



# CSR Report 2014

focus on performance



## What is a bank's role in society?

” A bank gives loans if needed to companies and banking cards for citizens. If there were no banks, most companies would fall.”

Josefina Mätäsaho, Nordea branch office employee.

” You can pay bills in a bank and a bank also gives credit. Pretty important things. With the loans from banks companies can create new things and develop their business. Without a bank, new things wouldn't happen.”

Olavi Kanerva, Nordea branch manager.

### **The Kalajärvi school's 6th graders visited Me & MyCity in Espoo, Finland, in November 2014**

**Me & MyCity** is a learning concept on entrepreneurship, economy and society for 6th grade pupils in Finland. The study module consists of teacher training, a ten-lesson study module and a visit to the learning environment.

The Me & MyCity learning environment is a miniature society where the pupils work in a profession and act as consumers and citizens in their own society for one day. Nordea has been a partner for Me & MyCity since 2012. Nordea's employees volunteer for teacher training on the bank's role in society.

Me & My City was a 2014 WISE Awards Winner. It was one of six projects chosen by World Innovation Summit for Education (WISE) for providing a compelling, innovative solution to one of today's most pressing challenges in education. The key innovation identified by the assessors was the fact that Me & MyCity is free of cost for the schools and integrated into the national curriculum. The programme is designed to have high impact on both 6th grade students as well as indirect beneficiaries such as teachers, companies and university students. Me & MyCity was seen to be implemented with quality, consistency and scale.

# Contents

To download a copy and for further information please visit [www.nordea.com/csr](http://www.nordea.com/csr)  
We welcome your feedback. Contact us at [csr@nordea.com](mailto:csr@nordea.com)



## Performance data

- 42 Overview of corporate governance structure
- 44 Commitments & policies
- 45 Taxation data

## CSR at Nordea

- 04 Welcome from our CEO
- 06 Nordea at a glance
- 08 How we work with CSR

## Society

- 15 Our financial impact
- 15 Generating customer value
- 16 Our societal impact
- 20 Our environmental impact

## Customers

- 25 Relationships built on trust
- 25 Banking on demand
- 26 Co-creation for digital solutions
- 27 Responding to customer feedback
- 28 Responsible lending
- 29 Responsible investments

## People

- 33 Enhancing our leadership
- 34 Creating a performance culture
- 34 Improving health and safety
- 35 Managing our talent
- 36 Listening to our people
- 37 Addressing gender balance

## Suppliers

- 39 Becoming a supplier to Nordea
- 39 Managing supplier performance
- 40 CSR Review: Aligned for success

- 46 Social data
- 50 Environmental data
- 53 Supplier data
- 54 Auditor's Limited Assurance Report



# Welcome from our CEO

For us as a relationship bank, the core of responsibility is to remain a robust and trusted financial partner at any time, financing our customers' plans and dreams and providing sustainable advice.

2014 was a year where growth expectations disappointed, inflation and interest rates turned towards zero in our societies and unforeseen global geopolitical tensions rose.

In this challenging environment I'm pleased that Nordea continued to deliver robust results and further strengthened our capital position, safeguarding our ability to deliver great customer experiences at any time.

We welcomed more new customers and strengthened our relations with existing customers, financing their activities and facilitating growth in our societies. Last year 90,000 new relationship customers chose Nordea as their financial partner, and we were trusted with more savings, reaching an all-time high EUR 262bn in assets under management.

## **Acting with integrity and building trust**

We are proud of the achievements made by each and every one of my committed colleagues in 2014. But it is of course not only about what you achieve - it is also how you do it. Acting with integrity is not only the right thing to do. It supports a culture that is aligned with society's expectations. And I believe that is how we will secure enduring business success.

It is vital that we walk the talk, and this year we have set CSR commitments across the whole business, many of which are already goals for the business areas. These will integrate CSR more deeply into our operations, focus management attention and help us drive up performance over time.

” This year we have set CSR focus areas that will integrate CSR more deeply into our operations.

In preparing this report we have applied the Global Reporting Initiative (GRI) G4 guidelines to sustainability reporting for the first time, and working through the materiality process has helped us to focus on what really matters and makes a difference to us and our stakeholders.

### Driving CSR through the business

In tandem with this sharper focus to our CSR performance, we have reorganised the governance of CSR. In 2014, we established a new CSR Committee, headed by Gunn Wærsted, Head of Wealth Management, which oversees the execution of our strategy. The work is led by our CSR unit that can call on a task force, the CSR Stakeholder Network, comprised by representatives from all parts of Nordea. These governance changes will help integrate CSR activities into all parts of our business.

### Articulating our impact on society

We continue to harvest the input from our extensive stakeholder dialogue process from 2013. The topics raised point to a wider debate about the role of banks in society, and in this year's report we put specific focus to how we see our role in society.

It begins as a source of finance, helping our customers to realise their dreams and ambitions, but goes further of course.

It's also being an employer that pays taxes as well as making a difference in our engagement with the communities where we operate. We tackle financial crime, which undermines legitimate economic activity and diverts much-needed public resources. Through our work with young people around financial literacy, entrepreneurship and access to employment, we help them earn and save, be productive members of society and ultimately to achieve their personal goals.

### Transforming to meet our customer's future demands

In 2014 we also took the next steps in the transformation to meet our customers' future demands. The digitalisation is changing our societies and consequently also affecting Nordea, as it is affecting other industries. The number of new mobile banking users increases by 1,000 each and every day, and during 2014 the number of mobile transactions grew by 90%, illustrating the pace of the changing behaviour among our customers.

It is a challenging transformation, but it is first and foremost an exciting opportunity to deliver great customer experiences in new ways. It is our firm ambition to adapt

to these changes and make everyday services even easier and more convenient to use and to create more personalised and relevant solutions for each customer. We took a significant step in this direction in 2014, as we started simplifying our processes in all parts of the bank. We will over the coming years build new core banking and payment platforms, significantly increasing our agility, scale benefit and resilience with the aim to ensure great customer experiences also in the future.

### Promoting positive environmental impact

As any business should, we strive to reduce the negative environmental impacts of our operation. Increasingly we aim to use our investments, lending and purchasing to promote positive environmental change. This year we have entered the Green Bonds market and now act as an arranger for our customers. This is a fast-growing area of investments that distributes capital to initiatives with positive environmental benefits such as mitigating climate change.

### Accounting for our performance

This year we have taken some big steps. We have begun to explore in detail our role in the society of the future, we have reorganised the governance of CSR and we have made some commitments around our performance. I invite you to tell us what you think. Because it is only through listening to you, our stakeholders, that we can understand precisely what society expects of us.

I hope you enjoy the report. Do give us your feedback by emailing [csr@nordea.com](mailto:csr@nordea.com).

**Christian Clausen**  
President and Group CEO

# Nordea at a glance

A Nordic bank with a global reach

## Nordea is the largest financial services group in Northern Europe.

Nordea has leading positions within corporate and institutional banking as well as retail banking and private banking. It is also the leading provider of life and pensions products in the Nordic countries.

**Formal name:** Nordea Bank AB (publ.)

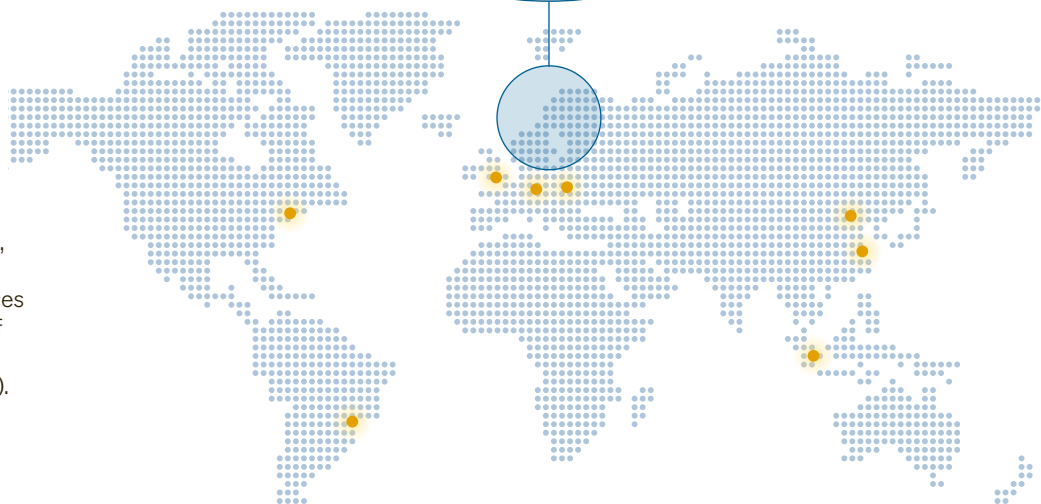
**Legally registered in Sweden** with head offices in Stockholm.



## We operate in:

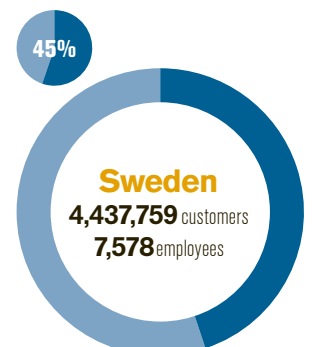
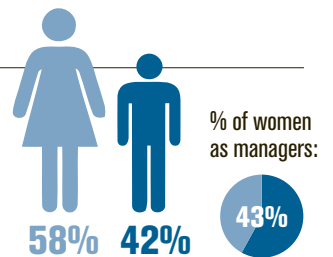
Denmark, Finland, Norway, Sweden, Estonia, Latvia, Lithuania and Russia

- Operations Centre (NOC) in Poland with 741 employees
- International branches in Frankfurt, London, New York, Shanghai & Singapore and representative offices in Beijing and Sao Paulo. A total of 300 employees who are a mix of locals and expatriates (40 in 2014).
- The largest Nordic private bank in Luxembourg and Switzerland.



OVER  
**10,000,000**  
Total number of customers

**32,264**  
Total number of employees



The Nordea share: liquidity & analysis

Listed on NASDAQ OMX Nordic Exchange

in Stockholm, Helsinki and Copenhagen.

With high market capitalisation and high liquidity, the share is included in key indices.

Sustainability indices:  
**FTSE4Good, OMXSustain**

**Strong dividend**

The three largest shareholders at the end of 2014 were:

**Sampo plc** with 21.4% (21.4% in 2013) of the shares

**Nordea Fonden** with 3.9% (3.9%) and

**Swedbank Robur Funds** 3.4% (3.2%)

445,331

shareholders who hold 4,034,032,732 shares.

39,8%

of shareholders are responsible investors (34,1% in 2013)

Suppliers

1,200 Number of contracted suppliers

Spending 2,300,000,000 €

Primary locations of contracted suppliers:

main operations in the Nordic region, other locations India, US and EU.

Industries:

IT services, -software and -hardware, travel, facility management, furniture, marketing.

Key figures

10,224m

Total operating income, EUR

4,324m

Operating profit, EUR

15.7%

Common Equity Tier capital ratio

11.5%

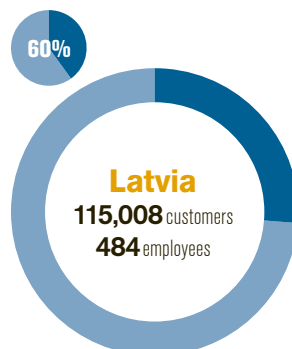
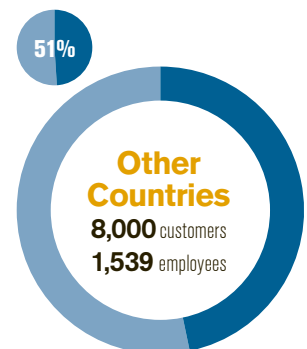
Return on equity

15 b.p.s.

Loan loss ratio

0.62

Proposed dividend, EUR per share



# How we work with CSR



Nordea is actively committed to building trust in the financial industry by increasing our transparency, improving engagement with our customers and always acting with integrity.

## Integrating sustainability

Over the past year we have taken our commitment to a structured and integrated approach to sustainability forward by developing group-wide CSR focus areas at the core of our business. This work will continue in the years ahead, leading to Nordea having more measurable CSR goals.

We want to use our capabilities and competencies not only to have a financial impact, but to have a social impact too. The two go hand in hand; conscious of our responsibilities, we can operate in a way that makes a difference to the lives of individuals and to society at large.

## CSR means business

We approach CSR in the same way that we approach our business in general: in a well-planned, structured, measurable and actively managed fashion. As shown in Illustration 1, we have an annual CSR process in place, starting with (1) understanding what our stakeholders

## Transparency is the way to tackle CSR challenges

### Gunn Waersted, Head of Wealth Management, Chairman of the CSR Committee

People are increasingly concerned about how business operates. This is certainly true for banks. As a very large bank in the Nordics, and one of the larger ones in Europe, we know our stakeholders – our employees, customers, regulators and the society at large – now focus much more on how we conduct our business. I welcome this development.

We aim to create great customer experiences, generate increasing value for our shareholders and be an attractive employer in the markets where we operate. And I want us to do that in a way that benefits society in the long term.

This is not always easy. We operate in many different industries and across borders with a range of perceptions about what is and is not sustainable. As an example, in Norway, the tobacco industry is controversial; whereas in Sweden it is less so. This can make group decision-making challenging.

What we must remember is: this is not about being perfect, it's about striving to become better. It is like the onion you peel, with each layer you take off, it becomes more complicated. We have to accept that and deal with it. The worst thing we could do would be to shy away because the issues are difficult.

So how do we solve this? The only way is by being transparent. We need to be clear about what kind of business we should and shouldn't do and transparent about how we have reached our decisions. For example, soft commodities like coffee and sugar. We have decided not to offer products based on them to our savings and investment customers. Although scientific evidence is mixed, the UN concluded trading had an effect on the prices of raw materials. So we have acted in the way we think best for our customers, our business and wider society.

