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Communication on Progress for 2016

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Our business

For over 130 years, TDC Group has played a vital role in bringing people together while creating a cohesive force in society. At a time when proximity can no longer be measured just in metres, but more in megabit and mobile coverage, our role will only become more vital.

Our history began in Denmark and stretches back more than 130 years to the founding of Kjøbenhavns Telefon Selskab 1882. A number of regional companies followed, and in 1995, the four remaining regional companies merged to become the national state-owned company called Tele Danmark. In 1997, the government completed the process of privatising Tele Denmark, and in 2000 the company adopted the name TDC. Due to a number of acquisitions that followed in Europe, at one point TDC was present in 16 different countries.

Since then, the company has undergone a transformation process featuring divestments, a focus on rationalisation and consolidation in the Nordic markets, which is the scenario for TDC Group today. Throughout the process, our fundamental objective has been to bring people closer together, and by giving our customers access to new technologies, we have contributed to enriching peoples' lives and enhancing society with new opportunities.

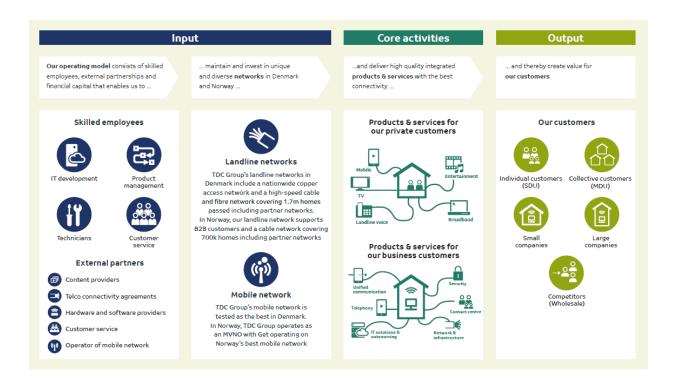
Today, TDC Group is the leading provider of communications and entertainment solutions in Denmark, with a market-leading position within landline voice, TV, broadband and mobility services. We also offer hosting and system integration solutions to corporate customers. At the same time, TDC Group has a strong presence in Norway, where we provide landline telephony, mobility services, broadband and TV to the consumer and business markets through the companies Get and TDC Norway. Get is Norway's second-largest cable-TV supplier and has a network that together with partner networks covers more than 700,000 homes and businesses.

In Denmark, TDC Group covers all customer segments, channels and product categories in the residential and business markets through a diverse range of strong domestic brands. These brands are based on our undisputed position as the leading provider of technology platforms and infrastructure across all major access technologies – DSL (copper cables), cable (coaxial cables), fibre (fibre-optic cables), and mobile (2G, 3G and 4G).

TDC Group's presence in the business market also includes a fibre-based network across the Nordic countries through which TDC Group offers business solutions to customers in Sweden and Finland. Finally, through our subsidiary Call Center Europe, we have approximately 200 customer service employees based in Flensburg in North Germany.

The figure below gives an overview of our business model.

Our business model



Our approach

At TDC Group, responsibility and sustainability are natural aspects of our business, based on our heritage and the role we play in society as a leading technology and communications company. We appreciate that as part of society, we have an important role to play. Our approach to Corporate Social Responsibility (CSR) therefore begins in our business areas and reflects our ambition to actively use our core competencies to operate and develop TDC Group in a way that promotes sustainability and contributes positively to society's development.

Our focus on CSR also creates business value by reducing costs and risks, supporting innovation and improving our perception of stakeholder expectations while enhancing the company's reputation in society. Our strategic approach to CSR therefore allows us to create value for society at large as well as our business, based on awareness of the social challenges we face.

Purposeful CSR

At TDC Group, we believe that CSR initiatives should clearly reflect and match our identity and profile; who we are, our activities and aspirations, the countries in which we operate, and our customers, employees and business partners. In this context, our fundamental objective plays a key role, which we have defined as: we bring people closer together.

Therefore, with our CSR strategy for 2016-2018, we have defined five focus areas to be used for structuring our approach to responsibility and sustainability. These areas are strategically linked to our core business and were chosen based on studies and dialogue with customers, employees, investors and other stakeholders as issues of most significance to our company and stakeholders, and where we can make the greatest difference. The five focus areas are shown in the figure below:



Our CSR strategy covers the entire TDC Group, but with a special focus on Denmark, as this is where the majority of our business activities are based.

This report describes our specific ambitions in the five focus areas, explains how these have been translated into specific actions, and outlines the results achieved.

TDC Group's impact on society: risks and potentials

From a societal perspective, all enterprises, including our business, face risks and potentials. In this section, we outline these two dimensions, while the subsequent sections on the individual focus areas provide more detailed descriptions, including how we counter risks and promote potentials.

Generally, our business is characterised by relatively low risks for society for two main reasons: firstly, our business activities do not involve high consumption of natural resources, dangerous working conditions or pollution of any significance, and secondly, our geographical footprint covers Denmark and Norway, which are countries characterised by affluence, welfare and a low level of corruption.

Nevertheless, we operate a communications network and services that are so extensive that they may be described as infrastructure critical to society. Disruptions to our services may therefore constitute a major inconvenience or risk to society, which is highly dependent on stable access to these services. We also handle large quantities of data, including sensitive personal data. Data safety disruption, including personal data safety, could therefore have significant negative consequences for society. Finally, job-related accidents or injuries can potentially occur among our employees, even though our working conditions are relatively safe and healthy.

In terms of potentials, our business areas represent a wealth of potential gains for society through development, implementation and use of various digital technologies. For example, through the increased use of cloud-based services that may provide easier access for a company's customers and higher productivity among employees. Or implementation of Internet of Things and Smart Cities solutions that save time, energy and money. Another form of increased safety and improved accessibility for citizens includes increased use of telemedicine and other welfare technologies. The options are almost endless – and the potential benefits are discussed in more detail in the sections on Digital Denmark and on Climate & environment.

The most significant risks and potentials are summarised below:

Risks

- Disruptions to TDC Group's digital infrastructure or services
- Breaches in data security or breaches of data privacy
- Job-related accidents and injuries

Potentials

- Productivity gains through increased digitalisation of society
- Environmental gains through increased use of e.g. the Internet of Things
- Welfare benefits through increased use of e.g. telemedicine or digital learning resources

About this report

This CSR report covers the entire TDC Group, i.e. TDC A/S including subsidiaries, unless otherwise stated. Our Swedish subsidiary TDC Sverige AB was sold off during the course of 2016 as is therefore not included in this report. The reporting period is the 2016 calendar year, and the report was prepared in accordance with Sections 99a and 99b of the Danish Financial Statements Act. A separate report is prepared as a Communication on Progress for the UN Global Compact.

