

OUR CLIMATE-RELATED RISKS AND OPPORTUNITIES

Task Force on Climate-related
Financial Disclosures (TCFD) Report 2020



TELE2
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Why a TCFD report

Understanding climate change and the associated climate risks is fundamental to future-proofing the Tele2 business. Through the implementation of the Task Force on Climate-related Financial Disclosures' reporting recommendations, we invite our stakeholders to take part of our current knowledge about the climate risks and opportunities most material to us.

About the TCFD framework

The TCFD has developed a framework to help public companies and other organizations more effectively disclose climate-related risks and opportunities through their existing reporting processes.

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Metrics & Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Introduction

For Tele2 it is important to remain a reliable and outstanding industry actor, and to be that, we not only need to mitigate our contribution to climate change, we must also understand the impact that climate change has and can have on our business. As a company located in northern Europe around the Baltic Sea, we are by no means exempt from the consequences of anthropogenic climate change, nor will be in the future.

Tele2's business and offerings are heavily dependent on business continuity – both individuals and corporate customers expect reliable Tele2 networks and services. Additionally, our networks are designated as critical infrastructure, as the ability to use communication networks is considered vital to uphold core societal functions. To that end, we are for the first time, reporting on climate risks following the recommendations of the TCFD, the Task Force on Climate-related Financial Disclosures. This follows our ambition to tackle climate change, as manifested in the adoption and approval of our Science-based targets in line with the 1.5°C target.

Our Sustainability strategy

Tele2's sustainability strategy is a set up to achieve our ambition to lead in sustainability, focus our resources on the most material sustainability issues, drive performance and to engage internal and external stakeholders.

[Read more](#)



Governance

The Tele2 Board of Directors holds the responsibility to approve the sustainability strategy, which supports the Tele2 business strategy. The Board is also responsible for the ongoing evaluation of the quality of the company's internal control functions and risk management, ensuring that the company is adequately equipped to mitigate and manage all kinds of risk. Through its integration into the sustainability strategy, climate change and climate risks are part of the overall risk registry. Climate risks are listed as one of the strategic risks in the risk registry.

The Board reviews and approves the sustainability strategy and strategic risk registry once a year, whilst the mandate to execute on the strategy has been delegated to the Head of Sustainability and for the strategic risk registry to the Head of Internal Audit, who reports to the CFO. The audit committee reviews the sustainability strategy and the progress made on a quarterly basis. As part of the advancement of our sustainability strategy and our deepened understanding of how climate risks can affect Tele2, we will assess how we should best strengthen our proactive approach to climate change and climate risks.