There is great potential to engage our customers more in this topic. Our household customers are increasingly interested in responsible investment products which have been screened for sustainability credentials.

Personally, I want us to be more proactive and increase our level of ambition. That will mean some difficult discussions but I see a willingness to work through those to reach the best outcome. One that is consistent with our values. This demands we have clear guidelines on what CSR means to us, and how it guides our actions. The do's and don'ts. CSR is far too important to be only good intentions and 'fluffy' language.

We have a responsibility to think and act in the long term. With clarity, transparency and commitment, I am sure we can do more and see Nordea have a greater positive impact in the world.



## 1. The CSR process in Nordea

are telling us; (2) identifying the key issues with the business; (3) revisiting the CSR strategy; (4) defining our status; and finally (5) reporting on our progress.

### Measurable CSR focus areas

In 2014, we deepened the definition of our goals and formed a more structured and measurable CSR programme. We focused our materiality discussions this year on establishing a list of measurable CSR focus areas for the group, many of which are already goals for the business areas. These focus areas, approved by our CSR Committee in November 2014, are the first step in setting a new CSR ambition level and measuring our performance against those goals.

In June 2014, we initiated the materiality process with our three business areas – Retail Banking, Wholesale Banking and Wealth Management – in addition to Group HR and Group Procurement. Our goal was to make sure that we address the most important topics, by first understanding where CSR issues of concern to our various stakeholders might have significant impact on the business. To identify those topics, we revisited the feedback from the extensive stakeholder dialogue we held in 2013, along with customer and employee feedback. We also looked at feedback from the dialogues we held in 2014 with targeted stakeholder groups, namely analysts and suppliers.

The discussions put a special focus on the non-financial impact a bank has on society. All the CSR issues raised were discussed in relation to Nordea's short and long-term business goals. This helped us determine and prioritise the most material issues for our business. The outcome of the discussions is the list of CSR focus areas that can be found in Table 3.



GEM= Group Executive Management

“ This is not about being perfect, it's about striving to become better.

Gunn Waersted, Head of Wealth Management

The material aspects are grouped according to the stakeholder group they most strongly impact: society, customers, people or suppliers. In addition, we have also identified other material aspects to these areas. The Global Reporting Initiative (GRI) G4 index, including materiality and boundaries, can be found on [www.nordea.com/csr](http://www.nordea.com/csr).

Making an assessment of our material issues is not a one-time activity; issues increase or decrease in importance to stakeholders, and the potential risks to our business will change over time. This process has provided a firm foundation for our CSR work, and will continue – and improve – in 2015. The next step is to introduce a clear ambition for our CSR work along with

measurable goals. This will be implemented within the business areas, and coordinated by the CSR Committee.

### CSR as part of our identity

In 2014, Nordea's communications department underwent a strategic restructure combining the CSR unit with Group Marketing and Group Identity & Communications to create Group Marketing and Communications. The new set-up is headed by Helena Andreas and reports to the CEO. It allows us to use our strong business-driven CSR activities in our communications, and make sustainability an integral part of Nordea's brand. ▶

## Listening to stakeholders

Every three years, we carry out a large-scale dialogue with all our stakeholder groups. In Spring 2013, participation in the very extensive stakeholder dialogue exceeded all our expectations, and we continued to analyse and incorporate those findings into our materiality work in 2014.

Based on that dialogue, in 2013 we introduced a new, more comprehensive CSR strategy, which was subsequently modified to include more fundamental, strategically important parts of our core business.

In 2014, we held individual dialogues with international analysts who actively focus on the financial sector. We received very valuable feedback on current and upcoming trends, as well as our own CSR communications. A breakdown of the findings can be found in Table 2. Our normal feedback mechanisms for customer and employee feedback and satisfaction also proved useful. Those results are also covered in Table 2.

In December 2014, we conducted another survey to understand what proportion of Nordea's shareholders can be defined as responsible investors, who they are and what the changes have been since the end of 2013.

## Our commitments and policies

Our core CSR policies are found in our Code of Conduct and the Nordea Sustainability Policy. The Code of Conduct is based on the ten principles of the United Nation's Global Compact. The Nordea Sustainability Policy spells out the Group's values and commitments to ethical business. Both apply to all employees and all who work on behalf of Nordea.

The main policies and international commitments are supported by specific and concrete internal policies to ensure compliance in everyday business. Examples are the human resources policies, the anti-corruption policies, and several investment and credit policies. See the Data section p. 48 for more information on how we apply these commitments. ▶

## 2. Nordea's stakeholder groups and engagement in 2014

Stakeholder group	Methods of engagement	Participation	Feedback topics	More information
<b>Customers</b> Over 10 million	<ul style="list-style-type: none"> <li>Customer satisfaction survey</li> <li>Immediate automated feedback</li> <li>Customer Ombudsmen</li> </ul>	<ul style="list-style-type: none"> <li>20,285 responses</li> <li>265,518 responses</li> <li>160,417 pcs of feedback</li> </ul>	<ul style="list-style-type: none"> <li>Branch service personnel</li> <li>Service accessibility</li> <li>Contact person/Personal Banking Adviser</li> <li>Quality of advice</li> <li>Recommendation</li> <li>Service level</li> <li>Netbank</li> <li>Cards</li> <li>Availability of services</li> </ul>	Customers p. 27
<b>Employees</b> 32,264	<ul style="list-style-type: none"> <li>Employee satisfaction survey</li> <li>Performance and Development Dialogue</li> </ul>	29,000 94% of respondents to ESI survey	<ul style="list-style-type: none"> <li>Helping customers to understand and choose the products and services that are best suited for them</li> <li>Ensuring that we know our customers and diligently combat money laundering and financial crime</li> </ul>	People p. 33, 36
<b>Shareholders</b> 445,331 40% of shares in issue and 72% of identified institutional free-float	<ul style="list-style-type: none"> <li>One-on-one meetings</li> <li>Roadshows with Investor Relations</li> <li>Answering questionnaires</li> </ul>	On a continuous basis throughout the year	<ul style="list-style-type: none"> <li>Engagement with customers</li> <li>Transparency, openness and reliability</li> <li>Trustworthiness</li> <li>Society and community relations.</li> </ul>	CSR at Nordea p. 10
<b>Suppliers</b> 1,200 contracted suppliers	<ul style="list-style-type: none"> <li>On spot reviews</li> <li>Dialogues during RFP processes</li> </ul>	3	<ul style="list-style-type: none"> <li>Supply chain transparency</li> <li>Enforcement of corporate policies and procedures to local levels</li> <li>Set targets and continuously follow-up in the UNGC areas</li> <li>Environmental performance and general sustainability engagement.</li> </ul>	Suppliers p. 38 Supplier data p. 53
<b>Analysts</b> About 40 follow us regularly	<ul style="list-style-type: none"> <li>One-on-one dialogues</li> <li>Roadshows with Investor Relations</li> <li>Answering questionnaires</li> </ul>	6 On a continuous basis throughout the year	<ul style="list-style-type: none"> <li>Responsible lending practices and processes</li> <li>Business ethics, compliance, anti-money laundering, anti-bribery and corruption</li> <li>Remuneration – taking ESG KPI into account</li> <li>Tax transparency</li> <li>Equal opportunities</li> <li>Responsible sales and marketing processes</li> </ul>	CSR at Nordea p. 10
<b>NGO's</b> 50 identified	<ul style="list-style-type: none"> <li>Facilitated discussion with NGO's</li> </ul>	4	<ul style="list-style-type: none"> <li>Important for Nordea to have a view on emerging ESG issues both regarding investments and lending.</li> </ul>	CSR at Nordea p. 10
<b>Governmental authorities</b>	<ul style="list-style-type: none"> <li>Ongoing discussions</li> </ul>	On a regular basis throughout the year	<ul style="list-style-type: none"> <li>Implementing financial regulation</li> <li>Increased compliance focus.</li> </ul>	CSR at Nordea p. 10

### 3. CSR Focus areas and relevant GRI G4 indicators

Stakeholders affected	Focus area	GRI G4 indicator	Activity	Measurement	More information
Society	Compliance	HR2 SO4 SO8	Compliance culture programme	Implementation of activities related to the programme	CSR at Nordea p. 12
			Operational Risk & Compliance Awareness Programme	<ul style="list-style-type: none"> <li>e-learning for all employees, participation rate</li> <li>ESI questions &amp; surveys among employees</li> </ul>	CSR at Nordea p. 12
			Strengthening the 'Raising your concern' process	Implementing a revised 'Raising your concern' – mechanism	CSR at Nordea p. 12
			Work against: <ul style="list-style-type: none"> <li>Anti-money laundering</li> <li>Counter terrorist financing</li> <li>Sanctions risk management</li> <li>Anti-bribery &amp; corruption</li> </ul>	Enhancing monitoring and reporting	Society p. 12, 19
	Community involvement	SO1	Supporting financial education, entrepreneurship and employment possibilities for young people	Activities and partnerships to support our communities	Society p. 16-17
			Introduce structured reporting on community investment	Reporting on community investment	Society p. 16
	Environmental footprint	EN1 EN2 EN3 EN5 EN8 EN16 EN17 EN18 EN23	Decrease our own footprint according to our EcoFootprint programme	EcoFootprint KPI's	Society p. 20 Environmental data p. 52
Customers	Responsible lending		Develop new ESG tools and processes for corporate customers	New ESG tool created & tested	Customers p. 28
	Holistic advice	PR5 PR8 PR9	Providing advice and services based on knowing our customers and understanding their needs & preferences	Customer satisfaction	Customers p. 27
	Accessibility	FS14	Increasing choice & flexibility in how the customers can interact with us	24/7 availability to banking services	Customers p. 25
	Responsible investments	FS10 FS11	Addressing ESG aspects in our evaluation of and dialogue with companies cross all assets under management	Be preferred choice for clients when they select supplier of RI funds	Customers p. 29
		Implement Responsibility declaration for all funds managed by Nordea Asset Management	Responsibility Declaration implemented for all funds	Customers p. 29	
People	Leadership & talent management	LA1 LA9	Competence development	Employee satisfaction & motivation	People p. 36
			Developing leadership competences	Employee satisfaction & motivation	People p. 33
	Strong performance culture	LA11	Talent development in daily leadership	% of employees who have been in PDD	People p. 34
	Diversity	LA3 LA12	Increase number of women in managerial positions	Number of women in management positions	People p. 37
Suppliers	Develop a more structured approach to responsible procurement		Create new framework and segmentation model for supplier management	Implementation of new supplier framework and segmentation model	Suppliers p. 39
				Responsible procurement manager appointed	Suppliers p. 39
	Increase ESG awareness and engagement	EN32 LA14 HR4 HR5 HR6 HR10 HR11 SO9	Increase ESG awareness and engagement with suppliers.	<ul style="list-style-type: none"> <li>Supplier self-assessment questionnaire</li> <li>On-spot CSR reviews</li> <li>Awareness training sessions for employees</li> <li>Presence in industry events &amp; active communication</li> </ul>	Suppliers p. 39
All stakeholders	Economic performance	EC1 EC3	Generate direct economic value for stakeholders	<ul style="list-style-type: none"> <li>Taxes</li> <li>Total shareholder return</li> </ul>	Society p. 15
	Indirect economic impacts	EC8	Create value for stakeholders	<ul style="list-style-type: none"> <li>Salaries</li> <li>Supplier payments</li> <li>Community investment</li> </ul>	Society p. 15, 16



Nordea belongs to the main industry associations in our main locations. For a full list of memberships, see p. 44.

### **Assuring employee integrity**

Our Operational Risk and Compliance Awareness Programme assures that our employees are fully aware of these policies and commitments. The focus of this programme, which includes two e-learning modules per year, is on operational and compliance risks and related responsibilities in our daily work. All modules are mandatory for all Nordea employees, including executive management, and are available in English and all Nordic languages. Each module takes approximately 30 minutes to complete.

In 2014, the module topics included (1) understanding operational risk and (2) ethics and integrity. The first module focused on defining operational risk, outlining each person's responsibilities, and understanding when to react and what to do in various situations to protect Nordea and our customers. The participation rate for this module was 94%.

The second module focused on the Code of Conduct and Sustainability Policy. Its aim was to ensure that everyone working for Nordea focuses on working with integrity and building trust, knows how to integrate the ethical standards into their daily work and understands when and how to raise a concern. This module runs until March 2015, and we expect the participation rate to be well above 90%. Previous modules have included topics on anti-money laundering, information security and preventing bribery and corruption.

We continued to develop the Compliance Awareness Programme for Senior Management in 2014. The programme outlines a senior manager's responsibilities, and serves as a tool to evaluate whether any actions are needed.

In 2014 Nordea did not receive any significant fines and there were three non-monetary sanctions.

### **Compliance as a mind-set**

In 2014, a Compliance Culture Programme was initiated to further increase awareness about compliance in Nordea. The programme targets all employees in Retail Banking at all levels in order support them in understanding why compliance is important. Also, the aim is to sharpen the way we work both from a customer perspective and internal perspectives. The programme offers all employees a chance to discuss and reflect on Nordea's and their own contribution to compliance. The aim is to make compliance matters a part of daily business and a part of our mind-set.

### **Supporting whistleblowers**

In 2012, we introduced a group-wide whistleblowing system, Raise Your Concern, whereby employees can report concerns anonymously and be safely protected from retaliation. The system encourages employees to speak up if they have a serious concern about any misconduct or irregularities, including any action that constitutes a violation of laws or regulations, or of Nordea's internal policies, instructions or guidelines. It also includes actions that could cause harm to Nordea's business or reputation, or to the health or security of our employees or customers. In 2014, three cases were reported and two are still being investigated. Also, we had one case that was reported in 2013 but wasn't resolved until 2014.

