. To reduce the most material scope 3 emissions, the company actively works, both directly and through industry collaboration, to influence suppliers to reduce their carbon footprint, which would limit our supplier's risk exposure to climate policy inflation effects.

TR2: Mandates on and regulation of telco products and services

The EU Commission recently adopted policies on the creation and reporting on the Taxonomy regulation, a system for technical screening criteria for economic activities that can make a substantial contribution to climate change mitigation or adaptation, while avoiding significant harm to the four other environmental objectives with future expected installments of i) sustainable use of water and marine resources; ii) transition to a circular economy; iii) pollution prevention and control; and iv) protection and restoration of biodiversity and ecosystems. Companies not deemed in alignment with these objectives, risk being excluded from investors mutual funds with a green mandate, and also face reputational risk when deemed to perform worse than peers on GHG emission reductions.

In the future, governments (especially the EU Commission) might mandate a certain emission intensity of telecommunications services. In Europe, a *Product Environmental Footprint* (PEF) category, or similar product mandate, could be defined for telecommunications services. In the EU, companies not deemed to be aligned with the forthcoming Taxonomy criteria, risk being excluded from Environmental, Social, Governance (ESG) focused mutual funds. Also, access to green bonds may be lower when deemed to be non-aligned to the taxonomy. In addition, companies may face reputational risk if deemed to perform worse than peers on GHG emission reductions.

This is not considered a material risk (relative to the other identified risks).

Mitigation

Telenor is mitigating this risk by decarbonizing its operations and supply chain in line with its science-based targets.

B. Technology Risk

Technology Risk is relevant in all three scenarios. In SMS, this transition risk is relevant due to technological disruption occurring as a result of the world economy adjusting to higher prices of GHG emissions, fossil fuel and energy, whilst in BUS, there are technology risks associated with e.g. limited availability of renewable power suppliers.

TR3: Reduced availability of renewable electricity

In SMS, there is a risk that Telenor will experience a supply/demand imbalance with lack of availability and higher prices of renewable electricity generation, both in Asia and the Nordics. In this scenario, companies and customers are more climate aware, and are putting pressure on all suppliers of goods and services to reduce their carbon footprint. This results in high demand for renewable electricity, which could outstrip supply. This demand vs supply imbalance has increased considerably during 2022, particularly in the Nordics, as demonstrated by the increased price of Guarantees of Origin of up to 500%. There will be a risk of Telenor not meeting its emission targets and eventually risking reputational damage due to being perceived as a poor performer relative to its peers, or alternatively, having cost increases on the purchase of renewable electricity.

In BUS, the risk pattern is opposite, as the combination of relatively lower electricity prices in general and lack of interest in renewable electricity means that the availability of renewable electricity is low. This could lead to Telenor not meeting its emission reduction pattern. However, since the general climate awareness is much lower in this scenario, the reputational damage would be low.

When sourcing renewable electricity, the electricity market is split in two, where one segment is the actual energy market, and the other is the market for renewability. The best current metric for assessing the price of renewability, is the cost of Energy Attribute Certificates (EAC), such as Guarantees of Origin. Actual transactions in 2022 were in the range 2-7 EUR/MWh.

Mitigation

Telenor is currently in sourcing processes to increase its share of renewable electricity both in Asia and the Nordics. To preserve strong additionality (ensuring that sourcing processes contribute to the construction of new renewable electricity capacity), Telenor has a clear preference of PPAs over unbundled EACs. However, bundled EACs must be used and represent an additional cost even in PPA contracts. Due to regulatory constraints, EACs generally have higher availability, especially in Asia, compared to PPAs. In addition to securing access to renewable electricity at acceptable cost, energy efficiency improvements will continue to be a crucial mitigation to limit cost increases for energy consumption. So far, Telenor has sourced two PPAs for the company's operations in Norway and Denmark respectively and is in an active sourcing process for our operations in Finland. This will to a great extent mitigate the risk of rising prices of renewability for those markets. For Asia, the most important activity will be to engage in advocacy to make it more likely that corporate PPAs be available in the future (as they are not currently). Also, working to establish business relationships with developers of renewable electricity generation assets will be material.