Stakeholder Dialogue

At TDC Group, our approach to CSR is based on who we are, including where we operate, our business areas and our stakeholders' priorities.

Dialogue with our stakeholders is an ongoing and natural part of our business, as we have interfaces and interactions across society. By engaging in dialogue with our stakeholders, we become better at focusing our efforts on the most significant issues within sustainability and responsibility – and thereby strengthening our ability to address societal challenges.

TDC Group has a wide range of stakeholders who have an interest in how we address issues of societal importance. Sometimes, our stakeholder dialogue is formal and structured around specific topics, but often it is less formal and part of our day-to-day work. The table below gives an overview of our stakeholders as well as examples of the forms of our stakeholder dialogue.

STAKEHOLDERS	EXAMPLES OF ENGAGEMENT
Customers	In our YouSee ShopsCustomer service callsSocial media
Employees	 Employee surveys Dialogue meetings with senior executive vice presidents Collaboration committees with professional associations and unions
Partners & suppliers	Management meetingsExchange of experienceAd-hoc dialogue on sustainability
Shareholders	 Investor meetings (incl. telephone conferences) Bilateral dialogue and responses to questionnaires on sustainability and responsibility issues Annual general meetings
Authorities	Dialogue with municipal, regional, national and international authorities at bilateral meetings, interindustry meetings and conferences and hearing outcomes
Political representatives	Dialogue with MPs and members of municipal and regional committees at bilateral meetings, inter-industry meetings and conferences
Local community	Open-house events through YouSeeDialogue meetings in local communities
O Industry partners	Active membership of a number of industrial associations and networks, including networks and committees specifically related to sustainability
O Interest organisations	Bilateral and multilateral dialogue on key issues and trends of mutual interest
Media/journalists	TDC Group is in daily dialogue with the media, and as a matter of principle, we contribute constructively to interviews and other inquiries from media and journalists

^{○ ● =} Darker colour indicates deeper interaction with stakeholder group

Commitment and Cooperation

Today, many societal challenges are global in nature, and since 2009, we have therefore participated in the UN Global Compact, the largest global initiative on corporate social responsibility. The compact is based on ten principles in four areas: human rights, labour rights, the environment and anti-corruption.

Our participation in the UN Global Compact is also an important way for TDC Group to demonstrate its commitment to supporting and securing internationally recognised human rights. These are addressed more specifically as integral aspects of our five CSR focus areas, without a distinct policy on human rights. The principles of the Global Compact also serve as inspiration for our strategy, for example, in the areas of sustainability and responsibility in the supply chain.



TDC Group also engages in discussions on societal challenges of relevance to our business areas through a number of forums at national, European and global levels. In Denmark, these include the Telecoms Industry Association (TI), The Danish IT Industry Association (ITB) and Danish ICT and Electronics Federation (DI), the European Telecommunications Network Operators' Association (ETNO) at European level, as well as the Global e-Sustainability Initiative (GeSI) and GSMA at global level.

1. Digital Denmark

With the focus area of Digital Denmark, we wish to secure Denmark's continued development as a leading digital country – for the benefit of citizens, businesses and society at large. We achieve that by continued expansion of our digital infrastructure, which keeps us all connected with the world at large. At the same time, we contribute towards strengthening the digital skills and digital citizenship of children and young people so they are well equipped

to working creatively with digital tools and learn how to get on in a digitalised society while treating each other respectfully and with a good understanding of digital communities and their own roles therein. Last, but not least, we develop solutions that can help solve societal challenges, e.g. telemedicine and services within the Smart City area.

Stronger digital infrastructure

As our society becomes increasingly digitalised, and access to telephone and data connections anywhere and anytime has become a fundamental expectation, more will be demanded of the digital infrastructure required to keep us all connected. Access to mobile telephony and broadband is also promoting productivity in society by making daily life more convenient and opening up for new opportunities.

We are therefore maintaining our ambitious investments in digital infrastructure and in 2016 our annual investments in infrastructure (capex) amounted to just under DKK 4.4bn – equalling just under DKK 12m every single day, all year round. Of these, investments in Denmark totalled almost DKK 3.6bn in 2016. Our high level of investment is necessary to allow us to further extend our digital infrastructure and thereby provide access to cutting-edge technologies and services. But even though we allocate large amounts, our funds are not unlimited. Consequently, we must always prioritise our investments based on where we can make the greatest difference.

A premium mobile network

Since 2014, TDC Group has implemented an extensive mobile network upgrade and expansion process in Denmark, and the results from 2016 speak for themselves with clear winner positions from several independent tests, including the Technological Institute of Denmark and OpenSignal. The tests have shown that our mobile network is by far the strongest in Denmark both for voice and data – and measured across the country for speed as well as coverage.

Here, TDC Group's 4G mobile network stands out by providing the most uniform data experience and the fastest speeds for data transmission with an average of 60 Mbit/s downstream and 29 Mbit/s upstream. Mobile data usage in our network has increased by nearly 500% in just two years, and TDC Group's mobile network transfers data at almost 80 Gbit/s during peak periods. That corresponds to just over two DVD films every second. That does not mean we have finished developing our mobile network, as both technology and customer needs develop continuously, and there will always be potential further development and improvements.

Therefore, we will continue to regularly expand, upgrade and optimise our mobile network. For example, over the past year, we have erected new mobile masts or upgraded the existing masts with increased capacity and new technologies at 168 sites in Denmark. Furthermore,

our TDC Netperform app enables users to test speeds etc. themselves in the mobile network at their precise location. We can then use these data to further develop and enhance our network.

Building the broadband of tomorrow

At TDC Group, we use a number of technologies to provide customers with cabled broadband connections, including fibre-optic, coax (cable network) and DSL connections (copper network).

In 2016, we focused specifically on an extensive upgrade of our cable network to provide around 1.4 million households with access to broadband of tomorrow, or more precisely an opportunity for a speed of 1 Gbit/s. This is achieved by upgrading our systems to the Docsis 3.1 technology. The project started with a test at Lejre and then rolled out to Viborg and Vanløse. From there, a nationwide roll-out will take place until the end of 2017. In this way, we will be able to offer 50% of all Danish households speeds of up to 1,000 Mbit/s by the end of 2018. Naturally, that will require huge investments on our part, but it also means that a very large number of customers will gain access to significantly faster broadband connections without the need for us to lay new cables to individual households.