### Focusing on CSR governance

As part of restructuring our CSR efforts, we have also renewed our CSR governance model, ensuring that we now focus more on implementing decisions within the business areas. This change can be seen as part of the evolution of our CSR matters to being a part of our core business.

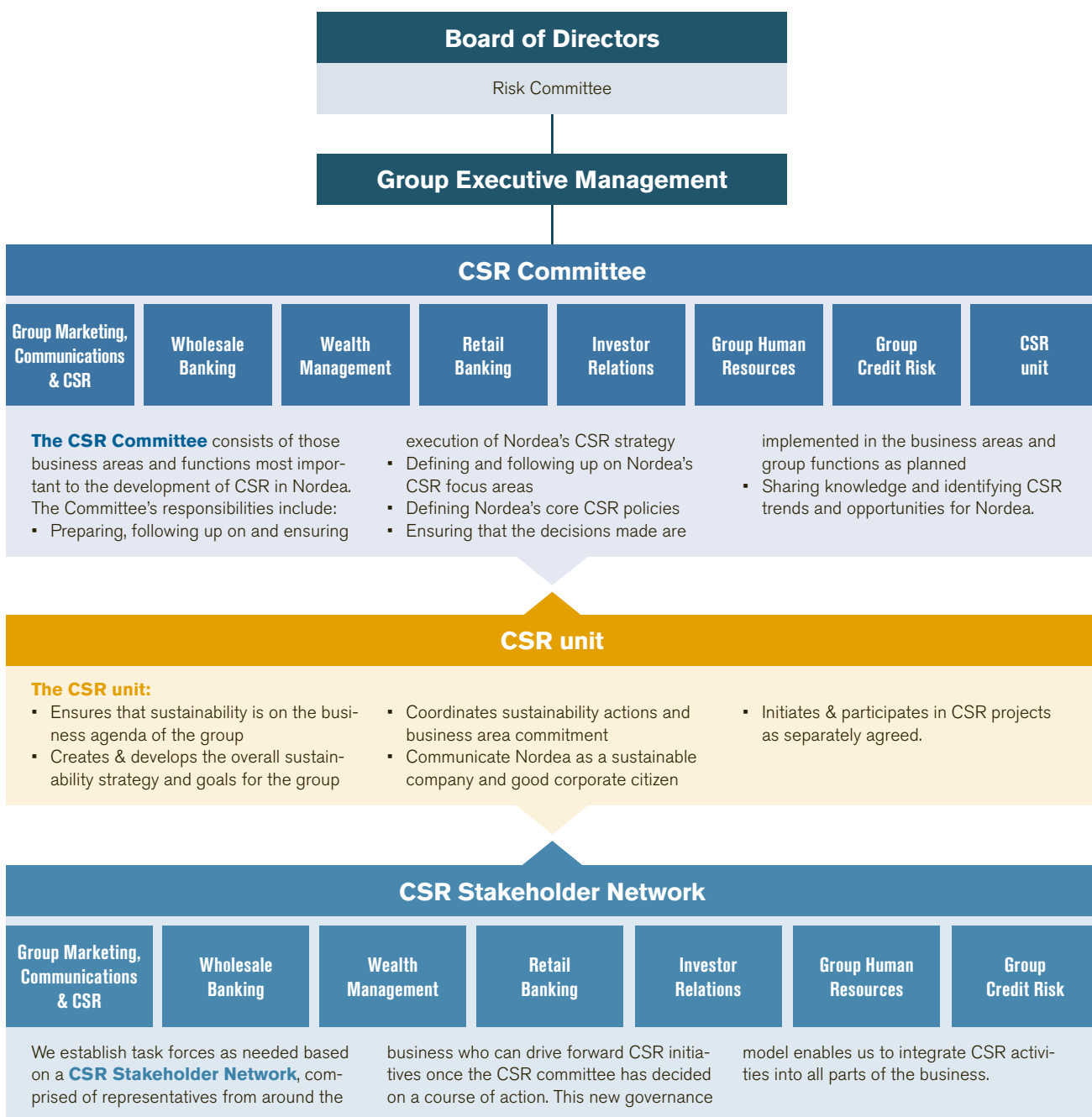
CSR matters are now decided in two forums, the CSR Committee, headed by Gunn Wærsted, Head of Wealth Management, and the Group Brand, Marketing & Communications Committee, headed by Lennart Jacobsen, Head of Retail Banking. The mandate, members and responsibilities of the CSR Committee are opened up in Illustration 2. The Group Brand, Marketing & Communications

Committee works with the overall brand framework, including using CSR in our branding activities and the development of the community involvement strategy.

We now have two members of the Group Executive Management (GEM), in addition to the CEO, directly responsible for CSR related matters, which means economic, social and environmental aspects are all represented in the senior management. The first meetings of these committees were held in October and November 2014, at which time their mandates were approved.

They Union in Nordea was offered a seat on the new CSR Committee, but declined the invitation. ■

## 4. The CSR governance model



# Society



We wish to create a positive impact through all of our roles in society, generating value for all of our stakeholders.

## Banks' role in society

The role of banks is to provide finance that helps people and businesses achieve their ambition and fulfill their potential. Collectively, the purpose of the financial services industry is to provide funding for a successful, stable and sustainable economy. Financial regulators exist to make sure that excessive risks are not taken to threaten that stability.

As a bank, we are a source of finance, generating value directly for our customers, suppliers, business partners, employees, shareholders, the companies in which we invest, and other investors. We generate social value through the benefits our products bring to people, through our community programmes, and by paying taxes. Moreover, since we are significant owners of the companies in which we invest, we can encourage those companies to operate more responsibly, both in our own home markets and globally.

With regard to our role in society, the most important questions we can ask ourselves are: how do we make business decisions, to whom do we lend, and in whom do we invest?

## On the road to describing our impact

### Interview with Liisa Jauri, Head of CSR

**Q What are the main challenges Nordea faces in measuring its impact on society?** This year, we have specifically focused on trying to better understand our economic and social impact. We are very good at reporting our financial results, but describing the benefits and impacts a bank has in society has been much more challenging. We know empirically that the impact is significant, since we are the source and facilitator for individual personal customers as well as entrepreneurs, SMEs and large corporations. We can calculate the direct financial benefit they receive, but when it comes to understanding the indirect impact to growth and job creation we generate through our customers, it becomes a whole lot more difficult. It is impossible to precisely extract Nordea's impact in macroeconomic terms, though it's certainly an on-going discussion with my peers. This section

of our report is our first step in trying to describe what our impact is. The work continues, and I must say, I can't wait to continue on this road. I welcome any feedback and input that readers of this report may have.

**Q What do you see as your personal responsibility in the bank?** My personal responsibility is to make sure ESG aspects are considered in all our core business decisions. We are not fully there yet, but that is my ultimate goal. CSR is fieldwork; I meet a lot of people inside and outside of Nordea every week, and discussing and communicating about these matters is one of my main responsibilities.

**Q What do you feel are some of the most important ways that Nordea makes a positive impact on society?** I personally feel that the work we do with young people is immensely

important. I firmly believe we can make a difference by lowering the barriers between the bank and young customers. (See p. 16-17.)

**Q How can banks gain people's trust?** As we have found from research across different industries, trust is a key factor in determining how our stakeholders value us. For a bank, trust is essential – after all, our customers trust us to take care of their assets. At Nordea, we consider compliance to be an integral part of our service. We also have an obligation towards society to prevent financial crime. We have regulations that determine the ways in which we need to be responsible to maintain our banking license. At the same time, we also need to know our customers to be able to provide them with the individual service they need and expect.

# Our financial impact

Our financial impact on society is a combination of our own financial results and how we generate value directly to our customers, suppliers and business partners, employees, shareholders and other investors. We also generate value to society by paying taxes.

## Strengthening tax management

To ensure that tax is managed in the way different stakeholders expect today, Nordea has established a framework for tax management. In accordance with some of the relevant principles stated in the Nordea Group Tax Policy, we manage tax costs and risks at Nordea consistent with the tax laws and practices of the tax jurisdictions where we operate, paying and reporting taxes in due time and with due consideration in all countries where Nordea operates.

These guiding principles ensure that we manage tax within Nordea in a responsible way.

## Paying taxes responsibly

One measure of our contribution to society is through the total amount of taxes Nordea pays in relation to our business.

By running a profitable and sustainable business, Nordea contributes significantly to the societies where we operate, not only by paying corporate income tax, but also by withholding and paying taxes on dividends and interests for customers on behalf of the government.

## 1. Total economic value generated

Direct economic impact	Stakeholder	EURm
Taxes	Government and society	1,507
Dividend	445 331 Shareholders	1,734
Supplier payments	1 200 Suppliers	2,300
Salaries and other contributions related to employees	32 264 Employees	3,149
Community investment	Local communities	6.6

Banks can, unlike non-financial services companies, only recover a small amount of the VAT incurred on the products and services they buy which leads to an increased cost for the banks since the paid irrecoverable VAT remains with the government.

In 2014 Nordea paid EUR 908m (EUR 927m in 2013) in tax relating to our profits. Further, Nordea paid EUR 406m (EUR 398m in 2013) in salary taxes (social security fees) to the governments where we operate. Nordea also pays bank taxes and stability fees in various jurisdictions.

To meet the increased demands globally on transparency regarding tax, we provide a breakdown on tax payments for our main markets. Please see p. 45 for an overview of our Taxation data. ■

# Generating customer value

Our decisions to lend money to our private and corporate customers have a significant effect in society. Families can realise their dreams; buy a house or car. Corporations can invest which creates growth and jobs. It is through really knowing our customers over a long period that we can advise them best and support them in achieving their aspirations. Through a solid and comprehensive understanding of their circumstances, we can give them the best possible service. We know that our customers increasingly like to use the web and phone to communicate with their bank – and we support that. However, the personal contact is important for building trust, and helping people with the really big decisions at key points in their lives.

When doing this it is our responsibility to make sure that our customers aren't left holding more debt than they can handle. Too much debt not only negatively impacts our bottom line, which in turn impacts our investors; it can also have long-term adverse effects on the lives of individuals in the communities where we do business. When loans are made responsibly, however, our customers can leverage those funds to create positive change. Our corporate customers, for example, can make purchases to help them grow their companies, enabling them to hire more employees, who in turn add to society's tax base.

The direct economic impact of the loans and services we provide our customers is shown in table 2.

## 2. Value generated to our customers

Customer impact	EURbn
Total household lending	149.8
Corporate lending	50.1
Syndicated loans and bond issues	107.7
Mortgages	125.6
Assets under management	262
Advisory meetings	768,790 pcs
Financial plans	753,803 pcs

In Retail Banking 90,000 new relationship customers chose Nordea as their financial partner. We now have 3.16 million relationship customers, demonstrating our strong position in the Nordic retail market. In 2014 the number of meetings conducted by Nordea's advisors has continued to rise to 768,790 which is approximately 57,000 more than in 2013. In these meetings we go through the customer's overall financial situation, plans and needed solutions. Additionally we made almost over 750,000 individual financial plans helping our customers to systematically save and prepare for their future needs. Our assets under management grew from EUR 233bn to EUR 262bn which is, again, our all-time high. ■

# Our societal impact

Our positive impact on society is revealed through our extensive community involvement, our commitment to human rights, efforts to prevent financial exclusion and mitigate financial crime, and our financing of substantial infrastructure development.

## Enhancing our communities

**Financial literacy, entrepreneurship and employment possibilities for young people** are the main themes of our community investment activities. We can genuinely make a difference in these areas, and our employees are well equipped to contribute to improving these themes in our communities.

All three of these themes support young people in fulfilling their potential. Without entrepreneurial skills or opportunities into work, young people will struggle to

make a living and to build a successful life for themselves. By tackling these three issues together, Nordea can make a positive contribution to the social mobility of disadvantaged people and to the future of youth in general. We can help them to earn and save, be productive members of society and ultimately to achieve their personal goals.

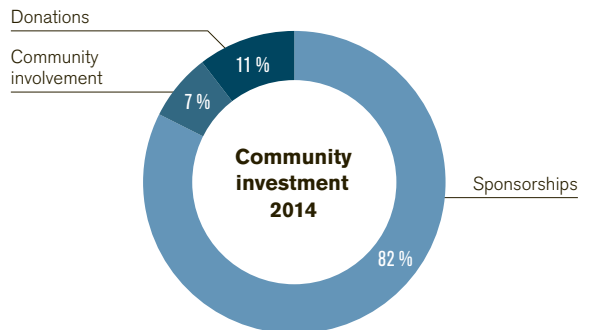
We have entered into numerous partnerships with organisations in all of our communities that work towards improving these same goals. Through these partnerships we can offer our employees the possibility to share their competences and life skills with young people.

## Teaching youth about finance

In addition to a group wide financial literacy programme in which a network of financial education ambassadors

Community investment 2014*	EURt
Sponsorships	5,453
Sports	5,155
Culture (art, music, etc)	298
Community involvement	474
Donations	690
TOTAL	6,617

\*The figures are based on group and country level community investment in the Nordic countries. Regional sponsorships are not included.



## Supporting at-risk youth

Nordea is one of four big banks in Finland participating in the Economic Skills project, part of a national project to prevent the social exclusion of youth. The project facilitates dialogue between bank employees and 16- to 29-year-olds in special youth work groups who are neither working nor studying. To date, more than 300 bank employees have helped more than 1,000 youth in dire circumstances to manage their finances, while simultaneously gaining a lot for themselves.

Because the service system is fragmented and young people who need help are bounced between services, they can sense that no one takes responsibility for their overall situation. The Economic Skills project changes this, bringing together youth with bankers who care about them and can offer useful advice.