Tele2's governance structure

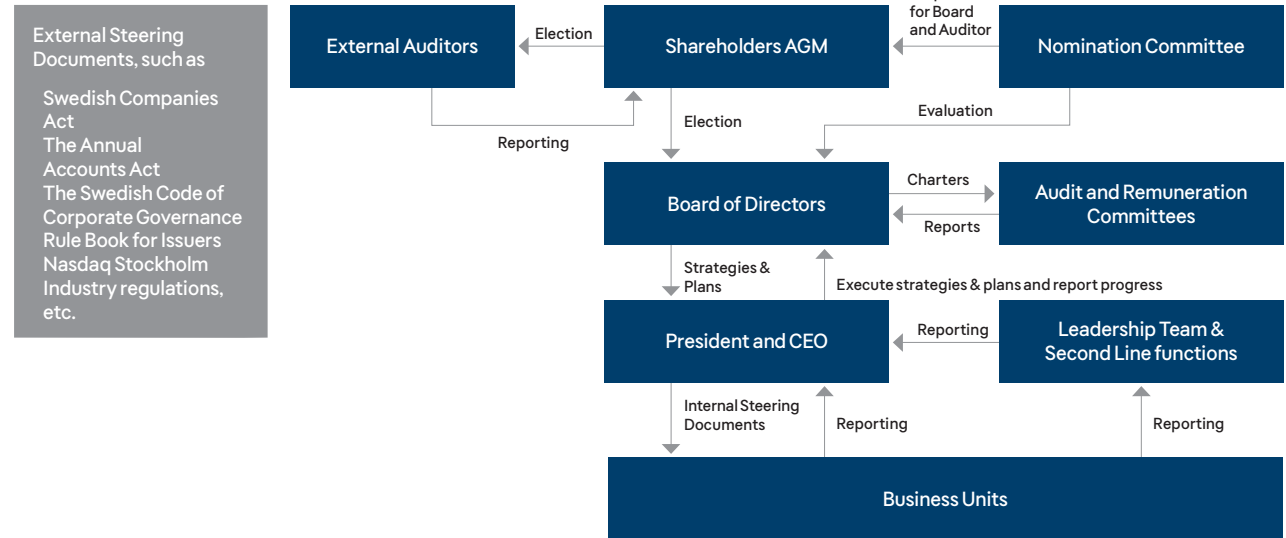


Figure 1 The Tele2 governance structure.

Strategy

Tele2's vision is to be the “smartest telco in the world, creating a society of unlimited possibilities”. We will reach this vision through the implementation of our strategy:

Unique People & Culture

We walk the talk, being a value driven company, based on a diverse organization. We always strive to attract, retain, and develop the strongest talents.

Winning Customer Focus

Distinctly positioned leading brands, aiming to win the customer through FMC. We aim to be an outstanding partner to businesses and the public sector.

Radical Simplification

Out mindset allows us to quickly adapt to the world around us, and continuously modernize our operations.

Individually, each of the three pillars of the Tele2 strategy can be used as a motivation of why it makes business sense to comprehend what climate change means to us. The drastic progression of anthropogenic climate change and associated issues such as biodiversity loss and water stress that we are already seeing today and will see more of in the not-too-distant future, require all societal actors to contribute to both climate change mitigation and adaptation. Part of this rests in familiarizing ourselves with what climate risks may mean to us on a more granular level.

Lead in sustainability

Tele2 has set as its ambition to lead in sustainability. We believe that sustainability needs to be ingrained in our core business for our long-term success as a company, and that having a strong sustainability agenda enables us to meet increasing demands from our most important stakeholders, such as customers, investors and employees.

To achieve this ambition Tele2 has a sustainability strategy with four focus areas, that are areas in which we can differentiate ourselves from our competitors, which will

enables us to retain current, and win new, customers, investors and employees.

One of the four focus areas is *Advancing circular economy to combat climate change*. Our long-term goal is that by 2025, Tele2 will develop winning offerings for relevant customer segments, based on a circular business model and reduced climate impact.

Climate risk assessment

To gain this understanding, we initiated a risk assessment to gain a more complete picture of the Tele2 climate risk landscape, assessing both physical risks and transition risks, according to the TCFD recommendations. These include acute and chronic physical risks, and transition risks concerning reputation, market, technology, and policy and legal risks. The assessment includes activities upstream and downstream as well as the daily operations.

In the assessment, the potential financial impact was put into context in terms of whether it could have an impact on tangible assets, such as infrastructure, or on intangible assets, such as our reputation. The assessment also included how the risk potentially impacts either our income statement or balance sheet - climate change may lead to increased network maintenance costs, impacting our result and income statement, but also lead to a need for investments to floodproof our sites, which decreases our liquidity, possibly impacting our liabilities and balance sheet negatively. The risk assessment was done considering potential financial impact, risk likelihood, and timeline for risks to manifest. The climate risks were then put into the perspective of existing mitigative measures at Tele2 and the potential risk exposure in two future scenarios. An illustration of the risk assessment can be seen in figure 2.



Figure 2: The climate risk assessment process.

It became apparent that the foundation for climate risk mitigation is already present in the daily workings of the company, partly given the characteristics of the industry. For example, the internal knowledge and competence of assessing and handling impacts on physical infrastructure is already in place, which is a prerequisite to be a reliable and outstanding partner to businesses and the public sector alike. The societal role our industry plays also means that it would probably be a prioritized sector during times of crisis or resource shortages relative to other industries, which also acts as a mitigating factor. A total of 18 climate risks were identified as having a potential material impact to Tele2 (please see the appendix for the complete list).

The risk assessment is not based on definite numbers, due to the complexity and the sheer number of variables included, some of which are unknown until they manifest. Please refer to the Risk Management section for more information on the risk management process. The details and context of the climate risks are described in the section about the scenario analysis.