Good news is also in store for our customers who are connected to our copper network, as we are in the process of installing a new technology called Vplus in selected exchanges and remote network hubs. This will enable higher internet speeds, particularly in small rural towns, making internet and TV products more stable. In 2016, we have expanded our DSL network with 80 new hubs and made over 600 upgrades of existing hubs, thus providing customers with access to faster broadband connections through our copper network.

Finally, we have built infrastructure for high-speed broadband in more than 400 new housing areas using either fibre or coax connections to provide new residents with access to the best digital connections.

Broadband for rural areas

At TDC Group, we are committed to ensuring that digital technologies benefit as many people as possible. This includes access to good digital connections. Back in December 2015, TDC Group launched a so-called "Rural Area Initiative" to support better broadband connections in rural areas.

Through this model, we offer to upgrade the local digital infrastructure for broadband and TV connections, provided that at least 50 households no more than 500 metres apart are interested in upgraded connections. We can thus deliver download speeds of 30–100 Mbit/s via our YouSee business to the areas with the greatest local needs and interest.

During 2016, the initiative attracted intense interest, both on a national and local level. As a result, during the year, broadband connections were upgraded for customers in e.g. Lohals on Langeland, Overby Lyng on Sjællands Odde and Gjerrild Nordstrand in Djursland. Altogether, through the Rural Area Initiative and similar activities, in 2016, TDC Group upgraded the cabled networks in 51 local areas, providing 8,355 households with access to faster broadband connections.

Digital citizenship and future skills

As the leading supplier of digital connections, we find it natural to take co-responsibility for ensuring that as individuals and as a society we have the skills required for a digital age. This relates to technical, creative and social skills that are crucial for developing as individuals and treating others with respect in a digital universe. This applies especially to new generations for whom the digital world is a reality almost from birth. It is a huge task – but also one that, as a company, we wish to take on.

Partnership for digital citizenship

In 2016, TDC Group formed a new partnership with the organisation Association of Danish Pupils based on the common goal of strengthening digital togetherness and preventing online bullying among children and young people.

The backdrop for this initiative is that the digital world is an increasingly important aspect of childhood, yet efforts to educate children in dealing with social media and digital platforms have not kept pace with developments. Consequently, many young people lack the tools to deal with and avoid uncomfortable experiences online. Our partnership aims to help remedy this situation.

In this context, digital citizenship is a core focus area for ensuring well-being and avoiding bullying in modern society. Research shows that peer-to-peer methods, with pupils teaching pupils to treat each other respectfully, can be a highly effective tool against digital bullying.

Consequently, TDC Group has teamed up with the Association of Danish Pupils, and in the spring of 2017 we will be launching a new multi-annual project that will focus on involving pupils so that they can help identify solutions. The project will start off with a programme involving 10 flagship classes across the country that will work in-depth with various angles on digital citizenship and fellowship. We are therefore looking for new ways of expanding and supporting good digital citizenship based on the pupils' own background knowledge.

We will then use this knowledge to develop a pupil-to-pupil code of conduct as well as an online learning platform for a course on digital citizenship, which will be made freely available. Our aim is to have at least 30,000 pupils complete the course and thereby qualify for a special "digital driving licence".

Skills for the future

At TDC Group, we are committed to ensuring that our citizens are equipped to understand, think and create in a digital reality. In other words, that as a society we have the skills required for the twenty-first century – not least the brand new digital skills. Therefore, in 2016, we held a high-profile conference under the heading Skills for the Future, where, together with prominent debaters and experts, we brought into focus the challenges we are facing as a society and what is required for securing future skills.

In 2016, TDC Group also contributed to laying the foundations of the Coding Class initiative under the framework of the Danish IT Industry Association. The objective of Coding Class is first and foremost to get children interested in IT and technology to get a better understanding of the world that surrounds them now and in future, e.g. by giving children the opportunity to challenge themselves with an exercise involving coding and programming.

It is a pilot project, where we are initially offering a number of courses – including visits to companies such as TDC Group – to pupils mainly in the 5th and 6th grades in Copenhagen and Vejle. A network of teachers will also be set up, so they can share experiences and learning programmes. A separate goal entails project experiences being documented and evaluated from a research perspective. The project is taking place in close cooperation with municipal authorities, the National Agency for IT and Learning as well as the voluntary association Coding Pirates.

Telemedicine and welfare technology

Pressure on the public health services will rise as, over the years, larger parts of the aging population will require treatment. Similar scenarios exist for other welfare services, including education and care for senior citizens, where the societal ambition is to ensure the highest quality for the available resources. At the same time, digital communication can allow welfare tasks to be solved in a more flexible and efficient manner, e.g. by enabling citizens to monitor their own physical condition and receive medical advice in the comfort of their own homes.

Consequently, TDC Group is committed to developing and promoting telemedicine and welfare technology solutions across Denmark. We see a bright future for using technology to provide smarter welfare services within healthcare and related areas to potentially improve citizens' quality of life, while making everyday life easier for carers and reducing wasted time, the need for transportation, and healthcare costs.

In 2016, TDC Group was also the provider for a number of telemedicine and welfare technology projects, including a large project covering users in the Greater Copenhagen Area. This included patients with heart failure, COPD patients and pregnant women who can take measurements at home and submit the data to the healthcare personnel at the hospital using measuring equipment attached to a tablet computer.

We also cooperate with the home-care personnel in a large Danish municipality concerning an 'online visit' solution for senior citizens. This enables the citizens e.g. to make remote control alarm calls via video to a home-care employee when the need arises. In this way, the citizens achieve more autonomy and flexible access to the home-care personnel, and local authorities can reach more citizens in a shorter space of time as the need for transport is reduced.

Smart cities

The information and communications technology (ICT) at the core of TDC Group's business represents huge potential for achieving rewards for society as a whole, e.g. within the environment and climate. E.g. through machine-to-machine (M2M) technology, in other words telecommunication between machines, also known as the Internet of Things (IoT), which allows for monitoring processes in real time or measuring on machines that are difficult to access in order to increase production efficiency and reduce consumption of natural resources. Over the past few years, from a societal perspective, this has resulted in an agenda headlined Smart Cities, which addresses how these technologies can make our modern society more efficient, environment-friendly and citizen-friendly – without the solutions being reserved for cities only.