Exit interviews with participants reveal immediate and direct impacts on the youth, bank employees, and by extension, society. Youth gain a basic understanding of personal finance and a greater comfort with banks; several said the best thing about meeting bank employees was that, for once, some-

body listened and answered their questions. Bank employees record exceptionally high satisfaction ratings for the project. For them, the major impacts are improved customer service skills dealing with young people, improved job satisfaction and a reinforced commitment to company values.

The project works to prevent at-risk youth from slipping into further economic difficulties and adding to society's welfare burden. It teaches the importance of avoiding a poor credit history, making it difficult to rent an apartment, get a job or a mobile subscription. By learning basic skills such as debt management, these youth are better equipped to be self-reliant and become productive members of society.



Riina Töyräs ja Juha Salonen from Nordea took part in the Economic Skills project. "The best thing for us was to be able to give concrete advice and reassurance to young people on how to handle their personal finances", they say.





visits school classes, we are engaged in several activities with local partner organisations in local communities. Banking advisors visit classes with students aged 13-18, and hold hands-on classes in personal finances. Through our own classroom programme, and through our partner organisations, we reach a large amount of young people each year. In 2014, our employees in the Nordic countries spent 2,362 hours volunteering for these activities. Our employees in the Nordic and Baltic countries and Russia engage in numerous activities in their local communities, see [www.nordea.com/csr](http://www.nordea.com/csr) for more information.

### Protecting human rights

We understand that we have a responsibility to ensure our business activities do not negatively impact human rights, and to address any negative impact that may occur. As a financial institution, we aim to mitigate the risk of any human rights violations connected to our lending and investment practices, as well as our own human resources and supply chain policies and practices.

Our Sustainability Policy states that we are committed to and respect human rights and freedom, including children's rights. We participate in the UN Global Compact and follow the UN's Universal Declaration of Human Rights and the UN Guiding Principles on Business and Human Rights, ILO-conventions and the OECD Guidelines for Multinational Enterprises.

Our Code of Conduct states that Nordea is only involved in business that is in accordance with law, regulations, signed commitments and our own standards of business ethics. Our aim is to in no way compromise generally accepted ethical and legal principles, nor have dealings with counterparties that we suspect to be of questionable morality.

Granting credit in Nordea is always based on sound banking practice and high ethical standards. Our business with private, corporate and institutional customers is based on a thorough knowledge of their business activities. As part of this we assess the ESG risks, including human rights issues when relevant.

With investment we are guided by the UN's Principles for Responsible Investment. Companies that violate human rights may decrease in value; our asset managers screen our investments to identify any breaches in international norms, and engage with them to encourage positive change. If that fails, ultimately we may choose to divest.

Our People Policy lays out our responsibility for ensuring that employees are fairly treated and given equal development opportunities. Our workplaces support diversity, where differences are both respected and appreciated. We seek to provide a safe, healthy and productive environment that nurtures employee wellbeing and successful business results. ▶

## Personal finance for real

Nordea partners with Europe's largest provider of entrepreneurship education programmes to improve economic education in Norway, which seven out of ten parents in the country believe to be "bad" or "very bad," according to a May 2014 survey by Finance Norway.

Nordea Norway employees can volunteer with Economics for Success, a programme of Junior Achievement Young Enterprise (JA-YE) Europe that helps high school students understand personal finance and their role as contributors to the economy. Volunteers present a series of six interactive lessons, allowing students aged 13 to 15 to see themselves as consumers, employees, taxpayers, investors and borrowers, and appreciate the economic benefits of staying in school. Students can use this knowledge to make strong financial management decisions over their lifetime, regardless of income.

"When people from the financial sector enter the classroom as tutors, students receive completely different insight and understanding of personal finance," says Anne Kathrine Slungaard, CEO of JA-YE Norway. "Learning becomes real."



60 employees volunteered in September for a 'Nordea Day' as part of the Economics for Success programme. Hilde Vogt (3rd from right) and Randi Marjamaa (2nd from right) from Retail Banking in Norway, visited the Gjetlum School.

12,000 high school students attend Economics for Success annually. Research has shown that programme graduates are 50% more likely to establish their own business than their counterparts. Students have reported gaining greater insight into personal finance, and a better understanding of choices that can have consequences for them in the future.

Nordea has partnered with JA-YE Norway since its establishment in 1997, and offers banking services to graduates of the program. "We want to contribute to increased knowledge about personal economics," says Gunn Wærsted, Head of Wealth Management. "This is a great opportunity for us to learn more about what young people think about future banking."



Nordea Finance entered into a leasing deal to finance new local train carriages in the Helsinki area in Finland.



In Denmark, Nordea Life & Pension is the lead investor in a project at Kalvebod Brygge to build a large office complex for the Danish Building & Property Agency.



Nordea established a new Contact Centre in Salo in 2014. Anna-Mari Rajala (left) has worked previously at Tieto and Satu Laaksonen at Nokia and IBM.

Nordea has signed the UN Global Compact, and cascades the responsibilities to our suppliers. Our sourcing requirements are reflected in the Nordea CSR Supplier Guidelines and our standard agreements with suppliers. One contractual requirement is that our suppliers support and respect protecting internationally proclaimed human rights, and that they are not complicit in human rights abuses. Human rights are also covered in our supplier self-assessment questionnaire.

### Preventing financial exclusion

"Everyone needs a bank account." You might expect a bank to say that, but in fact this was a statement from the European Commission in 2013. As European societies and economies move towards relying on virtual money, simple tools such as a payment card and a bank account for receiving income have become essential to daily life. Lack of access to these tools and services, or the inability to use them, is a serious obstacle to economic and social integration. It can stem from problems with access, prices, marketing or financial literacy, or from self-exclusion in response to negative experiences or perceptions.

To address this, the European Commission is bringing forward the Payment Account Directive which needs to be implemented in EU countries by September 2016. Analysts are also increasingly interested in this topic.

In our home markets, there are statutes that require us to provide basic banking services to all private customers, assuming we have identified the customer as the law requires and have no reason to suspect criminal activity. We also need to train our personnel and raise awareness of the importance of financial inclusion.

### Developing infrastructure

Nordea adds value to the communities in which we operate by lending to and investing in infrastructure projects that enhance the community. Here are some examples of financing and lending projects we undertook in 2014 that had a positive social impact:

- Nordea Finance entered into a leasing deal worth approximately EUR 235 million to finance new local train carriages in the Helsinki area in Finland. The 34 trains are scheduled to be in use by May 2017. We anticipate entering into similar activities in the other Nordic countries and the Baltics.
- In Denmark, Nordea Life & Pension is the lead investor in a project at Kalvebod Brygge to build a large office complex for the Danish Building & Property Agency. We expect the new construction building of 60,000 square metres to be finished by mid-2018. The project will be one of the largest Public-Private Partnerships (PPP) in Denmark, with users including Banedanmark, the Danish Transport Authority, the Danish Road Directorate and the Danish Energy Agency.
- We established a new contact centre in Salo, Finland, in a project that contributes in multiple ways to the city's economic structure. Salo has witnessed heavy restructuring of the electronics industry in recent years, including Nokia. Not only were we able to repurpose ready-made and modern premises with good traffic connections, we were also able to recruit highly skilled and committed local employees who suited our needs. The contact centre now employs approximately 70 people.

## Acting against financial crime

The banking system has a core role to play in society's prevention of and fight against financial crime. There is increased pressure on all businesses to prevent offences involving money laundering, fraud, dishonesty, organised crime or the financing of terrorism. "Organised financial crime undermines legitimate economic actors and strengthens the shadow economy, thus diminishing economic growth and public resources," wrote the Commission to the Council and the European Parliament on the subject. Strong financial crime management practices are one of the most powerful devices against financial crime. They can prevent, disclose and help to identify corrupt practices and the people behind such activities.

Preventing financial crime takes three forms in Nordea. The first is to have the required **financial crime risk management** in place. Nordea's Group Compliance has the overall responsibility for setting the Group level framework for a proper financial crime management. The Financial Crime Compliance unit in Group Compliance coordinates the support and gives advice to the Management, Compliance Officers and Operational Risk Officers. Our Anti-Money Laundering (AML) unit gives hands-on support specifically concerning AML-related matters. We also have a strong network of compliance officers to support customer-facing employees.

The second is to have the required **policies and instructions** in place.

The third is to actively **promote awareness** of these issues among our employees, which we do through training programmes for employees and senior man-

## Fighting cybercrime

Cyberterrorism has become a growing threat, one we take seriously. To combat it, we coordinate our efforts internally, work with other banks across Europe and take advice from specialists in this area. We now have a layered security approach, ensuring that a single point of failure would not compromise our whole system.

In the last two years, we have seen a change from general, broad malware attacks to social engineering and ID theft, often targeted at specific individuals. We are also starting to see attacks on mobile phones and tablets as online banking moves in that direction. We expect that mobile will be the new battlefield in the years ahead.

As the criminals advance in their methods, we need to get smarter in our use of IT systems to tackle cybercrime. Our aim is to stop fraud before it has been executed. To do this, we need advanced IT systems that can make real-time risk assessments and raise alarms if necessary. Where transactions are considered higher than normal risk, we ask for extra verification. This can be in the form of an SMS to the customer's pre-registered mobile phone number asking the customer to confirm the transaction, and if not, to contact the bank's support line.

Moving forward, we will continue to invest in IT solutions to address the growing risks of cybercrime.

agers. The Operational Risk and Compliance Awareness Programme targets all employees from front line to the Board of Directors. Nordea has efficient e-learning modules on compliance and knowing-your-customer issues that are directed at all employees; participation is mandatory and monitored. Modules initiated in 2014 include 'Understanding operational risk' and 'Ethics and integrity'. ■

## It's all about getting to know our customers

### Interview with Lars Petter Bruun Engen, Branch manager at Solli Plass, Oslo, Norway and Hilde M. Bjerknes, Managing Compliance Officer in Retail Banking Norway

#### Q Lars, as a branch manager, what sort of financial crime do you see?

The most common is customers trying to falsify documentation. We also get people trying to access other customers' accounts.

Q So how do you spot this? It's all about getting to know our customers. We look at the files we have on the customer and we ask questions.

Q Does that sound right to you Hilde? Absolutely. Having solid customer information means we can deliver great customer experiences and provide our customers with the best advice. And it helps us spot suspicious behaviour and ensure we stop crimes from happening.

Q So Lars, that sounds like you need to ask lots of questions. Do people find that annoying? Not really because they understand why we are



The right kind of compliance culture and knowing our customers help us identify and prevent financial crime, Lars Petter Bruun Engen says.

doing that. Our customers know that it is in their best interests.

Q And Lars, what kind of support do you get? The branches have dedicated Risk Managers who are always at our service. They are our way into the various teams of experts that support the business in this area. For us they are essential.

Q Tell me about the training you have had? We have a mix of training

activities and awareness programmes. We also discuss practical cases and learn that way.

Q Hilde, how important is the training? It's very important. It's about creating the right mind-set and raising awareness that these things happen. The more we can develop our compliance culture the better we will be in discovering when somebody tries to use Nordea as a tool for illegal activities. And ultimately, that benefits all our customers.

# Our environmental impact

As laid out in the Nordea Sustainability Policy, one of our key principles is our commitment to caring for the environment, which includes taking climate change into consideration. We strive to reduce negative and increase positive environmental impacts in our own operations and our supply chain, as well as through our core business activities of investments and lending.

## Improving operations

In 2008, Nordea established the Ecological Footprint Programme to minimise the environmental impact of our operations. Group Executive Management has set long-term environmental targets to reduce our emissions, with a particular focus on energy and air travel, our two largest emitters, and a secondary focus on paper, waste, green IT, facility management, procurement and communication. Each quarter, we monitor and report progress on our environmental indicators, and we report on emissions annually.

A major component of Nordea's long-term strategy to reduce emissions is better use of and investments in new technology in our facilities. In 2013, we built a new head office in Stockholm and undertook major renovations of other head offices. All these buildings now use new technology for heating, ventilation and lighting. In addition, we have implemented free seating, which will enable us to reduce our head office floor area by over 20% by 2020.

Five years ago, Nordea achieved LEED certification on 14 of its Nordic head office buildings. Those buildings still used by us will be recertified in 2015, and new head offices will also be certified. The new head office in Stockholm received two Platinum level LEED certifications in 2014. The environmental principles behind the certification process, focusing on areas such as energy efficiency, provide not just environmental but economic benefits as well.

## Leading our supply chain

All of our major suppliers and their sub-suppliers are required to meet Nordea's CSR criteria, expressed in the Nordea CSR Supplier Policy and the CSR Supplier Guidelines (based on the UN Global Compact's ten core principles). We incorporate climate change-related issues in our procurement work by integrating data from a variety of sources including sustainability ratings, industry and company analyses, and climate change-related data including that from the Carbon Disclosure Project (CDP).

To meet our lower emissions targets, we work with our suppliers on adaptation strategies, and have found some

opportunities to develop green businesses. In the short term, the main changes are related to operational practices and adding transparency on our supply practices and priorities. Longer term, more significant changes will be related to further exploring the climate change effect of our suppliers and disclosing information on how we manage the risks of the negative effects of our supply chain.

## Screening our investments

Regarding investments, Nordea Asset Management (AM) screens all actively managed holdings to identify companies that violate international norms, including those related to environmental protection. Nordea AM offers two enhanced Responsible Investment funds, Emerging Stars and Swedish Stars, which invest in the best performing companies from an environmental, social and governance (ESG) perspective. In a selection of our fixed income funds, Nordea AM has invested in green bonds (see p. 21), which integrate the fiduciary element of fixed income products with climate mitigation and adaptation awareness.