Risk category	Tangible assets	Intangible assets	Timeline
Acute	x		Mid term
Chronic	x	x	Long term
Reputation		x	Mid term
Market	x		Short term
Technology	x		Mid term
Policy and legal		x	Short term – mid term

*For full disclosure of climate risks, please refer to the appendix

Short term: 0-5 years

Mid term: 6-10 years

Long term: 11-50 years

Opportunities	Tangible assets	Intangible assets	Timeline
Efficiency	x	x	Mid term
Market		x	Long term
Reputation		x	Short term

In general, physical climate risks such as increased and more frequent storms could have a drastic impact on Tele2's business continuity. However, some mitigative measures are already in place, such as collaboration with other ICT actors and that the continuous maintenance operations are already addressing physical impacts from climate and weather.

The transition risks connected to the world taking action on climate change include changes to the energy system and the reliability of the electric grid, which could impact Tele2's bottom line if energy prices were to rise, or if the electric grid becomes a bottleneck. Looking at the Tele2 supply chain it is necessary to consider both physical and transition risks, such as the potential impact that bans and quotas on certain resources and greenhouse gas emissions could have on Tele2's suppliers. This is an analysis that will be elaborated in the upcoming years.



Scenario analysis overview

We conducted a scenario analysis, assessing the Tele2 business in one scenario where the world meets the goals of the Paris Agreement, and one where it does not. Below is an overview of our findings, followed by an analysis of the resilience of our business.

RCP2.6 – Paris Agreement

Physical risks

- Increased storm damage to infrastructure in northern Europe, increased precipitation and sea level rise may cause damages to buildings and infrastructure, increase costs to “build back better” and/or retrofit existing infrastructure.
- Similar and/or more intense climate-related consequences in the supply chain.

Transition risks

- Increased stakeholder expectations on Tele2 to mitigate climate change, contribute to societal preparedness and climate change adaptation.
- Increased regulations will affect Tele2 both directly and indirectly in the form various forms of carbon pricing.
- Strict regulations on advanced sustainability reporting.
- Financial actors and institutions placing more stringent demands on companies seeking funding, loans and credit.
- If the development and innovation of energy storage is not up to speed with energy needs as the economy transitions to renewables, there may be disruptions in the energy supply.
- Increased electrification, such as electric cars and IoT will increase the pressure on the electrical grid, which can lead to disruptions and/or energy price volatility.

Opportunities

- If Tele2 were to implement adaptation measures to manage physical risks, such as the strategic placement of base stations and building climate risk preparedness of other critical infrastructure, costs associated with physical damages, renovations, and disruptions of service, could be reduced.
- Adaptation to physical risks can improve Tele2’s reputation as a credible actor that is resilient and prepared to deal with extreme weather without disruptions to the service, which could attract more customers and clients who are looking for a reliable supplier.
- A proactive approach to expected regulations associated with a transition to a low carbon economy can increase Tele2’s preparedness and reduce risk exposure. It could lead to enhanced opportunities to secure investments, credits and loans, as well as to avoid costs such as fines and taxes on fossil-fuel connected goods and services.
- Transitioning to renewable energy and renewable materials can ensure business continuity, including limiting the risk of disruptions to the supply chain.
- Investing in renewable fuels and energy sources comes at an initial cost, but would also lead to the potential benefits of a more resilient energy supply, an alternative source of income and reputational gains.

RCP8.5 – Business-as-usual

Physical risks

- Floods, landslides and forest fires, as well as storm damage, will cause significant damage.
- Changes in precipitation and sea level rise will cause a need to refit offices and infrastructure to cope with the warmer and wetter climate.
- Northern Europe is highly impacted in this scenario, but Tele2’s global value chain is impacted even more severely, leading to longer lead times, scarcities and raised prices.

Transition risks

- Business operations in the EU dictate that even in a low-action scenario, transition risks will be present albeit significantly lower than in an RCP2.6 scenario.
- Prices on, and availability of, refrigerants and batteries will be impacted by EU regulations, leading to increased costs as well as prices and scarcity of materials/components for Tele2 and along the value chain.
- Risks will come in the form of increased expectations from stakeholders such as regulators and investors, leading to loss of investments or customers if not met.
- The finite nature of fossil fuels could lead to a future where there are not enough to maintain the economic system. Inaction on climate change could thus lead to increased electricity prices and disruptions to the electrical grid on a microeconomic level, and major recessions on a macroeconomic level.