C. Market Risk

TR4: Demographic shifts due to physical damage from climate change

Particularly in BUS, damages from physical effects of climate change will be significantly higher than in SMS. This is especially relevant in the long-term perspective. In countries that have high physical climate risk vulnerability, such as Bangladesh, climate change may lead to demographic changes in the country, such as people leaving areas prone to typhoons, sea level rise, flooding, soil salinization, droughts and heatwaves and other physical risks. With population shifts like these, lifetime revenues from investments in long lived infrastructure assets like telecom towers will be negatively affected. Demographic shifts are also highly likely to increase the level of conflict on a national and regional level, exacerbate migration and poverty problems. In BUS, this risk will worsen with time.

This is not considered a material risk in the short to medium time frame (relative to the other identified risks).

Mitigation

Mitigation of this risk involves a more detailed geography-specific evaluation of the risk and planning for possible demographic shifts and increased conflict in markets particularly vulnerable to climate change.

D. Reputation Risk

TR5: Shifts in consumer preferences

Under the SMS and DDS scenarios, consumers avoid providers of goods and services with perceived inferior environmental credentials. Companies that are deemed to not take climate responsibility will likely be penalized by consumer and corporate customers leaving for other suppliers. Given Telenor's footprint in Asia, where availability to renewable electricity may remain very limited mid-term for both Telenor and local suppliers, Telenor may not be able to meet the emissions reductions required by its science-based target, potentially causing a loss of reputation with customers and investors. This also applies to the company's scope 3 engagement target. Telenor may fail to reach this target, as some important suppliers will not be able or willing to set own science-based targets. Adoption of science-based targets is expected to remain delayed among suppliers based in Asia compared to suppliers based in Europe or North America.

This is not considered a material risk in the short to medium time frame (relative to the other identified risks).

Mitigation

Telenor is mitigating this risk by decarbonizing its operations and supply chain in line with its science-based targets, by prioritizing reductions in the most material scope 1 & 2 emissions and proactive engagement with the largest suppliers by spend.

Physical risks

Physical risks due to climate change can be divided in two categories:

- **Acute risks**: Extreme weather events, including tropical cyclones (hurricanes and typhoons), flooding, wildfire, drought periods, and heatwaves.
- **Chronic risks**: Long-term changes in climate and weather patterns, including changing levels of precipitation, mean temperatures, and sea level rise.

All physical risks will increase significantly in DDS and especially BUS, compared to SMS, and significantly more long term compared to short and medium term.

The yearly impact from extreme weather events are difficult to predict. If extreme weather events cause disruptions of the networks and services, the potential impact is combination of cost of response/repair and negative revenue effects due to network unavailability.

Mitigation

Telenor is already mitigating these risks by maintaining local plans for extreme weather events but expects such efforts to increase. The plans combine proactive measures such as elevating, protecting or hardening towers, network equipment, power lines and network connectivity to each tower, catering for power outages using battery backups, ensure access to spare parts, relevant insurance schemes where available, as well as reactive response plans to restore connectivity and reduce downtime after events.

A. Acute physical risk

General: Increased frequency and severity of extreme weather events

Extreme weather events, listed in more detail below, can damage Telenor's network equipment, mobile towers, power lines and fibre connections, and can thereby cause network outages that disrupt Telenor's communications services.

PR1: Storms and tropical typhoons

Tropical typhoons are a current risk in the Asian markets Telenor operate in, and especially Bangladesh. With increased global warming, tropical typhoons will occur more often, and more intensely. Tropical typhoons can damage Telenor's equipment, such as mobile towers, and can also disrupt communities that use Telenor's communications services.

PR2: Increased frequency and severity of flooding

Flooding, like the one in Pakistan in 2022, will occur more frequently and severely with increased global warming. There will be floods due to increased precipitation and due to storm surges, that are regularly combined with extreme precipitation.

PR3: Increased frequency and severity of drought

Increased global warming will lead to increased drought in areas susceptible to this risk. For Telenor's markets, Pakistan and Bangladesh are among the countries susceptible to drought risk. With extreme drought events come the risk of food shortages and economic disruption for farmers and the agriproduct value chain.

PR4: Increased frequency and severity of heatwaves

Heatwaves will increase in frequency and intensity as a result of global warming. The severity of heatwaves will increase with increased global emissions of GHGs, and as such, the danger of lethal heatwaves will be highest in BUS. There is risk of lethal heatwaves in Bangladesh and Thailand toward 2050.[1] Increased risk of lethal heatwaves may lead to demographic shifts, which again may disrupt the customer base of Telenor.

PR5: Increased frequency and severity of lightning strikes

With more extreme weather comes more lightning strikes, which can damage equipment installed at base stations. Lightning strikes will also contribute negatively toward knocking out local electrical grids, and increasing the frequency of blackouts and brownouts, and the need for backup generation capacity.