Together with 80 other pension funds and asset managers, Nordea AM is a member of the Institutional Investors Group on Climate Change (IIGCC), a forum for collaboration on climate change for investors. IIGCC encourages public policy, investment practices and corporate behaviour that address long-term risks and opportunities associated with climate change. Nordea AM is also a signatory to CDP, whose aim is to collect and spread information concerning greenhouse gas emissions and climate change strategies, and uses its database in its ESG analysis of its investments.

## Examining lending practices

Nordea assesses and considers environmental factors, when relevant, as part of our lending processes. Our industry-specific policies and principles all have a separate sustainability section, including environment and climate change.

We have included climate change impact into the considerations and strategies for sectors where climate change is likely to have a major impact, mainly by requiring these sectors to adapt to current and future regulatory changes. In the long term, we believe these strategies will result in more demand for certain industries to adapt to regulation by changing their focus, developing new technologies and intensifying the way they work with their suppliers and technical managers. ■



The new head office in Stockholm received two Platinum level LEED certifications in 2014.



## Green bonds: investing for impact

The proceeds of green bonds are used for initiatives with positive environmental impact. The meaning of “green” in this instance is broad; while most issuances to date have targeted climate change mitigation; other areas can be considered for financing such as water conservation and clean transportation. The future for green bonds is extremely promising: in 2014, the market tripled to EUR 30 billion, and issuances are expected to exceed EUR 80 billion in 2015.

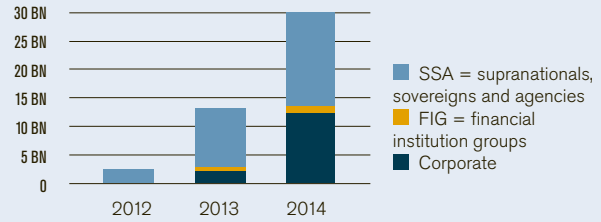
### ACTION ON CLIMATE CHANGE

#### The issuer view: The European Investment Bank (EIB)

EIB pioneered the Green Bond market in 2007 by issuing its inaugural (EUR-denominated) “Climate Awareness Bond” (“CAB”). The proceeds of CABs are earmarked for projects in the fields of renewable energy and energy efficiency; EIB commits to systematic reporting on the actual allocation of such proceeds. To date, EIB has been the largest issuer of Green Bonds, with EUR 7.4 billion raised across ten currencies.

**Dominika Rosolowska, Investor Relations Officer, and Aldo Romani, Deputy Head of Funding-EUR in EIB’s Capital Markets Department:** “From a policy standpoint CABs are an expression of EU’s leadership in climate action. In a more general perspective, Green Bonds highlight the issuers’ commitment to transparency in the provision of information on the actual use of funds raised, permitting external monitoring of outcomes and enhancing the accountability of environmental finance.”

### The growth of the green bond market



### FOR GREEN GROWTH

#### The investor view: Storebrand Asset Management

Green bonds are a natural choice for an organisation that embed ESG issues in their investment decisions. While green bond holdings are currently found as part of the firm’s traditional bond portfolios, the company sees that green bonds will also be found in dedicated funds within next year. Even though they are not regarded as an asset class, institutions may set targets and limits for green bonds in their investment mandates within the next year.

**Jan Erik Saugestad, Chief Investment Officer at Storebrand Asset Management:**

“Green bonds help us increase our pool of sustainable investments and represent an opportunity to decide what we invest in and not only with whom we invest. We appreciate the greater transparency green bonds provide, and we do believe ESG considerations have the potential to improve the risk/return profile of our investments when executed carefully. When analysed through Storebrand’s sustainability rating system, a green bond typically gets a higher rating than a ‘grey’ bond from the same issuer.”

### TRANSPARENCY IS VITAL

#### The opinion-provider view: Vigeo Enterprise

Third party ‘opinion providers’ contribute to the integrity of the green bond market by verifying whether planned transactions are indeed green and conform with the GBP. Since 2002, Vigeo Enterprise has been in the business of assessing the environmental, social and governance (ESG) performance of companies and organizations; giving opinions on green bonds was a natural extension of their services.

**Ann-Katrin Dolium, Vigeo’s Business Development Director:** “Independent opinion providers help green bond issuers focus on their bond’s objective, their own ESG performance, and the transparency and credibility of their reporting. I expect green bonds to diversify and grow, but this brings complexity too as stakeholder demands will increase as will the need to be able to measure impact. So transparency will continue to be vital.”

### IMPACT – WITH INTEGRITY

#### The arranger view: Nordea Markets Investment Banking

To guide this nascent market, several financial intermediaries developed the Green Bond Principles (GBP), voluntary principles recommending transparency and disclosure and promoting integrity. As a member of the GBP, Nordea is committed to contributing to the growth of the market and working closely with all stakeholders in a responsible manner. Nordea entered the green bond market in 2014 as an arranger for our customers.

**Thomas Begley, Managing Director, Co-Head of Debt Capital Markets, Investment Banking:**

“For all market participants, green bonds offer a unique opportunity to demonstrate their commitment to their publicly stated values around sustainability. The international capital markets are being mobilised to direct capital to projects that will have significant positive impact for everyone.”

#### Nordea has been involved in arranging the following green bonds:

- African Development Bank – SEK 2 billion
- Nord-Trøndelag Elektrisitetsverk Holding AS (NTE) – NOK 750 million
- Vardar AS – NOK 300 million



“Green bonds bring sustainability benefits to all parties involved. I expect this market to grow significantly,” Thomas Begley says.

# Trends & demands create opportunities





## Demographic changes

- Advice and products based on deep understanding of customers' needs
- Adapt distribution of service channels
- ✓ **Offering new savings & investment products**
- ✓ **Providing relevant financial advice**



## Climate change

- Managing ESG risks and opportunities of products and in supply chain
- Minimise own environmental footprint
- ✓ **ESG risk analysis included in investments, lending, supplier management**
- ✓ **Management of Nordea's own footprint**



## Social inclusiveness

- Financial inclusion
- Active involvement in building a prosperous society
- ✓ **Providing basic banking services for all according to legislation**
- ✓ **Community involvement activity & partnerships**

**proactively**  
meeting  
customer  
needs

# Customers



## Meeting evolving customer needs

Everything we do at Nordea has one core purpose: to create a great experience for our customers. Against the backdrop of customers' changing behaviours, including an increasing reliance on technology, and growing regulatory pressure on our industry, we are staying ahead of the curve to provide a great customer experience.

### Delivering on our commitment

The web and smartphones are making our customers increasingly connected, knowledgeable and empowered. Customers expect a personalised and convenient banking experience with 24/7 availability and advisory services whenever and wherever they need it. Not surprisingly, mobile logons have more than doubled over the past two years, while manual transactions in the branches are dipping. It is our job to be fast and agile, delivering on our commitment to strong customer relationships.

### Interview with Lennart Jacobsen, Head of Retail Banking

**Q Responding to rapidly changing customer behaviours and expectations, what in your opinion are the most important things for Nordea to focus on?** First of all, we welcome the digital trends we see in society, and we continuously develop our services to meet our customers' evolving needs and preferences. Currently this means that we continue to strengthen our online capabilities and align our channels, enabling more flexibility in how the customers can interact with us. That will increase our ability to serve their needs when and how they want it, giving them a personalised, easy and convenient banking experience.

Having said that, I strongly believe that our branch network will continue to be highly important for our customers and remain a central part of our value proposition. That is where the competence and quality of our advisors comes best

into play and where customer teams and specialists strengthen the customer relationship with expertise and advice. The personal touch of Nordea will never go away, and even in digital channels access to a Nordea employee should never be far away. That is and will continue to be a competitive advantage we hold over many existing competitors as well as new competition entering the market.

**Q What, in your view, is the most important impact Nordea has on society?** Nordea and the banking industry in general play an important role in society by conducting our core business. In 2014, Nordea helped 285,000 families to buy a new home and we also helped corporate customers to invest in their business, enabling them to grow and create new job opportunities. In addition, we made it possible for countless other people to

realise their dreams by making their savings grow with us. The customers also feel safe, trusting us to facilitate billions of payments on their behalf. That is the core of what we do, and the most important impact we can possibly have on society.

**Q Besides that, is there anything else you are doing in the CSR area?** Yes, Nordea does a lot of things that have a significant impact on society. To highlight a couple of things, we engage a lot in direct activities toward society by, for instance, teaching personal finance to youth in hundreds of schools across the Nordics. We also invest a lot of time and effort in our mission to create responsible returns when our customers trust us with their savings. We are an active owner on behalf of our customers and thus influence thousands of companies to improve their social responsibility.



## Relationships built on trust

Our relationship strategy rests on creating long-term connections with our customers built on trust. We build that trust first by understanding our customers, so that we can provide competent and professional advice based on their individual needs and preferences. We want our customers to know they can rely on us to keep our promises and meet their needs.

### Responsible advice

We firmly believe that no service, advice or product should be offered until our people know and understand our customers' current financial situation as well as their ambitions; doing so allows us to offer the best possible advice, service and commitment. Our advisers meet with customers to discuss the customer's current financial situation and future plans. The outcome of the meeting is a solution suited for that customer.

Recognising that individual circumstances change over time, we stay in touch with our customers, allowing us to offer the best solutions for them, 'come rain or shine'.

### Responsible products

Our product development process is guided by a group directive, Instructions for Product Documentation and Decision-Making in the Nordea Group. It sets out the documentation requirements for all products, and decision-making procedures for developing and altering products.

We are committed to ensuring that our customers have all of the information they need to make decisions about their finances. When our products are ready to go to market, the responsible unit and legal counsel closely review all external marketing materials and communications for legal compliance. ■

## Banking on demand

While still retaining a strong physical presence in the Nordic and Baltic countries, we are strengthening our remote channels to meet the needs of today's on-the-go customers. We offer online banking services through Netbank, a user-friendly Mobile Bank application, a 24/7 telephone Contact Centre, and remote meetings with shared screen.

### Highlights from 2014:

1.5 million  
customer meetings

263 million  
mobile logons

9 million  
calls to Contact Centres

14 million  
manual transactions

353 million  
netbank logons

59 million  
mobile transactions

In 2014, we had 656 million interactions with our customers, a 15 per cent increase over the same period last year. Our Mobile Bank is growing by leaps and bounds, exceeding use of our online Netbank services in most of our markets. We gain over 1,000 new mobile banking customers daily, and Mobile Bank log-ons have increased by 57 per cent compared to 2013.

We increased accessibility to our banking services by installing 554 automated deposit machines (ADMs) by December 2014. About 1.6 million cash deposits were made through our ADMs during 2014, an increase of 73 per cent compared to 2013. Though ADMs were launched as recently as 2013 in Denmark, and in early 2014 in Finland and Sweden, already half of all cash deposits in those countries are made outside normal branch opening hours. (Norway has

had ADMs for approximately 20 years.) We will increase the number of ADMs over the coming years.

Our goal is to provide our customers with the banking services they want, wherever and whenever they need them.

### Adapting our physical presence

As we all now conduct more of our daily banking online, fewer people walk into a branch today than in the past; in the last three years, manual transactions have decreased by 15-20% annually. Even so, with our comprehensive branch network of 695 locations, we are in the top three of our Nordic peers in branch locations per inhabitant in all Nordic countries.

### Improving accessibility

Accessibility means that all our customers without distinctions to age, preferences or disabilities can use our online channels for their banking needs. We are committed to making our online services accessible by following standards and legal requirements including World Wide Web Consortium's Web Content Accessibility Guidelines 2.0 AA-level and for mobile apps we aim to use the full potential of each platform's accessibility features. We are consciously incorporating our compliance to accessibility guidelines into our culture and employee skill level so that it becomes a part of the everyday work of design and programming.

### Improving disability access

Most of our branch locations have wheelchair accessibility and service desks that can be raised up and down. All of our ATMs allow blind customers to plug in headphones to get guidance, and the keys on the keyboards have different physical guidance. For authentication (log-in and signing) in our online banking solutions, our policy is to offer special means for the visually impaired. These solutions are in place in Denmark, Sweden and Norway. In Finland, we have developed a new authentication solution that includes a speaking device. This will be rolled out in 2015. ■

# Competence and predictability

Trust between a bank and its large corporate customers is also built on the relationships between people. To support our largest corporate customers in the long term and to provide them value adding services with high degree of predictability, we introduced a new holistic customer service model in 2013. In 2014 we have continued implementing the model across the organisation. A dedicated customer team with broad knowledge of financial services combined with a deep understanding of customer's strategy and business develops together a plan for servicing the large corporate customer.

The objective of a customer plan is to understand real needs of the customer in order to provide truly value adding services in a proactive, effective and predictable way supporting the long term success of the customer.

## Meeting expectations of a market leader

Wholesale Banking's customer satisfaction is measured annually (by Prospera and Greenwich). In 2014, Nordea was ranked number one in terms of market penetration in each of Nordic country by the Prospera survey. Nordea was also recognised as a number one strategic partner in each Nordic country. Additionally, Nordea Equities was ranked number one in all three sub categories; Research/



**"Thorough and deep understanding of our customers' business strategy is vital. Equally important is to continuously measure our performance. I am glad that our efforts are shown in the latest customer satisfaction survey, but we need to continuously work hard as the business environment remains very challenging", says Olli-Petteri Lehtinen, Head of Corporates and Institutions.**

Advisory, Execution and Corporate Access, of the Nordic Prospera survey. This result highlights that Nordea is a preferred partner for our customers and our thematic research is considered most value adding in the region. Both are important ingredients of our holistic customer advice. ■

# Co-creation for digital solutions

We are increasingly making use of co-creation to develop tomorrow's digital banking solutions. Utilising early feedback mechanisms and supporting new innovation ecosystems allow Nordea to leverage the creativity of external parties in the development and realisation of new banking services. There were two highlights in 2014, Nordea Next and Nordea Innovation Challenge.