The resilience of our business

Tele2 creates its value through connectivity, and as such, business continuity is critical for Tele2 - today and in the future. Managing the risk of physical impacts on the networks is already part of Tele2's current operations. Risk parameters such as water damage and storm frequency are included when assessing the placement of base stations and data centers, as well as in planning for network redundancies. Already today, the increased occurrence of such events can be linked to climate change, and regardless of what future trajectory our carbon emissions will follow, extreme weather and damage from storms are set to continue given the accumulative nature of greenhouse gases. It will increase substantially in a business-as-usual scenario but will be highly noticeable even in a future in line with the Paris Agreement.

The climate is complex and reacts to changes relatively slowly, the carbon levels in the atmosphere will remain high for hundreds of years even if global carbon emissions are reduced in accordance with the Paris Agreement. This means that the physical changes seen in the RPC2.6 scenario (limiting the temperature increase to 1.5-2°C by 2100) will represent the new normal for generations. Tele2 should thus be prepared to continuously monitor and improve upon the preparedness towards disruption of business continuity caused by physical climate risks such as storms and floods. In an RCP8.5 future the physical risks will be even greater, and investments made to ensure business resilience should be in proportion to that elevated risk.

Considering the ambitious climate policies of the EU, Tele2 must also be prepared to handle transition risks in the near future. This is regardless of what emissions trajectory we are on, as the EU climate policies are developed to lead the way. Tele2 must raise its preparedness to handle regulatory changes in this coming decade, considering the direct impact such changes could

have on Tele2's operations as well as the indirect impact they could cause on supply chain lead times and prices, for example. Regulatory changes such as the proposed Sustainable Battery Regulation and the Energy System Integration could lead to a need to invest in new network backup solutions and technology to make use of spill heat from our data centers.

If the world was to fulfil the Paris Agreement, the RPC2.6 scenario will see considerable market measures with the intent to mitigate climate change. Some of the measures will be costly, and economic growth may see initial downturns as the economy transitions to a low-carbon economy. In the RPC8.5 scenario, however, the global economy maintains its dependence on fossil fuels, and carbon emissions continue. This not only leads to a direct warming effect due to the carbon emissions but brings rebound effects such as melting ice caps and reduced albedo, which further reinforces the warming of the planet.

A conclusion to be made when assessing both scenarios is the need to understand and monitor the development within both physical and transition risks in order to maintain a resilient business model, as both risk types will have an impact on Tele2 regardless of how the future looks. However, the scenario analysis presented in this report should not be interpreted as a prognosis. It is rather a way to gain a better understanding of a broad spectrum of climate-related risks and their impact in the short- and long-term perspective. Going forward, we will develop metrics to be able to assess the potential financial impact of the climate risks.

Risk Management

Risk management is fundamental to Tele2's ability to achieve its strategic objectives, and all material risks are assessed by the Group Leadership Team (GLT). The assessment of climate risks showed us that although our climate risk exposure is lower compared to other sectors such as heavy industry, materials and buildings or agriculture, we must work proactively to mitigate the risks associated with climate change. Our work with climate risks is admittedly at the early stages and we acknowledge that we must work to increase the capacity and know-how of how to deal with climate risks and what they entail, dispersing climate change knowledge throughout the organization. What we do know is that the risks associated with climate change will only grow bigger with time, and as such, climate risks are listed as one of the risks in our strategic risk registry. This means that there is a strong effort made by the GLT to discuss, evaluate and mitigate the climate risks.

Climate risks have undergone the initial integration into the overall risk management framework and we will continue the work to implement it. As per our risk management process, risk areas identifying the climate risks have been defined. The risk areas have been assigned to a risk owner (an individual GLT member) who is responsible for the ongoing work and continuous assessments of potential impact and likelihood. In the upcoming year, the identified risk owners will further assess and identify mitigative actions to manage the climate risks. Challenges and advancements are to be reported to the GLT, as well as to the Audit Committee and/or the Board of Directors.