At TDC Group, we are currently developing and implementing solutions based on these technologies, e.g. in collaboration with a number of Danish municipalities. For example, one project involves measuring air pollution in Copenhagen, where data from five measuring stations is sent real-time using our M2M mobile technology. The data are already being used for urban planning regarding constructions and traffic, and several other possible applications are being considered. Another example is the use of waste sensors for monitoring when waste containers need to be emptied – and when the collection might be postponed. In this way, time and energy may be saved, and CO2 emissions reduced.

We are also continuing our collaboration with municipal authorities and other partners on testing solutions within Smart Lightning and Smart Parking. The first alternative involves controlling street lights exactly according to motor traffic, bikers and pedestrians by adjusting the lights according to actual needs. Besides putting the lighting on standby when there is no traffic, the intelligent systems can also warn road-users of accidents ahead. Preliminary Danish tests show that switching to LED street lights combined with intelligent controls results in savings of 40-75%.

Smart Parking involves e.g. localising drivers' SIM cards and uses sensors to quickly find the closest unoccupied parking space. At present, we are testing three different solutions, but basically it means drivers do not have to drive around in vain – which reduces wasted time and environmental impact. Trials in e.g. London and Barcelona have shown positive results such as shorter times spent on finding parking spaces and optimising the spaces available, whereas an evaluation from San Francisco showed that the overall volume of traffic may be reduced by approx. 8%.

2. Togetherness

People have always needed to communicate, and as a company, we play a very special role in facilitating communication and ensuring connections between people. Through this, we create a cohesive force in society and reduce distances at a time when proximity can no longer be measured only in metres. We therefore believe our mission is to bring people together and reinforce togetherness. We achieve this through partnerships and other initiatives that gather people together in various ways to strengthen togetherness and community spirit across society.

Enigma – Denmark's Museum of Communication

Since 1996, TDC Group, together with Post Danmark, has been a staunch sponsor of the Post & Tele Museum, which, in 2016, moved to a new venue at Øster Allé in Østerbro, Copenhagen and was transformed into "Enigma – Museum of Post, Tele & Communication". The name "Enigma" comes from the Greek for 'puzzle', and was chosen to stimulate curiosity and thoughtfulness in the field of communication.

Enigma is the Museum of Communication for the whole of Denmark and is also in charge of research, exhibitions and spreading facts and figures about the past, present and future of communication. The new museum itself was designed to invite people to communicate with each other and therefore contains e.g. a café with only long tables for sharing, and will feature regular events to encourage interaction, including reading aloud for children, scientific lectures, panel debates, debating lounges and workshops. The first phase of the transformed museum was opened to the public on 6 January 2017.

In 2016, TDC Group and Enigma also teamed up to organise topical debates for the Youth Festival on themes including digital communication, as described below.

Connections for Denmark's Collection

As we have done since 2007, in 2016, TDC Group participated in setting up and holding 'Danmarks Indsamling' (Denmark's Collection); an annual nationwide event that raises funds for specific humanitarian purposes and development projects.

TDC Group employees volunteered and TDC technology was contributed free of charge for the fund-raising event, which involves collecting donations made via SMS and phone call. In 2016, TDC Group helped Denmark's Collection to collect DKK 97 million for initiatives focusing on the extreme poverty that is unfortunately part of everyday life for over 800 million people. The funds have been distributed to e.g. to projects that support better

schooling for children in Madagascar, better access to drinking water in Zambia and planting vegetable gardens in Laos.

Support for the Child Helpline

It is important to TDC Group that children and young people may use digital technologies securely and safely. At the same time, we would like to use our communications technologies to support security. That is why for many years TDC Group has teamed up with the Børns Vilkår organisation, as we support its work with children and young people through use of our technologies and know-how.

This applies especially to BørneTelefonen (Child Helpline), for which TDC Group provides telephony and internet services free of charge. This partnership ensures that children and young people have someone to call if they are facing serious problems, need help with relationships involving friends, romantic attachments and parents, or are feeling excluded due to teasing or bullying. In 2016, a total of 41,627 children and youths contacted the Child Helpline and were given advice by the organisation's volunteers.

TDC Group employees also helped raise additional funds for Børns Vilkår in 2016 through a charity run, business network and employee donations.

In the year ahead, we are aiming to extend our collaboration on children and young people's digital citizenship and well-being. For instance, by providing parents with more information on children's digital lives, we can better equip them to help their children to adopt a healthy approach to digital communities.

Gathering citizens of tomorrow

On 8-9 September 2016, TDC Group took part in the very first Youth Festival held in Søndermarken close to Copenhagen, which attracted about 10,000 participants on each of the two days. The Youth Festival aims to stimulate participation, dialogue and fellowship among young people, so that as future citizens they can help solve problems faced today.

As Denmark's largest supplier of digital connections, TDC Group chose to participate in this event and talk with young people about issues relating to digital trends in society, including digital skills, digital citizenship and digital communities. In our view, it is essential that young people are involved and invited to contribute relevant knowledge and concrete suggestions for solving the societal challenges we are currently facing.

More specifically, TDC Group hosted a debate on the harsh tone that can be found on social media and online discussion fora, as well as a debate on sharing pictures online without consent. We also held a workshop on digital skills for the future, where we discussed skills

that will be in high demand, and gave participants the opportunity to challenge themselves with an exercise involving creativity, innovation and coding.

Finally, as network partner for the Youth Festival, TDC Group supplied wireless WiFi hotspots to ensure sufficient digital infrastructure for the event's many visitors as well as organisers.

CSR ambassadors

In 2016, to strengthen our CSR activities and demonstrate these efforts on a day-to-day basis throughout our business, we launched a new team of "CSR ambassadors" among our employees in Denmark.

We believe it is vital for the success of our ambitious new CSR strategy that we involve our employees far more across the organisation and anchor individual initiatives in the various business areas. The ambassadors will therefore play a central role in developing and launching new initiatives while also spreading knowledge about the responsibility we undertake and engaging colleagues in our CSR activities.

We are therefore very pleased that more than 100 colleagues across TDC Group have signed up as CSR ambassadors. And we are eagerly looking forward to having the team of ambassadors as an integrated aspect of our CSR work.

3. Customer trust and safety

At TDC Group, all our work is customer-centric, and it is essential that our customers trust us as a company and feel safe and secure when using our products and services. We therefore make sure that our products score top marks on safety, and have specified requirements concerning sustainability and human rights in relation to our suppliers. We strive to communicate with our customers in a clear and trustworthy manner so that they feel well-informed about how to enjoy full and secure use of our products.