We want to involve the 'early adopters' among our customers and employees at an early stage of the product

development cycle. Nordea Next users are among the first to see and use some of the new ideas we are working on and give us feedback on these. If we get positive feedback on an idea, we'll take the next step with it; if not, we'll stop the process with that specific idea and focus on other better ideas.

With the Nordea Innovation Challenge competition our aim was to meet very creative and innovative people who could inspire us through their interpretation of customers' digital banking needs. ■

## Nordea Innovation Challenge

In November 2014, Nordea joined with IBM to present the first Nordea Innovation Challenge, a competitive event held in Stockholm and Helsinki simultaneously. The 48-hour event was designed to bring together start-ups and students from around the Nordics to generate ideas for new digital banking solutions for customers.

The public event, whose theme was "Banking on the Future," attracted 140 participants from universities and technology start-ups, along with other creative individuals within the Nordics. The participants worked in teams to develop ideas for either a mobile application or a data insight solution.

Experts from IBM, Nordea and Apple coached the teams, and the four best solutions were awarded prizes totalling 50,000 Swedish kronor.

### The winner: Team Nerdea and 'the Spending visualiser'

An app for personal "geospacial spending visualisation" – showing categorised and location based spending over a given time-period. The project aims at visualising spending patterns in order to aid banking customers in gaining valuable insight about their behaviour. The solution provided wonderful adoption of data insight and high degree of user experience and visual quality.

## Nordea Next

Nordea Next is a new set-up where we invite customers to validate selected new digital services. The concept was introduced in Finland and Norway in late 2014.

Nordea Next provides real-time evaluation of the market potential of selected ideas for digital services.

Customers enrol in Nordea Next through a dedicated mobile app. If customer usage and feedback confirms the value of an idea, the idea is recommended for further development, after which the final investment decision is made.

# Responding to customer feedback

Direct feedback is an important evaluation tool, giving us a way to learn more about our customers' needs and desires, as well as our own performance. Customers give us feedback through a variety of channels, including our annual customer satisfaction survey, questionnaires following meetings and interactions with our Contact Centre, communications with our Customer Ombudsman, and social media channels such as Facebook and Twitter.

## Enhancing feedback mechanisms

We now solicit immediate automated feedback following interactions through our "experience management" practice. This feedback empowers our advisers to adjust services 'in real time', and enables management to respond to the pulse of customer experience. It also supports their individual learning, as each advisor receives personal feedback. This practice is currently in place for our Contact Centres' inbound calls; for physical meetings with household and corporate customers, it is either fully implemented, being piloted or waiting for technical solutions.

## Results in 2014

The focus of our annual customer satisfaction survey this year was on multi-channel relationship banking, therefore channel satisfaction and satisfaction with the personal banking adviser were reviewed, along with overall and brand image satisfaction. In general the results show a positive trend in the Nordic countries from 2013, but compared to peers the increase was somewhat smaller.

The results from the immediate customer feedback show that 79% of the customers who called the Contact Centre across the Nordics are likely to recommend Nordea based on the call. Also based on private and corporate customer meetings the likeliness to recommend Nordea has been above 80% the whole year.

A Customer Ombudsman in each Nordic country serves as liaison between the consumer authorities, our customers and our employees, ensuring a streamlined, uniform process for handling feedback that helps employees across the organisation effectively handle customer complaints.

About 20% of all customer feedback our Customer Ombudsmen received in 2014 was positive, and we constantly strive to keep that number rising. But negative feedback does help us understand what our customers want and need, allowing us to prioritize areas for improvement. In 2014, customers told us how important reliability and stability in our products and systems is to them. When

ATM cards don't work or online transactions don't run smoothly, it can drastically impact their daily lives, even affecting their ability to put food on the table. With electronic transactions continuing to multiply, we are putting extra focus on improving the reliability of our systems.

In 2014, we had a total of 17 substantiated complaints regarding breaches of customer privacy and losses of customer data. There were no significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. ■

### "My job is to listen"

"When our customers want to tell us something, we need to listen," says Ioanna Iconomidou Wallén, Customer Ombudsman in Nordea Sweden.

"My job is to understand the situation our customers have been in," says Wallén, "and to make sure that feedback is channelled to our management to help them to make decisions with an outside-in perspective." To that end, Wallén gathers all feedback and presents it monthly to all product owners and managers. She presents a more in-depth analysis at quarterly country management meetings, where priority areas are identified and addressed.

"Last year, our corporate customers told us they wanted us to develop an app for them. One customer said we could contact her if we wanted more input. The product owners contacted the customer and asked if she wanted to participate in testing the product with the development team. She was very surprised and happy and felt that we really listen to our customers. This is one way of doing our utmost to add value to our customers."



"We want to develop better products and a better value proposition for our customers, and they can tell us how to do that," Ioanna Iconomidou Wallén, Customer Ombudsman in Nordea Sweden says.

## 1. Our customer feedback results and topics in 2014 in the Nordic countries

Channel	Amount of total feedback 2014 (2013)	Most frequent topics
Customer Satisfaction Survey (CSI)	20,285* (91,974)	Branch service personnel Service accessibility Contact person/Personal Banking Adviser
Immediate automated feedback, 'Experience management'	265,518 (no comparable figures exist yet)	Quality of advice Recommendation Service level
Customer Ombudsmen	160,417 (145,100)	Netbank Cards Availability of services

\* The number of participants to the annual customer satisfaction survey was considerably lower in 2014 due to the focus on immediate feedback.

# Responsible lending

It is our responsibility to make sure that the repayment of loans leaves our customers with sufficient finances to have a fulfilling life or thriving business. This needs to be reflected in our advice and marketing practices. When our customers face financial stress, we work with them proactively to plan how to cope.

## How we make credit decisions

Our credit framework builds on the Nordea Sustainability Policy. We have two high level policies adopted by the Board of Directors to guide our credit decision-making: Credit Policy and Strategy for the Nordea Group, and Credit Instructions for the Nordea Group.

The Credit Policy and Strategy establishes the overall principles; for example, the granting of credit is always based on sound banking practice and high ethical standards. It also states that we should in no way compromise generally accepted ethical and legal principles, nor have dealings with people we suspect to be of questionable morality. Since customer relationships are based on mutual trust, we must be convinced of the integrity, ability and financial capacity of our customers to meet their obligations.

Credit Instructions describes our credit decision-making organisation and authority, including limits and powers to act.

Additionally we have industry specific guidelines, called credit industry policies and principles, in place for the following areas:

- Commercial Real Estate
- Energy
- Financial Institutions
- Shipping, Offshore and Oil Services
- Leveraged buy- out (LBO)
- Forestry
- Telecom, Media and IT

## Integrating ESG risk assessment

The relationship with our private, corporate and institutional customers is based on a thorough knowledge of their business activities. To apply with the credit industry policies and principles, we have created in-house tools and processes, which we continue to develop to include a more holistic approach to considering ESG matters in our lending decisions.

Currently, we use our Environmental Risk Assessment tool (ERAT) and the Social and Political Risk Assessment tool (SPRAT). In 2012, we initiated a project to develop our tools and processes. We decided to take a two-fold approach: one for small and medium-sized corporate customers in Retail Banking, and another for large corporate customers in Wholesale Banking. In 2014, we moved forward in the following manner:

- In Retail Banking, we are incorporating the ESG analyses as part of the Know Your Customer process, focusing our efforts on potentially higher risk cases.
- In Wholesale Banking, we have continued developing a new interactive customer ESG analysis tool. It fine-tunes the analysis with industry specific questions. The analysis is further defined by customer data (field of business, location of operations and headquarters, etc.) as well as location of supply chain and markets for products and services. The same tools will be used for Retail Banking corporate customers when the initial Know Your Customer process indicates a need for deeper analysis.

In 2015, we will establish the finalised tool on an IT platform and further integrate the analysis and findings into the relationship management and credit process, as well as overall decision-making.

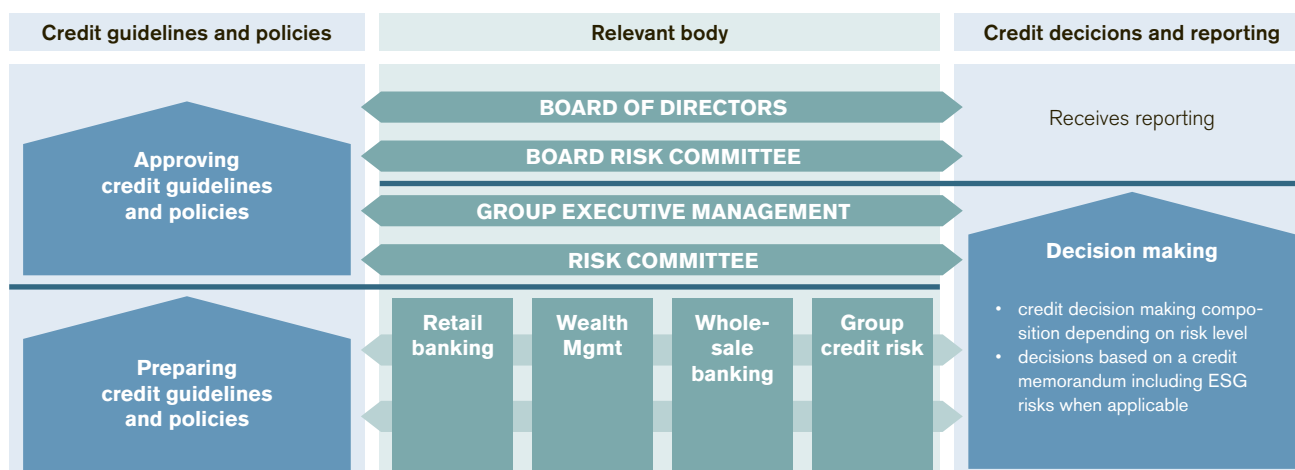
## Sustainable Financing unit

In 2014, we established a new Sustainable Financing unit with experienced senior employees to give more focus to environmental, social and governance matters. The unit, which functions as a knowledge centre, aims to increase awareness and capabilities in assessing ESG matters in business selection and product development, as well as forward-looking risk identification and mitigation.

## The Equator Principles

Nordea does not actively engage in Project Finance, and we play a role only in transactions that have a strong connection to our prime customers. In 2014, one project finance loan and three project-related corporate loans reached financial close. Full EP reporting is available on [www.nordea.com/csr](http://www.nordea.com/csr) ■

## 2. Credit risk governance and decision making \*



\* Illustrative structure

# Responsible investments

In our approach to asset management, Nordea applies internationally recognised principles of responsible investment and active ownership. Nordea Asset Management was among the first Nordic institutions to sign the Principles for Responsible Investment (PRI) in November 2007.

To help our customers make the most responsible investment decisions, Nordea considers the ESG (Environmental, Social, Governance) aspects of the companies in our investment funds. This means we seek to ensure that our customers' assets are invested in companies complying with international guidelines and responsible investment principles concerning human rights, working conditions, environmental issues and corporate ethics – all the while keeping a strong focus on generating the most attractive risk-adjusted returns.

Our policy for responsible investment covers all actively managed funds and is applied uniquely to each asset class. The investments of all of our funds are reviewed semi-annually using a norm-based screening method. We believe that companies that integrate ESG factors in their business models represent more sustainable investments. This is why we integrate ESG information into our investment processes. Certain Nordea funds, called Stars, have established a higher level of responsible investing in their portfolio management, including proprietary ESG analysis that feeds into the investment selection and decision. This is known as positive screening and serves to identify more sustainable companies.

## 2014 Highlights

- **Enhanced analysis and engagement.** We implemented exciting enhancements to both our analysis and engagement models, thereby adding more value to the investment process. We believe close collaboration between our traditional investment professionals and the Responsible Investments team helps foster a strong culture of dedication to the field that keeps us at the forefront of innovation. As part of our continued focus on engagement in 2014, our own analysts met with approximately 150 companies, engaging in in-depth dialogues with 50 of them.
- **Increased transparency of investment strategies.** Nordea Asset Management introduced Responsibility Declarations on our mutual funds to disclose the extent

to which responsible investment strategies are carried out in a specific fund. Just as consumers should be able to know the ingredients in a food product they purchase, we believe our customers should be able to see what they are getting when they buy a financial product.

- **Managing water-related risks.** Global water trends predict that increasing population, economic growth, growing middle class and urbanisation in emerging economies will entail even higher future water demand. This year, we joined the Stockholm International Water Institute (SIWI) in a collaborative study analysing how Swedish companies manage their water-related risks. We will continue to engage with companies and push them to improve disclosure and management of water-related risks.
- **Nordea Life & Pension signed PRI.** Nordea Life & Pension (NLP) became a signatory to PRI in October 2014. At present, 80% of NLP assets are covered by Nordea's Responsible Investment strategy. NLP is now establishing a team and developing its own strategy and processes in order to implement the new policy in practice.

## Plans for 2015

In 2015 we will focus on further developing the strong initiatives that have been started in 2014. One of these builds on the Responsibility Declarations, and consists of developing ESG scorecards for our equity funds. These will contain the most important ESG information for a fund, including a ratings profile based on MSCI data, the carbon footprint, which engagements are taking place in the fund, and if there are any norm screen violations and how these are being addressed. This will add increased transparency to both our customers as well as the investment teams, and will enable comparison on these parameters across funds. We think it is a crucial step in mainstreaming responsible investments and in furthering the dialogue with clients and other stakeholders.