B. Chronic physical risk

PR6: Sea level rise

Among Telenor's markets, Bangladesh is especially vulnerable to rising sea levels. According to Displacement Solutions, the best estimates suggest that in Bangladesh up to 18 million people may have to move because of sea level rise alone, and that the Government of Bangladesh has acknowledged that by 2050, one in every seven people in the country will be displaced by climate change. The Bangkok area in Thailand are also vulnerable.

PR7: Increased precipitation

Increased precipitation will lead to increased frequency and severity of flooding, flash floods and soil erosion. Increased precipitation will also increase the economic damage to buildings and infrastructure, as well as increased costs for maintenance and repair of Telenor equipment.

PR8: Increased temperature

With increased temperature as a chronic climate risk, comes the increased risk, frequency and severity of dangerous heatwaves in Telenor's Asian markets. Also, with increased temperature, there will be cost increases due to increased need for cooling of electronics such as data centres.

Opportunities

A. Products and Services

O1: Increased demand for development of new services

Telecommunications companies may serve a positive role in enabling GHG emission reductions in other sectors. Examples are IoT technology, using systems of sensors to optimize external value chains (such as agriculture and transportation).

The main impact is expected to come from the growth in IoT related revenues as digitization of society and enterprises increases and enables energy efficiency and GHG emission reduction across sectors. Telenor is well positioned to pursue this opportunity through its dedicated global IoT company Telenor Connexion, that has been named a leader in this area by Gartner for several years in a row. Currently, the taxonomy eligible share for Telenor in 2022 is 0.8% related to data-driven solutions enabling GHG emissions reductions.

B. Resilience

O2: Evaluation as a climate resilient and prepared company

Telenor may see increased market valuation through resilience planning and adoption of energy efficiency and renewable energy. Investors will increasingly seek companies that have sound plans for climate change mitigation and adaptation, and Telenor should be able to plan for resilience, and add comfort to said investors. Customers may prefer Telenor due to strong reputation in this area compared to alternative providers. Prospective employees will increasingly prefer employers that take climate responsibility. Finally, Telenor may have access to more beneficial bond financing, and lower risk premiums on insurance, by being perceived and assessed as a climate resilient and prepared company.

The advantage of sustainability-linked bonds compared to conventional bonds are assumed in the range 1-5 basis points.

C. Efficiency

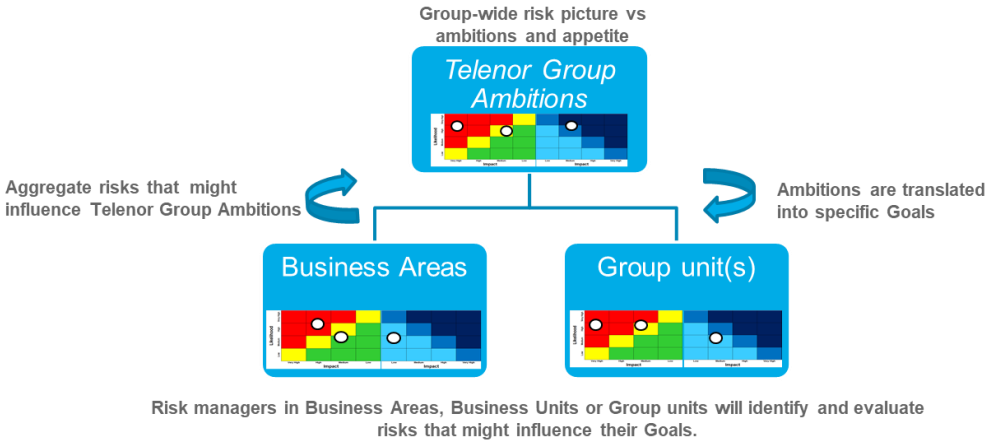
O3: Use of more efficient production and distribution processes

Telenor has initiatives in all markets that focus on energy efficiency improvements in network electricity usage, as this represents the dominant share of electricity consumption energy costs. These initiatives span network equipment modernization, minimizing diesel generator run hour through cyclic use of batteries, renewable energy adoption, new technologies like AI-based radio network shutdown during low traffic to avoid unnecessary power consumption, collaboration with the equipment manufacturers and partners to develop energy efficient features, minimizing non-value adding electric loads, and the impact of 5G technology and joint innovation with relevant equipment vendors.

A systematic approach to energy efficiency is expected to limit the underlying organic growth in energy consumption.