Attentive customer dialogue

We rely on dialogue with our customers as a vital tool for safeguarding trust and safety. Bearing this in mind, TDC Group continuously strives to maintain an attentive and trusting dialogue with customers, based on their needs and expectations. We accomplish that both in our shops, in connection with technician visits and through customer services calls, electronic newsletters and social media, including Facebook and Twitter, where we invite customers and the general public to give us feedback on our products and services.

The merger of YouSee and TDC Consumer in 2016 has been a top priority topic in our customer dialogue. In that connection, we have made it easier for our customers to search for information on our website, optimised 350 articles in our digital help sites, updated our many instruction videos and service sites, and launched an improved YouSee Forum. We have also implemented chat functions for our most visited help sites at YouSee, where we are available for chats all workdays from 08:00 to 18:00.

Throughout 2016, we continued to very successfully strengthen the dialogue with our customers through social media such as Facebook, where we replied to more than 130,000 inquiries from users and our 340,000 followers. Our presence across social media allows us to proactively inform our customers about how we are dealing with problems, or about news of disruptions, and gives us an opportunity to train our customers in how our products function and can be used to best advantage. It also provides easy access to ask questions and give us important customer input and feedback.

Raising customer satisfaction

At TDC Group, we focus strongly on customer satisfaction, which we continuously monitor by measuring specific parameters and implementing regular initiatives.

As part of our Group strategy presented in early 2016, we implemented a plan to deliver the best customer experiences in the market. This required a number of structural and technical changes that were implemented in 2016, including the merger of our two large brands in the consumer market, i.e. TDC and YouSee, and merging a number of underlying IT systems.

However, we must acknowledge that, despite huge efforts in the transitional phase to inform and help our customers, the changes resulted in stagnating customer satisfaction in 2016. However, we are confident that in the long term, the changes will strengthen our ability to simplify and improve life for our customers.

In addition to the changes made in 2016, we have carried out a number of activities to improve the quality of our customer contact, including "Customer Feedback Loops", where managers contact customers when they express low satisfaction with an interaction. We have also worked intensively to ensure significantly improved customer experiences through improved procedures seen from an end-to-end perspective.

Last but not least, in a number of contexts we have given higher priority to providing excellent service and good customer experiences for existing customers regarding sales activities targeting new customers. Among other things, we have opened a new call centre in Kolding, hired more customer service staff and moved competencies from our headquarters to our business lines in order to work on improvements even closer to our customers. This was also reflected in our efforts to secure an even deeper understanding of customers and a more customer-centred culture in various parts of our business.

Customer security

At TDC Group, product security is a top priority, and we help our customers to enjoy the full potential of their products in a confident and safe manner by prioritising customer dialogue. This is of particular importance as the digital world entails a number of risks concerning data safety, privacy protection and IT crime.

Security policy and customer data

At TDC Group, we take overall responsibility for general security by applying a wide-ranging Group Security Policy based on the ISO27001 standard and covering e.g. security of customer data as well as protection of customers' privacy and personal data.

Unfortunately, we cannot guard all our customers against all risks or security threats on the internet, but we can ensure that our own products are safe to use. We can also advise our customers on digital security through e.g. our presence across social media, our website and electronic newsletters where we offer advice on how to handle viruses, spam, phishing and other kinds of fraud. In addition, TDC Group is a member of the board of the Council for Digital Security, which aims to create a solid and wide-ranging platform for qualified debates and policy proposals on how Denmark can continue to benefit securely from the opportunities afforded by digitalisation.

In the field of protecting customer data, we apply the need-to-know principle, i.e. checking who has access to which personal data in our systems, and access is given only to those employees who have a work-related requirement. In 2016, we updated our IT security policy with ten practical rules of conduct for all employees. Our customers can now rest assured that TDC Group handles personal data in a completely safe manner and in compliance with current rules.

In cases where we collaborate with external partners on data handling, specific agreements are concluded on how to handle personal data. If these rules are found to have been violated, the matter is reported to the Danish Business Authority.

Safe products

Safety is inherent in our products. For example, our general spam and virus filters stop millions of unwanted and malicious e-mails from reaching our customers' inboxes. And we offer our customers a choice of products with extra security and safety features, such as security packages for broadband and the option of parental controls.

We also contact business as well as residential customers if abuse is discovered, e.g. if mail accounts or equipment have been hacked by IT criminals and malware distributed. We introduced DMARC protection throughout our mail systems in 2016. In this way, fraudulent mails that appear to have been sent from our domains are caught by spam filters or deleted, provided the recipient's mail server has DMARC protection activated.

Continuous monitoring

Security at TDC Group is also continuously monitored, both on a daily basis and via internal and external audits. In 2015, as a supplement to our Network Operations Centre (NOC), which continuously monitors the stability and accessibility of our systems and services, TDC Group set up a Security Operations Centre (SOC) that monitors the security in TDC Group's part of the IP network round the clock to prevent attacks against our customers and ourselves. For example, we protect our business customers against a frequently occurring type of attack called DOS (Denial of Service) where the attacker seeks to block access to e.g. a company's website.

Since security threats know no bounds, TDC Group participates in a number of international fora to be better equipped to protect our customers and ourselves. As an example, we take part in regular telephone conferences with other European telecoms operators in the organisation ETIS, in order to share information about existing threats and initiatives to address them. Sharing practical information and learning from each other's strategic initiatives is of great value in continuously achieving improved security.

As part of our contract with Huawei on building and operating our mobile network, we have set high requirements for IT security and coordinate closely with the relevant authorities. In addition, TDC Group has regular contact with relevant authorities to form part of ongoing threat assessments and to take the necessary measures to secure our customers and infrastructure in the best possible ways.

Despite all our precautions, our distribution of TV signals suffered a nationwide disruption on New Year's Eve 2016. Based on our subsequent extensive investigation, our assessment has been that the outage was due to a deliberate, malicious act, and the case was handed over to the police. As a consequence of the incident on New Year's Eve, all forms of security at TDC Group are undergoing an extra service check to reassess where adjustments and improvements are required.

Value-chain responsibility

When buying products from TDC Group, customers should feel sure that attention has been paid to responsibility throughout the entire value chain in relation to e.g. human rights and the environment. Consequently, we make demands on our suppliers that also apply to their suppliers. This is implemented through a Code of Supplier Conduct and in our supplier contracts. The requirements are based on the UN Global Compact, of which we have been a member since 2009. Since then, we have updated and further specified our standard contract criteria. This is a complex area, where we want to increase our knowledge and improve our procedures. We are therefore examining potential tools and procedures to strengthen the screening, monitoring and dialogue regarding responsibility and sustainability in our supply chain.