Tele2's operational risk management is integrated into the financial reporting and operational processes to ensure accountability, effectiveness, efficiency, business continuity and compliance with corporate governance, legal and other requirements. The line managers are inherently responsible for the risk identification and risk mitigation related to their respective market or corporate area for financial reporting and other operational processes. On top of this, Internal Audit performs a risk assessment for each market and function (including financial reporting) which forms the basis for the annual internal audit plan. This risk assessment considers the fact that there is risk both from how we operate and from where we operate, as illustrated in the Tele2 Company risks.

The strategic risk management process



Figure 3: Tele2's risk management process

Metrics & Targets

Tele2 has laid the groundwork for assessing the climate risks and opportunities material to Tele2, considering the kind of impact a risk can have on our business. Metrics that we have considered on a general level besides carbon emissions and carbon intensity (per subscription), are operational costs such as those of interrupted service and the cost of renovation and increased maintenance, disrupted supply chains, increased or volatile energy prices and changes in the energy supply, and national and regional taxes and fees. We have also considered changed consumer behavior due to increased awareness of climate change and/or decreased purchasing power as a result of climate change, and access to capital in the form of both direct investments, credits and loans. To strengthen our work with climate risks we recognize the need to involve more company functions to develop and quantify the metrics especially relevant to our business. This includes the development of performance metrics related to climate risk mitigation.

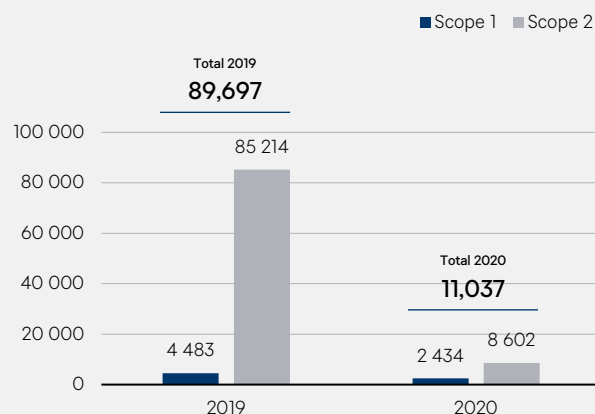
In this year's report we present our scope 1 and scope 2 emissions, emphasizing that we are currently in the process of calculating scope 3 emissions, which will be presented later in 2021. In the table it is apparent that the divestment of our activities in Kazakhstan and in Croatia has had a considerable impact on our scope 2 emissions. In the Baltic countries we have moved to renewable energy, which has significantly lowered our emissions there.

Climate goals and targets

To demonstrate our commitment to fighting climate change we have developed Science-based targets, which were approved by the SBTi in April 2021. Our Science-based targets are that:

Tele2 AB commits to reduce absolute scope 1 and 2 GHG emissions by 90% by 2025 and 100% by 2029 from a 2019 base year. Tele2 AB commits to reduce scope 3 GHG emissions by 60% per subscription by 2029 from a 2019 base year.

Scope 1-2 emissions (tons CO₂-eq)¹⁾



Emissions by market (Tons CO ₂ -eq)	2020				2019			
	Direct	Energy indirect	Total	Share	Direct	Energy indirect	Total	Share
Continuing Operations								
Estonia	292	4,454	4,746	43%	269	24,662	24,931	28%
Latvia	320	1,176	1,495	13%	432	8,766	9,198	10%
Lithuania	171	694	865	8%	225	5,863	6,088	7%
Sweden	1,519	311	1,830	17%	2,357	467	2,824	3%
Total continuing operations	2,302	6,634	8,937	81%	3,283	39,758	43,041	48%
Discontinued operations								
Croatia ²⁾	117	1,937	2,054	19%	894	14,820	15,714	18%
Germany ³⁾	15	31	46	0%	18	44	62	0%
Kazakhstan ⁴⁾	—	—	—	—	288	30,592	30,880	34%
Total discontinued operations	132	1,968	2,100	19%	1,200	45,456	46,656	52%
Total	2,434	8,602	11,037		4,483	85,214	89,697	

¹⁾ Please see the Annual Report 2020 for more information about our emissions and scope of data

²⁾ Reporting until March 31, 2020 due to divestment.

³⁾ Reporting until December 11, 2020 due to divestment.

⁴⁾ Reporting until June 30, 2019 due to divestment.