Climate and energy will be a big topic for 2015 and one we have been preparing for throughout this year. We will be addressing what managers can do to alleviate the potential significant risks posed by climate change through thought leadership, product focus, and at events throughout the year. ■

## Addressing carbon climate change

In September 2014, the Responsible Investment team attended the PRI in Person conference in Montreal, where industry representatives gathered to discuss the latest developments within responsible investments. There was a significant call to action directed at both asset owners and managers to address climate change and make it a priority in the run-up to COP21 in Paris in 2015. One of the tangible initiatives was the Montreal Carbon Pledge, which Nordea proudly supported as one of the first signatories. The Pledge commits us to disclose the carbon

footprints of our equity funds, which we in fact already had initiated earlier this year. We believe that increased transparency of funds' carbon footprint contributes positively to the fight against climate change, and are happy to see broader industry backing of this type of activity.



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# Meeting customer expectations



## Our processes to develop and ensure quality

- Product development
- Live-lab testing
- Sales & marketing material production and training
- IT processes
- Continuous customer feedback and improvements

### Processes aiming to ensure adherence to:

- Product Approval Process
- Quality & Risk Assurance process including:
  - Legal correctness
  - Compliance requirements
  - Various risk requirements

# and impacting the society

## Our offering

## Our impact

## Impact in 2014

### Household customers

- ✓ Deposits
- ✓ Payments
- ✓ Savings
- ✓ Advisory
- ✓ Mortgage bonds
- ✓ Consumer bonds
- ✓ Insurance coverage

- Advice for individuals on their financial plans:
  - buying an apartment or house
  - Savings
  - Insurance
  - pension plans
- Help in creating personal wealth
- Avoiding financial stress

### Corporate customers

- ✓ Cash management
- ✓ Foreign exchange & hedging
- ✓ Financing
- ✓ Advisory
- ✓ Fixed income and equity issuance
- ✓ Corporate finance
- ✓ Taylor made products

- Advising companies on their financial issues:
  - efficient cash management
  - Investments
  - trade finance products
  - raising equity and capital
- Helping businesses to expand
- Enabling growth
- Enabling job creation

### Household lending

285,166  
mortgages issued in 2014

125,6 BNE  
mortgages

24,2 BNE  
other lending

### Corporate lending

50,1 BNE  
corporate lending

107,7 BNE  
bonds and syndicated loans issued in 2014

### Wealth management

262 BNE  
assets under management

1,761,548  
number of fund unit holders

### Advisory

768,790  
"360 degree" meetings

272,038  
meetings with small & medium corporates

753,803  
financial plans

### Transactions

250,085,790  
netbank transactions

15,733,068  
branch office transactions

1,489,914,880  
card transactions

961,860  
new cards

262,727,119  
mobile log-ons

#### Participating from the organisation:

- Business Development
- IT development
- Process development
- Marketing & Training
- Legal
- Compliance
- Group Risk Management
- Internal audit
- External audit

# People



We can only achieve our goal of ensuring a great customer experience if we employ the right people and develop them in the right way. Recruiting, developing, motivating and retaining the best people are therefore among our highest priorities.

## Staying value driven

Our values – **Great customer experiences, It's all about people and One Nordea team** – continue to underpin our People strategy and drive everything we do. The values are incorporated in all our processes, training and leadership, as well as forming the basis for our leadership competencies.

“How” becomes as important as “what”

Traditionally, we have been very good at measuring and following up on the financial and functional performance – the ‘what’ - of our leaders at all levels in the organisation. Starting in 2015, there will be an even stronger focus on leadership capabilities – the ‘how’ – measured by concrete measurements based on factors such as the Employee Satisfaction Index (ESI) results and living the values, making the ‘how’ as important as the ‘what’. The full assessment will be done in the Performance and Development Dialogue.

## Developing our people for future needs

### Interview with Johanna Bergström, Head of HR Development and Operations

**Q How is Nordea adapting to new global trends and changing demands of customers and employees?** We keep a close eye on what is happening and how the global trends and changed customer behaviours will affect our people. Digitalisation and increased compliance requirements are both impacting how we work and what competencies are needed. It is about foreseeing future needs and developing our people in parallel with taking in new employees.

**Q Where have we made significant progress in 2014?** In 2012, we introduced the new Leadership pipeline concept; that is, how we develop leaders in Nordea. Combined with other initiatives

taken to support leadership, this has really paid off. Despite the challenges of an industry in transition, the immediate manager score improved by one point in the recent employee satisfaction survey (ESI), increasing the gap between us and the industry average to eight points.

**Q What do we need to improve on?** Strengthening the pipeline with female managers and ensuring that more talented female employees are motivated and given the opportunity to continue along the leadership career track is an area we need to keep improving. Succeeding with this will mean that we realise the full potential of our employees within Nordea, and also that we attract the best talents from outside.

**Q What is the top priority in our People strategy for 2015?** We will continue to persistently and consistently work with our current priority areas; Leadership and Performance and Talent Management, with the add-on of workforce planning, to become even better at foreseeing the future competence needs in this rapidly changing industry.

**Q What do you see as your own personal responsibility/impact in Nordea?** My responsibility is to ensure that we have a competent and proactive HR organisation that delivers on the priorities defined in our People strategy. When we in HR perform at our best, we make it possible for the business to create value for our customers.



# Enhancing our leadership

At Nordea, we put relationships first, striving to create superior value for every one of our customers and stakeholders. We know that requires strong leadership – since great leaders are a prerequisite for great employees.

Leadership is one of the most important drivers of culture, performance, motivation and job satisfaction. How our leaders perform is key to how our people perform, which in turn impacts the quality of our customers' experience. Our leaders also have an important role in helping their staff to live the company values.

We work hard to build leadership skills, and continually invest in identifying the next generation of leaders. In particular, our **Leadership Pipeline Programmes** support leaders who are stepping into new management roles by helping them develop the capabilities to succeed, while our **Leadership Competence Programmes** support managers in developing specific competencies in their current roles. Leaders are assessed annually on their leadership competencies. In 2014, 770 leaders participated in our Leadership Pipeline and Leadership Competence programmes.

## Leadership and values

We want our leaders to live our values and inspire others around them. To deliver *Great customer experiences*, we look to leaders to ensure that people are thinking and acting with the customer in mind, delivering professionally and creating long-term relationships. With *It's all about people*, our leaders are expected to coach their direct reports, foster initiative-taking and assess them fairly. For *One Nordea Team*, we expect to see leaders connecting people and teams to deliver specific tasks, showing trust and assuming accountability.

We know this is a recipe for success. Numerous analyses demonstrate how values and leadership drive key employee factors such as overall satisfaction and motivation as well as a focus on the customer.

Similarly, our analyses show that a top-performing manager in terms of values and leadership is twice as likely as a low-performing manager to be in the top 10% of performers in terms of financial results.

Our leaders are assessed on their leadership competencies on a yearly basis through our employee satisfaction survey and as part of their individual personal development discussion. In 2014, we saw an increase in three out of five leadership competencies. See table 1 for the results.

## Developing tomorrow's leaders

When the world changes, leaders have to change. When leaders are remote from their direct reports – perhaps even in another country – it is even more important that they are 'present' in the way they manage. They need to be very clear about responsibilities, what tasks need doing and how people are expected to perform.

Increasingly, leaders will be held accountable for developing the employees that report to them and creating the right team to lead the future relationship bank. They will be assessed not only on the 'what' (financial performance) but also the 'how' (leadership performance). ■

### 'Leadership really matters'

**Regine Ladenburg**, team leader in Group Credit Risk and participant in the Leading Others programme, one of Nordea's Leadership Pipeline programmes.

"My expectation when going to the Leadership programme was to get a toolbox – and I did. I learned how to become better at setting goals, delegating, following up and assessing performance and I have put these learnings into use in my daily work as a leader.

My main learning point from the Leadership programme is that leadership really matters.

In real life, leadership is about working with people, so I strive to be a role model; walking my talk, building trust with my team, giving feedback and coaching, and by that enabling them to perform at their best."

*Satisfaction with our Leadership programmes is high, participants gave the programmes an average score of 4.25 out of 5.*

## 1. Continuous development in leadership competencies

ESI results - Leadership competences	2012	2013	2014	↑↓
Reach out - create ambition, clarity and purpose	76	77	<b>77</b>	0
Make it happen - drive to achieve	76	78	<b>79</b>	+1
Add value* - direct focus towards customers	77	77	<b>77</b>	0
Unfold potential - coach and give feedback	75	76	<b>77</b>	+1
Connect - team up and work together	75	76	<b>77</b>	+1

\* Due to simplification and reduction in the questionnaire, the ESI 2013 and 2012 results for the five Leadership Competencies and the Nordea Values have been recalculated to secure comparability.

# Creating a performance culture

High-performing employees obviously contribute to stronger business performance. To nurture a culture of performance, leaders need to set clear expectations of their people, and to be fair and honest in their dealings with them in order to help them perform at their best.

During 2014, we have taken a number of steps towards creating a stronger performance culture. These include continuing to simplify job descriptions, so that all employees are clear on what their roles and responsibilities are, and training managers on the importance of setting clear expectations and providing ongoing feedback to their staff.

All employees take part in an annual Performance & Development Dialogue (PDD) in the first quarter of the year, where their previous year's performance is reviewed along with defining the development actions and targets for the year ahead. The statistics for participation in PDD discussions are gathered from the employee satisfaction survey, in which 94% of all

employees participated in 2014. In 2014, 97% of those employees took part in a PDD dialogue; out of them, 56% were women and 44% men, 86% were employees and 14% managers.

Our plans for 2015 include further strengthening our focus on action planning and target setting through the PDD, reviewing our incentive structure and building a stronger cascading mechanism. ■

## Four questions every employee needs to answer

1. What am I accountable for?
2. Why is what I do important?
3. How am I performing?
4. How should I develop to improve?

# Improving health and safety

A key factor in creating a culture of better performance and, by extension, profitability, is providing a healthy working environment. We define healthy as "having the energy to perform at work and live the kind of life you want to live." While occupational

health and safety legislation in the Nordic countries is generally comprehensive, we supplement our employees' wellbeing through preventive measures promoting health and supporting active ageing. ■

## Healthy workplace, happy staff

Nordea Life & Pension in Denmark introduced "Healthy Everyday Life" in 2009 as part of its business strategy to create the best workplace within Denmark's pension sector. The programme aims to create a healthy environment, strong culture and attractive workplace by encouraging physical activities such as running and strengthening exercises, and stress-decreasing techniques such as active pauses and mindfulness. They also offer workshops on a variety of health issues e.g. blood pressure and hygiene, as well as a weight loss programme. Employees invest their own time and money in the different activities.

The results were impressive immediately. "We can see a positive correlation in our employee satisfaction survey since the project started, and a reduction in absence due to illness in general," says Nina Frimodt-Møller, Corporate Health Manager. Employees report "having a meaningful job" as an outcome of the programme, and many initiatives within

the programme have created new connections between employees across the organisation.

"Healthy Everyday Life" has become an integral part of the Nordea Life & Pension brand after the group won myriad awards across Denmark and Europe for its healthy workplace. Since 2012, Nordea Life & Pension has been a partner of the Most Healthy Workplace award in Denmark, and corporate customers now ask Frimodt-Møller for guidance on creating a similar kind of healthy environment in their companies.

According to Nina Frimodt-Møller, Corporate Health Manager at Nordea Life & Pension in Denmark, there has been a positive trend in employee satisfaction and reduction in absence due to illness since the "Healthy Everyday Life" programme was introduced.



# Managing our talent

Ensuring that our customers have a positive experience in their dealings with us is central to everything we do. It is therefore critical that we employ, develop and retain the people who are best placed to help us deliver this goal.

In combination, increased regulatory requirements within the industry, an aging population and the rise of digital banking mean our customers and their needs are changing. What does that mean for our approach to managing our people?

We have identified some of the most critical competencies we think our employees need to have today and in the future. These include leadership capabilities, strong execution and agility and not least the ability to understand and relate to our customers. Having identified those competencies, we target our recruitment activities to the most suitable candidates. While we are the leading Nordic bank, we also hire from outside the Nordic region to ensure we find the best people we can.

## Creating a talent pipeline

Being able to recruit for more complex and executive positions from within the company helps to ensure continuity of relationships with our customers and our on-going ability to deliver excellent customer service. That's why talent management and succession planning with our existing employees are of the utmost importance. They secure a continuous flow of talent toward our strategic key positions, which in turn enables us to deliver on our business and customer service goals.

With this in mind, we have strengthened our Annual People Review (APR) and brought it more in line with

” We target the right people for us, and aim for them to see Nordea as the best possible employer in the financial industry.

Johanna Bergström, Head of HR Development and Operations

our business needs. The APR comprises a full talent overview across all business areas, ensuring identified employees receive visibility. It also includes structured succession planning for our key positions, which helps us work on our employees' longer term development and performance.

In addition, we have upgraded our graduate training programme to become part of our talent management pipeline.

At Nordea, we believe that performance provides the opportunity to learn, and learning provides the capability to perform. A large part of development happens on the job, either through feedback and coaching from one's manager, or through job experiences, tasks and problem-solving in one's everyday work. Nordea's employees received an average of 4,8 days of training, including e-learning and classroom training in 2014. Women received 5,3 hours and men 4,1 hours of training. For more data on training, see p. 48. ■

## Building on our strengths

### Interview with Anna Storåkers, Head of Banking Sweden

#### Q When did you join Nordea?

I joined Nordea as head of Group Strategy and Corporate Development in September 2009. In this position, I had the chance to work with many different areas, developing the group strategy process, strategies and priorities. This gave me the opportunity to quickly create a network of colleagues and senior managers across Nordea.

Q How did you prepare for your current job? After two years working at the group level, I was offered the chance to move into the business in Retail Banking as deputy head of Banking Sweden, responsible for customer business in half the branch network in Sweden. During my three years in this role, I learned a lot about the strengths of our

people and organisation, and how we must build on these to develop new ways of serving our customers in the future. This experience and knowledge is invaluable in my current role.