Furthermore, through membership of the organisation 'Global e-Sustainability Initiative' (GeSI), TDC Group addresses a number of global challenges together with other telecommunications operators, equipment producers and organisations such as EICC, UNEP and WBCSD. This involves compliance with human rights and improved sustainability in global value chains in particular. In 2016, TDC Group took part in a number of working groups on how to promote sustainability in our industry, including in relation to climate changes and human rights.

Finally, TDC Group has an Anti-Corruption Policy that sets out clear expectations and guidelines for employees, customers, business partners and public authorities. The policy is communicated to all employees through various in-house channels, and we are continuing to increase familiarity with in-house precautions through communication targeted at departments working with major contracts.

Although TDC Group operates only in the Nordic markets, which are characterised by a low level of corruption, and has not had any such cases, we chose to clarify to all our stakeholders that TDC Group does not tolerate corruption of any kind. We are pleased to report that, once again, no cases of this kind were experienced in 2016.

We also have a whistleblower system that gives employees in TDC Group (excl. subsidiaries) an opportunity to report irregularities and conditions or issues particularly open to criticism. In 2016, although two reports were submitted, subsequent investigations revealed no irregularities or critical issues.

4. Employee well-being and diversity

At TDC Group, taking responsibility for our employees' well-being in its widest sense is a natural part of our business. Our markets are highly competitive and constantly changing, and this demands a lot of our employees' performance and readiness for change. In turn, TDC Group has a responsibility to ensure that our employees are thriving despite the challenging circumstances. That applies during day-to-day work, when developing employee competencies and when training our managers.

In recent years, our high employee satisfaction score has reflected our continuing targeted efforts to ensure that our employees are happy and feel both dedicated and motivated. Meanwhile, we also pay close attention to the physical and psychosocial working environment and to preventing work-related accidents.

For many years, TDC Group has endeavoured to be a diverse workplace that welcomes all employees. Diversity is on our agenda because we value having a diverse and competent workforce irrespective of gender, ethnicity, sexual orientation and work capacity. Since TDC Group is a large company with an important role in society and we deal with all types of customers, we want our staff to reflect the society in which we operate.

Employee well-being

At TDC Group, we prioritise that our employees thrive and feel comfortable at work, as that is a prerequisite for the quality of our customer service. We therefore measure and follow up regularly on well-being, and we enjoy a well-established cooperative relationship with our employees' professional associations and unions, and maintain an extensive working environment system including certification in accordance with the international OHSAS-18001 standard. This provides us with a systematic approach to preventing work-related accidents, procedures to improve our working environment, regular working environment inspections and our clear focus on subjects including work-life balance.

High job satisfaction at TDC Group

At TDC Group, we focus on our customers in everything we do. It is therefore especially crucial that our employees are fully committed. In 2016, we introduced a new employee survey that allows us to focus explicitly on the elements that drive the well-being and commitment of our employees. The results of the 2016 survey show that our employees are satisfied, motivated and highly committed to their day-to-day work and willing to go the extra mile when required.

Compared with the Danish labour market in general, our job satisfaction is considerably higher than the national average. However, the score for overall well-being fell by one point from 77 to 76 compared with the latest survey for the entire TDC Group in October. In the future, we will therefore intensify our focus on identifying the required actions – both in the individual teams and as an overall workplace – that can boost our well-being and commitment to an even higher level. Our ambition is to raise this score to 79 before year-end 2018.

In 2016, as a concrete example of an important initiative to support well-being and excellent cooperation across TDC Group, we developed a joint framework of work principles entitled "OurWay". This ensures that we all act on the basis of our common values and four promises that involve: how we first think of our customers, how we cooperate, how we make decisions and how we execute – and always based on what is our objective, i.e. bringing people closer together. OurWay covers employees at all levels and will be implemented across TDC Group in 2017.

Education, training and employee development

TDC Group is constantly evolving, and we therefore make great efforts to ensure that our employees are continuously trained and developed in relation to their job functions. We achieve this through introduction courses, product training, in-house as well as external courses, and e-learning about e.g. IT programmes, sales and communication as well as special leadership development courses and project management training.

Every year, we take on trainees in our shops for example, to learn the business. As a general rule, all employees and managers complete an annual series of dialogues focused on competence development. Finally, we highlight promoting in-house career development, so that employees can try their hands at various positions internally at TDC Group that suit their personal and professional development.

In 2016, we also worked hard to strengthen our connections with higher education institutions and their students, e.g. through case competitions at Copenhagen Business School (CBS) and the IT University, as well as graduate programmes for new candidates. We do this to contribute towards developing the talents and competencies that we can already predict will be in high demand in our business.

Collaboration with professional associations and unions

For years, we have maintained a firmly established, structured and constructive dialogue with our employees' professional associations and unions to ensure that employee concerns are discussed and that the parties work together to solve challenges.

Collaboration procedures in TDC Group are characterised by a wish to reach agreement through constructive dialogue characterised by mutual trust, recognition and respect for one another on an equal footing. This collaboration ensures active participation in the development of TDC Group and appreciation of our strategies.

This is in extension of the long-standing tradition for constructive relations in the Danish and Nordic labour markets, with professional associations and unions playing important roles. We believe that the active involvement of employees and managers in developing the company is vital in terms of the company's competitiveness, value creation, well-being and security, and for a good working environment.

In practice, it all takes place through an extensive collaboration system that reflects TDC Group's organisational structure while allowing for engaging and involving employees in company decisions and corporate development. In addition to a Main Works Committee (MWC), the system comprises collaboration committees in the various entities and a number of permanent committees dealing with education and training, non-discrimination, communication and canteen matters.

We have also established close contact with the professional associations, unions and our employees through the formal working environment fora, the Main Working Environment Committee (MWEC) and the more than 100 working environment groups that help us comply with the Working Environment Act and the basis for the internationally recognised working environment certificate OHSAS 18001. TDC Group also has a European collaboration committee that covers collaboration across the companies in Denmark, Norway and Germany.

Finally, the Board of Directors of TDC A/S has four employee representatives elected in accordance with the rules of the Danish Companies Act. The employee representatives currently elected are also members of professional associations and unions.

Health and safety

At TDC Group, our initiatives to secure a good physical and mental working environment continued based on an extensive working environment system certified in accordance with the international OHSAS-18001 standard. Through our working environment organisation, we continuously focus on reporting challenges seen and experienced by our employees so that the entire organisation can learn from the challenges and solutions devised.