As we work to fulfil our Science-based targets, we will integrate this with our overall climate risk management, ensuring measurable and quantifiable metrics that are relevant to our business. Our Science-based targets have been approved and are considered to be in line with the Paris Agreement aim of limiting global warming to 1.5°C.

Opportunities for Tele2

Addressing climate risks can imply certain opportunities for Tele2, such as reduced costs and increased savings from the avoidance of interrupted service and extensive renovations due to physical damage, if dealt with proactively rather than reactively. Adapting to climate change can also increase Tele2's reputation as a credible partner ensuring business continuity for all stakeholders. If Tele2 were to proactively address transition risks, future access to capital in a world where financial actors are redirecting money flows as a result of national and regional policy-making favoring sustainable economic activities could be easier to attain. It could also reduce costs associated with taxes and prices on carbon through a cap-and-trade system such as the EU ETS.



Appendix

Description of the scenarios used in the scenario analysis

The Paris Agreement commits the world to limit the global temperature rise to 2°C by 2100, and aims to limit it to 1.5°C. The Tele2 scenario analysis has been conducted using two emission reduction pathways as defined by the IPCC, the Intergovernmental Panel on Climate Change, the RCP2.6 and the RCP8.5.

RCP2.6 is the emissions reduction pathway compatible with the Paris Agreement, and Tele2's science-based targets. This scenario sees a drastic reduction of emissions of carbon dioxide and other greenhouse gases – a transition to a zero, and even net negative, carbon economy, partly relying upon carbon capture technologies.

RCP8.5 is the emissions reduction pathway that the world is currently on, i.e. a future where emissions of carbon dioxide and other greenhouse gases follow current trajectories. With it comes global warming of 3-5°C and a range of other changes with it.

RCP2.6

RCP 2.6 will require drastic emission reductions and the global economy will most certainly see a paradigm shift in production and consumption patterns, regulatory and political priorities, with a range of risks developing as the economy transitions. On a general level, transition risks are expected to be greater than physical risks under this scenario, but the Tele2 business model implies a moderate exposure to transition risks. The highest risk exposure to transition risks will be found in highly polluting industries such as manufacturing, buildings and materials, agriculture and energy. Given the accumulative characteristics of greenhouse gases, the world will see climate change and physical risks even in the RCP 2.6 scenario, but they can be expected to be a little less frequent and severe compared to less stringent emission trajectories.

RCP8.5

RCP 8.5 is the emissions reduction pathway that the world is currently on, meaning limited action on climate change. It would bring catastrophic consequences such as droughts and altered precipitation patterns with collapsed food production systems as a result. Sea levels are expected to rise and engulf low-lying coastal areas as well as lands around river basins and smaller estuaries. The physical effects are expected to be severe in this scenario, with a direct impact on the geographies where Tele2's operates, with even more severe impacts upstream in the supply chain, as well as downstream in the wider value chain. Even though we are anticipating limited transition risks in the RCP 8.5, it is crucial to remember that the EU has already made regulatory and policy decisions that will impact Tele2. National governments have also passed climate-related legislation that will bring changes to companies even in this lax policy future, and transition risks must thus be understood and mitigated.