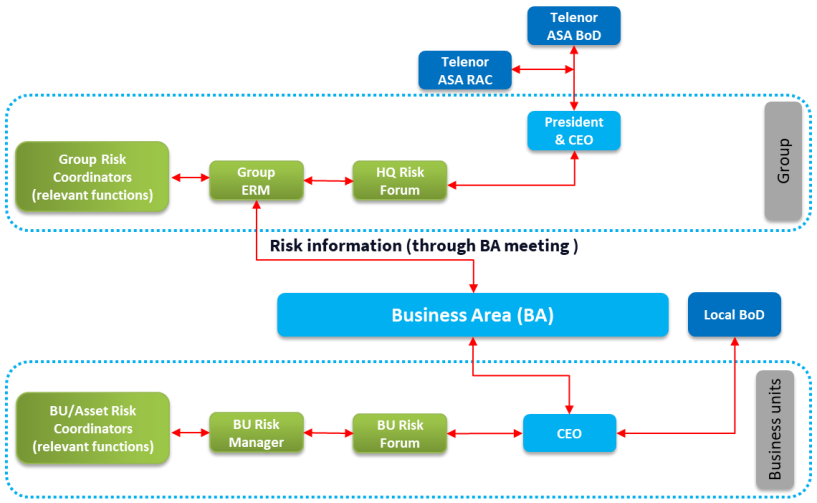
05 Climate risk management

Climate change related risks and opportunities are an integrated part of the risk management framework and is part of the annual business strategy update. Our process is broadly based on ISO 31000:2018 International Risks Management Standards. Risks are assessed at each individual country of operation. In addition, Group Sustainability does an annual top-down climate risk assessment, to make sure key climate change risks across operations are captured and evaluated.



The main steps in the annual strategy planning process are:

- During the annual Strategy process, Telenor's ambitions are translated into specific goals for the Business Areas (BA). BAs together with the Business/Operational Units shall identify risks that may influence these goals and ambitions.
- Each Business Area and Group Unit form their risk picture which is linked to their specific goals.
- The top BAs' and top Group units' risk pictures are input to Telenor's group-wide risk picture which again is linked to Telenor's ambitions. The aggregated risk picture is prepared by Group Enterprise Risk Management (ERM) and quality assured in the Group Risk Forum, and then discussed in Group Leadership Team (GLT) before presented twice a year to the Risk and Audit Committee (RAC) and the Board.



Risk information flow and Board of Directors (BoD) oversight

06 Metrics and Targets

Please refer to Telenor Group's latest Sustainability report.

Risk Metrics

Within the climate domain Telenor is currently operationally tracking metrics related to climate mitigation and transition costs. Scope 1 and 2 related metrics include energy consumption and cost, GHG emissions, share of renewable electricity, fuel consumptions for generators at base stations and GHG emissions intensity for network data traffic. Scope 3 related metrics primarily address the most material upstream emissions from suppliers, but also downstream emissions related to sold products.

GHG Emissions

Formal Scope 1, Scope 2, and Scope 3 emissions in line with GHG Protocol accounting are covered by Telenor's annual CDP and sustainability reporting – both on Group and Business Unit levels, as well as per energy source.

Targets

Scope 1 and 2 targets:

The Nordic operations: Telenor's target for its Nordics operations is carbon-neutral business operations by 2030 (base year 2019), focusing on energy efficiency measures in network operations, purchasing renewable electricity by way of Power Purchase Agreements, coupled with Energy Attribute Certificates.

The Asian operations: Telenor's target for its Asian operations is a 50 per cent reduction in GHG emissions by 2030 (base year 2019), focusing on substituting diesel generators with solar solutions at base stations and purchasing renewable electricity by way of Power Purchase Agreements, coupled with Energy Attribute Certificates.

Scope 3 target:

Telenor Group commits that 68% of its suppliers by spend covering Purchased Goods, Services and Capital Goods, will have science-based targets by 2025.

Reporting

There are two high priority climate related metrics that are reported quarterly to the Group Leadership Team and the Board: Share of renewable electricity and share of spend to suppliers that have set science-based targets. These metrics are subject to Telenor Group's regular target setting, reporting and risk management processes for a limited set of so-called Operational Performance Indicators (OPIs). All OPI targets for the Group are approved annually by the Board based on the Group Action Plan's financial and operational ambitions for the 3-year rolling strategy period. Progress is tracked and necessary issues raised in quarterly reporting cycles.