For TDC Group in Denmark (excl. subsidiaries) the number of work-related accidents resulting in absenteeism fell from 52 in 2015 to 41 in 2016, in part due to milder winter conditions than in 2015. In 2016, the accident incidence rate, which is based on 10,000 employees, was 60, which is considerably lower than 78 in 2015. By contrast, the most recent statistics (The Working Environment Authority 2014) show that the total incidence rate for reported work-related accidents (for all trades) in Denmark was 151 accidents per 10,000 employees. For Get in Norway (incl. TDC Norway) the accident incidence rate in 2016 was 10 – a further reduction of the already low level of 19 in 2015.

For the entire TDC Group, naturally the goal is always to avoid accidents altogether, which is why each accident both with and without absenteeism is systematically analysed to ensure that preventive measures span the entire Group. This, together with our increased awareness of regularly monitoring risks, explains our continued positive trend for reducing the number of accidents.

Regarding overall health, TDC Group has a number of supportive offers for its employees, including health insurance, access to a midwife, quit smoking courses, advice on substance misuse, emergency counselling and psychological therapy. For a number of years, we have also supported physical activity among our employees through participation in the 'We cycle to work' campaign, and we have put men's health on the agenda with a health week in our Danish canteens and other activities.

Diversity

TDC Group has worked with diversity management for many years, and has achieved positive results from the company's initiatives. These include paid parental leave (Father's Hug scheme), flexibility in work planning involving home offices or part-time jobs, schemes for senior employees, ethnic diversity and retention of employees with reduced working capacity, e.g. through flexible working hours or relocation to another department. We also have a diverse range of employees in terms of educational background – everything from technicians in the field to customer service staff and highly educated academics and

engineers. We believe that our diverse range of employees is a strength when devising creative solutions, collaborating across the company and meeting the needs of our various customers.

Women and men in TDC Group

For a number of years, we have focused on increasing diversity through gender equality, and we have adopted a policy that includes an ongoing goal for the entire TDC Group in Denmark, including subsidiaries, that the number of female managers at all management levels below the Board of Directors and Corporate Management Team (CMT) should reflect the proportionate distribution of women in the company, i.e. a factor of 100. At the end of 2016, 26% of all employees at TDC Group (excl. CMT) in Denmark were women, and 21% of all managers were women, i.e. a factor of 79.

By comparison, the most recent public statistics (2013) show that approximately 49% of the Danish workforce are female – but only 27% are managers, i.e. a factor of 55. However, even though our figures are relatively high compared with the national average, we have yet to reach our goal. We will therefore be continuing to develop key HR procedures, such as recruitment, development and talent programmes, to ensure that we find and maintain all potential talents across the TDC Group – both female and male. As part of our in-house communication, we encourage female managers to be spokespersons and role models, as their career paths can inspire others.

As for the top managers and directors at TDC Group incl. CMT, women comprised 18% of this group of 66 persons at the end of 2016. Specifically concerning our Corporate Management Team, this was made up of three women and six men, corresponding to 33% and 66%, respectively.

On the Board of Directors for TDC Group, gender is one diversity parameter taken into account when recruiting board members. At the end of 2016, the board members elected at the annual general meeting consisted of two women and five men, corresponding to 29% and 71%, respectively. We thus achieved our goal that before year-end 2016 both genders should be represented with at least 25% among the board members elected at the annual general meeting. TDC Group is thereby also compliant with the requirements for the composition of management according to gender as defined in Section 139a of the Danish Companies Act and the latest guidelines from the Danish Business Authority.

As for TDCH A/S, which is a subsidiary of TDC Group, the requirements concerning the composition of management according to gender are also met, as its Board of Directors has attained an equitable gender distribution. However, an equitable gender distribution has not been attained for the subsidiaries Dansk Kabel TV and TDC Telco, and, as such, targets for the gender composition of their respective Boards of Directors will be set at the earliest opportunity.

We also focus on equal opportunities irrespective of gender in relation to parental leave, for example by means of the Father's Hug scheme, which encourages all fathers to take up to 14 weeks of paternity leave with pay. Approximately 80% of new fathers have accepted this offer in recent years. By supporting paternity leave, TDC Group also encourages greater gender equality in society in general.

Integration at work

For the past couple of years, a significant number of refugees from Syria and other countries have arrived and begun new lives in Denmark. Links with the labour market are often the key to successfully integrating new citizens in the community. As Denmark's tenth largest private workplace, TDC Group has responded to calls from the Danish government and authorities to set up a basic two-year integration course (IGU) that combines a paid work placement with school education, including language training.

This initiative was launched in close collaboration with the professional organisations in TDC Group, where managers and colleagues who have signed up as mentors and interpreters for the refugees on the course have been very supportive. The mentors play a vital role by introducing their new colleagues to the workplace, explaining about everyday life at the company and smoothing out potential language barriers.

One participant on the course is 39-year-old Waseem Shakir, who fled to Denmark from the civil war in Syria, and now works within construction engineering at TDC Group in Copenhagen. He previously worked as an electrician in Syria, and the course has therefore provided him with good opportunities for further enhancing his professional skills. While getting to know his new Danish workplace and settling into everyday life, he is practising his language skills together with his Danish colleagues.

During 2016, contracts were signed with a total of five individuals with refugee backgrounds with a view to participation in such integration programmes, and we expect a further 10 participants to start in 2017.

The Specialists

TDC Group cooperates with 'The Specialists', an enterprise that employs people with autism spectrum disorders to solve special zero-error tolerance tasks. Some of these colleagues test mobile phones, and others process orders using TDC Group IT systems or send letters containing SIM cards and other important materials to customers. This work is of great value to our company, as the consultants from The Specialists are highly focused and have an exceptional eye for detail that our customers appreciate. TDC Group has cooperated with The Specialists since 2004, when the enterprise was founded by a former employee.

5. Climate and environment

We have only one planet to share and our environment is currently challenged by climate changes, pollution and other consequences of human activity. On the other hand, ICT and digitalisation hold great potential, as society can achieve a considerably higher degree of sustainability together with economic gains.

Consequently, at TDC Group, we constantly work to minimise our impact on the climate and environment. At the same time, we would like to inspire the world at large to use digital opportunities in a way that reduces environmental impact, saves valuable resources and creates benefits for society in the form of e.g. improved health, increased access to education and higher productivity.