Risk type	Risk	Description	Possible impact	Possible direct implications for Tele2
Physical - Acute	Extreme weather and frequent storms	As climate change progresses, extreme weather conditions will be more prevalent, with both longer and more intense storm seasons in some regions.	Increased storm damages, such as direct impact on Tele2 through damages on infrastructure, and indirect impact if electricity and other services providers suffer damages and interruptions	<ul style="list-style-type: none"> • Power cuts causing network disruptions • Destroyed network infrastructure with resulting network disruptions • Network maintenance cost increases • Risk of human injuries • Risk of fines in case of interrupted services, which can also lead to reduced trust • Increased user communication in times of emergency
Physical - Acute	Floodings and flash floods	Heavy rains and/or rapid melting of glaciers and snow covers can cause floodings and flash floods, especially in urban areas where water run-off can be limited or insufficient	Increase of floods and flash floods, impacting both Tele2 directly but also business critical suppliers such as electricity providers.	<ul style="list-style-type: none"> • Investments needed to floodproof or relocate infrastructure or offices • Power cuts causing network disruptions • Destroyed network infrastructure • Network maintenance cost increases • Risk of human injuries • Risk of fines in case of interrupted services, which can also lead to reduced trust • Increased user communication in times of emergency
Physical - Acute	Heat and cold waves	As a result of global warming, wind patterns, such as the polar vortex and the jet streams, will change. This can lead to both stagnant weather patterns and more extreme extremes, with both hot and cold waves becoming more common and serious.	Heat and cold waves are known to be fatal to elderly people as well as infants, but they can also impact the health and well-being of people who are part of the active workforce. Heat waves can also threaten built infrastructure that is sensitive to heat. During especially cold weather, countries like Sweden might have to import fossil fuel based electricity from other countries in order to meet the demand.	<ul style="list-style-type: none"> • Increased need for heating or cooling infrastructure • Higher electricity prices • Risk of damaged infrastructure • Network maintenance cost increases • Decreased employee health • Risk of fines in case of interrupted services, which can also lead to reduced trust
Physical - Acute	Wildfires	When mean temperatures increase and precipitation decreases in conjunction with more people spending time in the outdoors, the risk for wildfires increases.	Wild fires spread rapidly and can cause severe damage to both infrastructure and humans alike.	<ul style="list-style-type: none"> • Severe impacts on infrastructure • Network maintenance cost increases • Risk of human injuries • Risk of fines in case of interrupted services, which can also lead to reduced trust • Increased user communication in times of emergency

Risk type	Risk	Description	Possible impact	Possible direct implications for Tele2
Physical - Chronic	Increased mean temperature	Climate change causes an increase in global mean temperatures, which has a wide spectrum of impacts. especially close to the poles, i.e. Scandinavia.	Society face loss of biodiversity and disruptions to ecosystems and ecosystem services, displacement of people with associated social unrest, failure of food production system, sea level rise, changes in precipitation, extreme weather.	<ul style="list-style-type: none"> • A need to refit offices and infrastructure • Reduced consumer purchasing power due to global economic instability caused by loss of ecosystem services, social unrest and political instability
Physical - Chronic	Changed precipitation patterns	As a result of climate change, precipitation patterns are impacted. In general, dryer areas will become dryer and wetter areas will become wetter, but local effects may vary.	Decreased precipitation can lead to severe droughts, failure of agriculture and food production, freshwater crisis, wildfires, forced migration and/or dislocation of people due to an inability to live in dry areas. Increased precipitation can lead to forced migration and/or dislocation of people due to unreliability of agricultural yields, as well as progressing landscape changes, floods, landslides and emergence of vector-borne diseases. Changes of precipitation may increase the price of hydropower	<ul style="list-style-type: none"> • Investments needed to improve or relocate infrastructure or offices • Increased risk of damaged underground cables, especially copper • Network maintenance cost increases • Decreased employee health • Increased risk of damaged infrastructure • Increased electricity prices
Physical - Chronic	Sea level rise	Sea level rise is caused by melting glaciers, land ice and the thermal expansion of water.	Sea level rise can inundate urban and rural areas, impacting infrastructure and livelihoods. In Stockholm there is an increased risk of brackish sea water contaminating one of Sweden's most important freshwater sources, Lake Mälaren	<ul style="list-style-type: none"> • Investments needed to floodproof or relocate infrastructure or offices • Network maintenance cost increases • Damage to infrastructure • Decreased employee health
Transition - Market	Failure to meet investor demands on climate change performance	ESG analysts and investors are increasingly looking to invest in companies contributing to climate change mitigation and/or adaptation.	Increased expectations and/or requirements to manage sustainability risks, such as having: <ul style="list-style-type: none"> • a comprehensive climate accounting, including scope 3 • integrated and transparent risk-management systems • adaptable and resilient business models and structures • a resilient value chain 	<ul style="list-style-type: none"> • Decreased investor interest if Tele2 were to not meet investor demands • Need for increased internal sustainability investments • If business activities are not considered sustainable it also cause reputational damages
Transition - Market	Failure to meet banking criteria for credit and financing	The EU Taxonomy and other policy initiatives are redirecting capital flows and defining the nomenclature for what is sustainable economic activities.	Not aligning with the EU Taxonomy can limit access to capital and credit.	<ul style="list-style-type: none"> • Decreased access to capital, credit and loans if Tele2 were to not meet the requirements of the EU Taxonomy • Need for increased internal sustainability investments • If business activities are not considered sustainable it also cause reputational damages