We have drawn up a sustainability policy with four dimensions: focus in-house (minimise consumption of electricity, heating and fuel), focus on customers (eco- and energy-friendly products), focus on the supply chain (sustainability requirements throughout the value chain and product lifecycles) and focus on society (reduce energy consumption and climate impact through communications technologies).

Environmental goals and accounts

At TDC Group, environmental concerns are given high priority throughout our business, and have been for many years. We systematically monitor our energy and resource consumption based on the principles of the ISO 14001 environmental standard, and continuously seek to reduce our resource consumption and environmental impact.

Back in 2011, we set a target to reduce our CO2 emissions by a total of 40% by 2020 compared with 2010. Although our business is not particularly CO2 intensive in relation to other industries, CO2 emissions are nonetheless one of our most significant environmental impacts. However, we achieved this target back in 2015. We have therefore decided to raise our reduction target for CO2 emissions from 40% to 60% in 2020 compared with 2010.

In 2016, our CO2 emissions totalled 71,769 tons – equalling the CO2 emissions from an annual power consumption of approx. 75,000 Danish households. This is an increase of approx. 2.4% compared with 2015, despite e.g. 22% and 12% reductions, respectively, in our consumption of district heating and power. The increase in CO2 emissions from 2015 to 2016 was thus due mainly to a significant increase in the emission factor for power used in Denmark compared with 2015, where the produced power was exceptionally climate-friendly. Compared with 2010, we have reduced our CO2 emissions by as much as 52%. It should be noted that TDC Sweden is not included in the 2016 accounts, as it was divested during the year. In 2015, TDC Sweden accounted for just under 2.6% of the total CO2 emissions for TDC Group.

It is also important to emphasise that although we have reduced our total annual consumption of petrol and diesel by more than one million litres since 2010, our power

consumption, which is our most significant source of CO2 emissions, has declined by only 18%. Therefore, over the entire period, the most important reason for our reduced CO2 emissions has been the significant improvements in the emission factor for power used in Denmark despite developments in the opposite direction from 2015 to 2016. In other words, the power we use has become generally more climate-friendly since 2010.

We will continue to focus on streamlining and reducing our consumption of electricity for operating our various networks and data services. However, the challenge is to become more energy-efficient while expanding our networks and increasing connection speeds to benefit customers and society at large. We therefore expect our total power consumption to remain more or less constant, as our efficiency improvements and network expansions are likely to largely offset each other. Furthermore, towards 2020, improvements in the emission factor for power in Denmark are expected to be lower than those seen since 2010.

In addition to our focus on power consumption, at TDC Group we are also continuing our efforts to minimise resource consumption and ensure that a high percentage of our waste is recycled. For example, in connection with the roll-out of gigabit broadband, TDC Group entered into a partnership with the company DKT to collect and reuse equipment that must be replaced with new equipment based on Docsis 3.1 technology. More specifically, when we install new equipment, we make sure to collect used amplifiers, optical nodes, cables and packet filters. These are placed in containers at various locations in Denmark, and are subsequently collected by DKT for recycling and reuse. The remaining waste is scrapped in a safe and proper manner.

In Denmark, we also reduced our paper consumption by a total of 41 tons compared with 2015, equalling an annual reduction of 15%. Thus in 2016, we reduced our consumption of paper to just under 2% of the quantity we used in 2003.

Energy efficiency improvements

In 2016, we continued to implement in-house projects to ensure optimisation and replacement of the most energy-intensive parts of our network and to continually satisfy the needs of our customers.

This applies especially to our PSTN network (traditional landline telephony) where we can achieve significant energy savings by consolidating active subscriber lines on fewer network units. In 2016, we migrated about 99,000 lines and achieved an annual reduction of approx. 5,600 MWh. Furthermore, we amalgamated eight exchanges, thus generating annual energy savings of approx. 700 MWh.

We have also worked on reusing heat from technical equipment in data centres in our three largest buildings. Here we use heat pumps to channel surplus heat from the equipment to heat buildings and consequently generate savings on energy used for heating. At the same time, this allows us to cut down on investments and energy consumption for traditional cooling systems at our data centres.

In 2016, we thereby saved energy equalling approx. 12 GWh on an annual basis, and in 2017 we expect the figure to increase. Looking ahead, we will continue to optimise our heating production, e.g. by being the first in Denmark to use rotating compressors suspended in a magnetic field, thus energy-optimising the production from our heat-pumps.

At TDC Group, we utilise the technologies we work with to reduce our own transportation needs, especially through video conferences and home offices. Besides reducing our CO2 emissions, these solutions optimise our efficiency and can improve conditions for employees by minimising the number of days spent travelling instead of being with family and friends. Our transport policy encourages the use of trains and other forms of public transport rather than cars. In the light of this, we yet again succeeded in reducing the number of kilometres travelled in cars. Within Denmark, our distances driven in private or rented cars have thus decreased by over 170,000 km – although we are not able to isolate the causes behind this.

Externally, we take responsibility for minimising our customers' environmental impact in a number of ways, for example by signing an EU-based 'Code of Conduct' stipulating requirements for the energy consumption of the equipment we make use of. In this context, it is particularly important for us to focus on minimising the electricity consumption that our products incur on our customers. It is also vital that the equipment we use is cutting-edge with regard to both national and international requirements.

Huge environmental potential in digitalisation

The information and communications technology (ICT) at the core of TDC Group's business represents huge potential for both the environment and climate. E.g. through increased use of video conferencing, which reduces the need for transportation, or through machine-to-machine (M2M) technology, i.e. telecommunication between machines, also known as the Internet of Things (IoT), which allows for monitoring processes in real time or measuring on machines that are difficult to access in order to increase production efficiency and reduce consumption of natural resources.

The *SMARTer2030* report from the international organisation GeSI (Global e-Sustainability Initiative) – of which TDC Group is a member – shows that ICT and digitalisation can facilitate a 20% global reduction in the world's carbon footprint by 2030. This would mean the emission level from 2015 could be maintained while simultaneously creating economic gains to the tune of China's GDP. Additional improved societal benefits include better education, improved health and even more efficient and sustainable food production.

As described in detail under the focus area of Digital Denmark, TDC Group, together with a number of partners in the public and private sectors, is currently developing and implementing solutions that exploit technological opportunities to create more environment-friendly and sustainable solutions.

Further information

Results for 2016 as well as a more detailed review of TDC Group's CSR activities and societal impact are available in our online CSR Report 2016, which is accessible at csrreport2016.tdcgroup.com.