Risk type	Risk	Description	Possible impact	Possible direct implications for Tele2
Transition - Market	Increased and/or volatile raw material prices as a result of climate change policy and/or depletion of resources	National and global policies to mitigate climate change in combination with depletion and/or inaccessibility of raw materials and finite resources material to the telecom industry may lead to increased and/or volatile prices.	Volatile markets and an increase in prices of these materials with subsequent disruptions of global supply chains. Materials such as minerals and metals used in electronics and some infrastructure could also have a negative contribution on armed conflicts and political instability in countries of extraction.	<ul style="list-style-type: none"> • More expensive infrastructure • More expensive sourcing of materials • Shortages of business critical components • Increased prices and high demand may lead to shortages of ICT products and hardware affecting both infrastructure and sales • A need to raise prices towards customers
Transition - Policy and Legal	Fossil fuel industry and fossil fuel reliant industries become outlawed or heavily restricted	If the world were to work to meet the goals under the Paris Agreement, limiting global warming to 2 degrees Celsius and aiming for 1.5 degrees, legislative branches worldwide could outlaw or restrict fossil fuels and other energy inefficient practices.	Fossil fuels and other energy practices are required to be replaced by more eco-friendly solutions	<ul style="list-style-type: none"> • Need to make investments in renewable energy solutions to power operations and provide renewable back-up power • Price increases throughout the value chain as suppliers also need to cover increased costs and investments towards less emitting technologies.
Transition - Policy and Legal	Restrictions and bans on refrigerants used in data centers	Refrigerants used to cool ICT in for example data centers can have very high GWP (global warming potential). Both the EU Taxonomy for green investments, EU Eco Design Directive and the EU Code of Conduct on Data Centre Energy Efficiency have lists of restricted refrigerants in place today or in development. Of the most widely used refrigerants, there is only a handful with a GWP below the often recommended 10.	High GWP-refrigerants need to be replaced by ones with lower GWP or other solutions to cool ICT equipment	<ul style="list-style-type: none"> • Cost to transition to approved refrigerants or invest in other cooling solutions • Failure to replace refrigerants could impact business continuity
Transition - Policy and Legal	Increased pricing and/or taxes on greenhouse gas emissions	To limit global warming to 2 degrees Celsius or below, more economic incentives such as carbon taxes and cap-and-trade schemes such as the EU ETS will most likely be used.	Price increases on emissions, affecting both direct purchases and throughout the value chains of companies.	<ul style="list-style-type: none"> • Operational price increases from both direct prices of emissions, as well indirectly from electricity and travel • Price increases throughout the value chain as suppliers also need to cover increased costs and investments towards less emitting technologies. • Reduced consumer activity and purchases as consumers may aim to reduce their overall spending
Transition - Reputation	Increasing stakeholder demands on corporate climate action	If public policy and legislation is centered around climate action, combined with growing societal awareness and concern about the consequences of climate change, expectations will increase accordingly.	Expectations from stakeholders to manage sustainability in a good way	<ul style="list-style-type: none"> • Failure to meet stakeholder (customers, clients, partners) demands can lead to poor reputation, accusations of greenwashing, coordinated acts of boycotting. • Can imply reduced competitiveness in comparison with peers that are more advanced in their climate efforts • Risk of vandalized infrastructure

Risk type	Risk	Description	Possible impact	Possible direct implications for Tele2
Transition - Technology	Unreliable electric grid capacity	Increased electrification due to electrical cars and a growing population and a transition to renewable and intermittent energy sources will increase the burden on the electric grid	If the grids are overburdened, the result may be power cuts. Grid investments will be required from the electric companies	<ul style="list-style-type: none"> • Rising electricity prices • Increased risk of overburdened grids, leading to power outages
Transition - Technology	Disruptive change of user behavior as a response to climate change	Increased remote working and more digital meetings in combination with global digitalization where products and services are primarily offered online	Heavy increase on telecommunication networks	<ul style="list-style-type: none"> • Cost of infrastructure maintenance and update • If networks are overburdened, risk of lowered customer satisfaction and eventually customers

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