#### Q How did Nordea's succession planning help you in the transition?

It helped me as it has helped many others in Nordea. Our talents are identified in everyday leadership, and are brought to the attention of the whole group within the Talent Management framework. By knowing our employees – their skills and competencies, their experiences and not least their own motivations and ambitions – we can match people with open positions.



“During my three years as Deputy Head of Retail Banking I learned a lot about the strengths of our people and organisation, which is invaluable in my current role,” Anna Storåkers, Head of Banking Sweden says.

# Listening to our people

We have conducted an annual employee satisfaction (ESI) survey for several years with a high involvement level, and 2014 was no exception: over 29,000 employees gave their feedback, with a participation rate of 94%.

The results are presented to Group Executive Management in the end of November and then cascaded in December. The overall result for Satisfaction and Motivation decreased by one point in 2014 compared to the previous year, showing the same trend as for the whole Nordic financial sector. At the same time, Commitment remained unchanged and significantly above the sector level.

Significantly, the Immediate manager score, i.e. how employees score their immediate managers on Nordea's five leadership competencies, improved by one point to an index rate of 80, increasing the gap to the industry average to eight points. The Development score remained the same at 73, with Nordea seven points above the industry average; although a high focus on development is a necessity for Nordea to stay ahead, we consider this a great achievement during times of constant change.

We encourage our leaders to 'step up', particularly during turbulent periods. They are encouraged to analyse the results of the ESI in their area and create the action plan needed to address the weaker scores. Just as important, we urge our leaders to keep talking with their direct reports, providing direction, focus and support.

To encourage interactive and open communication between all employees at Nordea, we have continued to encourage employees to comment on and respond to comments on articles on the intranet. In 2014, the amount of comments has increased by more than 50%.

In the Nordic countries more than 70% of employees are members of a union. Nordea seeks to have a good and constructive cooperation with union representatives on all levels. Representatives are elected among employees for local levels and for Business Area Consultative Committees that deal with change initiatives. The Group Council is a high-level collaborative body that raises strategic issues and collects feedback from employee representatives. ■

## 2. Results of the employee satisfaction (ESI)

ESI results	2012	2013	2014	↓↑
Satisfaction and motivation	72	72	71	-1
Development	73	73	73	0
Considered a good workplace	74	77	75	-2
Proud to tell others where I work	77	79	77	-2
Recommend others to start working at Nordea	72	74	71	-3
Living the values	79	81	82	-1
Great Customer Experiences	81	81	81	0
It's all about People	75	75	75	0
One Nordea team	79	80	79	-1

# Responsible restructuring

When we are faced with a restructuring situation, those employees affected are presented with options to join our internal People Matching process to find a new position within Nordea. The People Matching process runs in all Nordic countries to efficiently match people and their competences with open positions.

In certain cases, employees may choose to receive

a country-specific voluntary redundancy package, or take advantage of a retirement offering or outplacement support.

In cases of operational changes, terms are handled in ways specified in the collective agreements. Terms of notice range from 14 days to six months depending on local legislation and length of employment. ■

# Addressing gender balance

Gender balance is a particular challenge in financial services. Women constitute nearly 58% of Nordea's workforce and 43% of leadership positions, but are still significantly under-represented in senior leadership positions.

Stepping up our efforts to address this situation is a high priority for several reasons. We believe that gender balanced leadership teams make better and more innovative business decisions, leading to improved business performance; thus, we miss out on opportunities by not fully utilising our internal talent pool. We are also aware that, when considering potential employers, talented young women are more likely to prefer companies that actively tackle diversity issues.

During 2013, we placed significant focus on in-depth analysis of gender diversity at Nordea. That spring, we conducted a survey of more than 1,500 employees, and held qualitative interviews with 17 Nordea female managers. Our analysis indicated a clear need and willingness within Nordea to improve the situation.

## Progressing towards equality

Based on the results of the survey and interviews, the Group Executive Management (GEM) approved a series of initiatives aimed at changing the culture and strengthening the pipeline of female managers, which we began implementing in 2014:

- **Set requirements to improve gender balance**  
To closely measure and follow-up on the impact of efforts to increase gender diversity, as well as to create transparency and ensure commitment, GEM established a number of guidelines with measurements with 2013 as the baseline.

Guideline	2014 Status
No gender should count for more than 60% of all graduates	Target achieved with 41% female and 59% male candidates
Both genders should be represented among the last three candidates in managerial recruitments.	Policy compliance in 58% of managerial recruitment processes. Percentage of managerial recruitments in which a female was hired was 46%.
Secure full transparency on the share of female managers, measured both on managerial levels and within the business areas and group functions	There is a significant decrease of the percentage of female managers for each level upward in the hierarchy, from 60% of all employees to 14% of GEM. See the Data section p. 49 for more information.

- **Clearly signal that gender diversity is a priority**  
Through internal and external communications, we began increasing awareness of the issue, signalling that gender diversity is a priority for Nordea. This message was broadcast for example through our Annual and CSR reporting, events targeting female students and young professionals, and articles published on a new Gender Diversity intranet site and via social media.
- **Diversity modules in place in leadership training**  
These modules address issues such as unconscious bias and steps to making diversity a higher priority. We



“Improving gender diversity requires persistency. It’s about breaking old habits and changing the current way of working. And not least, it is about leadership.”

Marianne Egelund Siig, Head of Diversity

have also included gender awareness material for the PDD and included diversity questions in the ESI process, and established a Management Team Women's Network to support these changes.

- **Support dual career families**  
To facilitate employees being able to combine a career with raising a family, we created new guidelines for keeping in contact with employees on parental leave, and will make domestic support benefits more easily accessible for all employees. In 2015, we will be developing a career planning support tool for employees returning from parental leave.
- A year into our initiative to achieve gender balance at all managerial levels, leaders know they are expected to (a) be ambassadors for diversity in Nordea, (b) be aware of the increased focus on gender diversity in their strategic long-term planning, and (c) hold their direct reports accountable for their biases and attitudes. We have made progress, but recognize that real change happens through a consistent and persistent effort. ■

# Suppliers



## CSR is a business opportunity

We work with our suppliers to prevent, identify and mitigate possible adverse impacts that our shared operations could have on people, the environment and society in general.

### Engaging with suppliers

We acknowledge our responsibility for ensuring that our suppliers manage their business in a responsible manner. We demand high ethical, health and safety, social and environmental standards of all our suppliers. These standards are based on our CSR Supplier Policy and CSR Supplier Guidelines that, in turn, are based on the UN Global Compact (see p. 38).

By actively engaging with our suppliers, we can together define a good way of doing business that benefits us all. Our CSR supplier management framework supports this ambition and allows us to systematically manage CSR related aspects of our relationship with our suppliers.

### Our supplier base

- Number of contracted suppliers: 1,200
- Spending: €2.3 billion
- Primary locations of contracted suppliers: main operations in the Nordic region, other locations in India, US and EU
- Industries: IT services, -software and -hardware, travel, facility management, furniture, marketing

### Interview with Casper Christensen, Head of Group Procurement

**Q Why is it important for Nordea to focus on responsibility in procurement?** It is important, simply because it is the right thing to do. Responsibility is closely in line with our values and how we want to conduct our business.

**Q What kind of partner does Nordea wish to be for its suppliers? Can you describe how you act as both 'policeman' and 'trainer' with your suppliers?** We want to be a good and respected partner for our suppliers. I don't believe it is an 'either or' approach, but we are without a doubt more trainers than policemen. Our CSR Reviews focus on engagement, but of course we can end up in a situation where a supplier is not willing to improve. In that case, termination can be the last way out. We do not want to do business with unethical or irresponsible suppliers.

**Q What are the key challenges you face related to sustainability, and how are you overcoming them?**

I would say that the key challenge is accepting that this is an on-going journey. We have committed ourselves to ensuring continuous improvements, and we have to acknowledge that it takes time. It would be the easiest thing in the world to end a relationship with a supplier in breach, but that is not what we want to do. We want to engage and cooperate with them to see improvements.

**Q How do you see CSR in Group Procurement supporting Nordea's overall goal?** We have a responsible approach to how we do business – that also goes for our supply chain. Consumers are to an increasing extent incorporating ethical considerations into their buying behaviour. That is also the case when selecting your bank.

**Q What has been the most surprising thing you have learnt since you began working with CSR Supplier Management?** That the majority of suppliers have a very positive approach to engaging on CSR matters. They see it as a business opportunity, which in the long run can have a positive effect on their business. I hope for the future that we can reach new levels in the area of sustainability with our suppliers.

**Q In your opinion, what will CSR in supplier relations bring in the future?** I hope that CSR to a larger extent will be an integrated part of the supplier dialogue. If we in cooperation with our suppliers can reach solutions, which add value to both us and the suppliers instead of being an additional cost, I believe we have succeeded. In that way both we and our suppliers will become more competitive.

The primary location of our suppliers is in the Nordic countries, but we also work with suppliers who operate globally, including in the US and India. Approximately 1% of our suppliers make up 80% of our supplier expenditures. This is due to the fact that we have a number of strategic partnerships in the areas of facility management, IT and commercial services. For more information on the distribution by region and industry of our suppliers, see Supplier data on p. 39.

In 2014, we moved certain IT-production activities that had been outsourced to IBM in-house. This way we obtained a higher degree of control in the core area of infrastructure and operations, and achieved cost savings. We offered employment to all IBM employees who had been working 50% or more for Nordea. This resulted in insourcing approximately 400 employees – only 16 people turned down the offer.

### Becoming a supplier to Nordea

Since 2012, all contracts signed on the Nordea contract template have included the CSR Supplier Policy. In 2014 we developed the supplier process to include a segmentation matrix and a questionnaire to help us further ensure implementation of our CSR standards. These new tools were implemented in the end of 2014. One of the focus areas for 2015 will be to request responses and ascertain risk profiles for all our suppliers, including those with whom we began working prior to 2014. This will allow us to segment our supplier base within the CSR matrix. To make the process more transparent we have begun developing a supplier portal on nordea.com, where potential suppliers will be able to register.

When a business area identifies a need for sourcing, the central sourcing functions initiate the sourcing process, starting with defining the scope (Step 1). We then conduct research and identify potential suppliers, inviting selected

ones to reply to a Request for Proposal. Those suppliers complete a qualifying CSR questionnaire and we use that information to organise the suppliers in our CSR segmentation matrix (Step 2). Suppliers who are evaluated in the matrix to be medium or high CSR risk, and whom we want to invite for negotiations, fill in an extended CSR questionnaire which will be a part of the negotiation. For the chosen supplier(s) we assess the most appropriate CSR engagement. After the negotiations, we sign the contract, including the CSR Supplier Policy (Step 3). In the Implementation phase (step 4) we set up the governance and CSR activities are followed up.

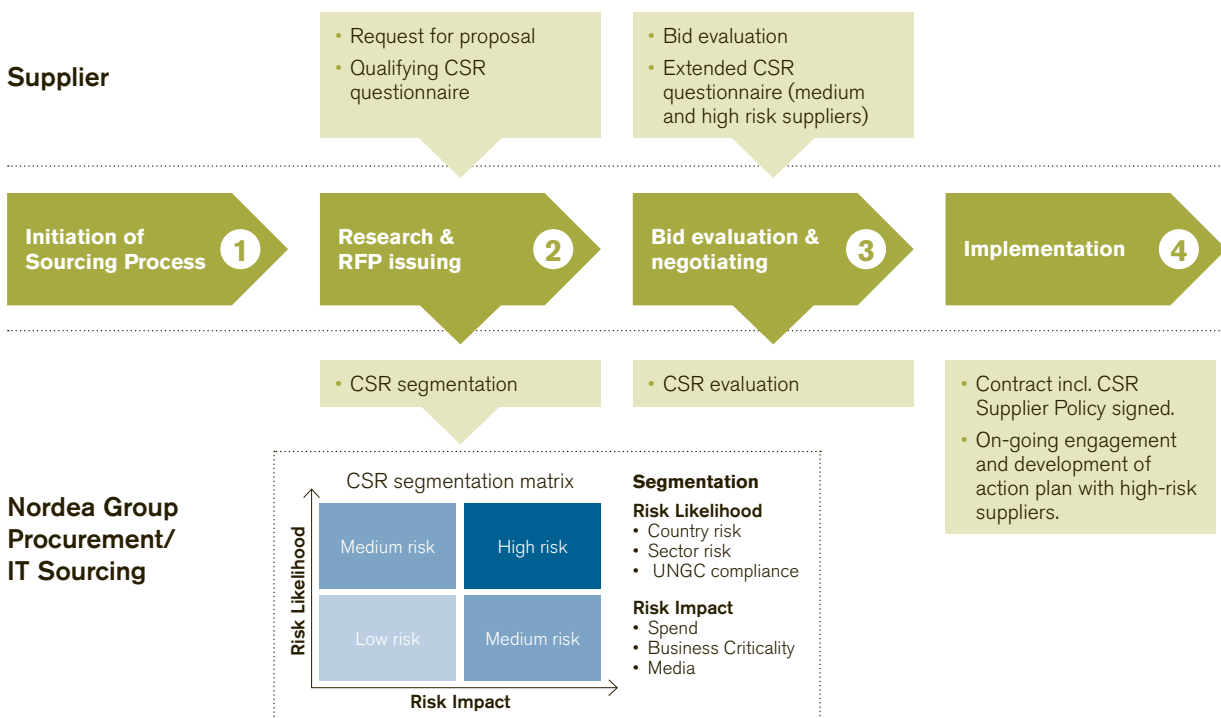
### Managing supplier performance

Once we have signed a contract with a supplier, we assign a contact person and agree on ongoing communications and governance. The scope and the frequency of engagement depend on the type of product or service provided. Environmental, social and governance issues are addressed as a part of these on-going dialogues.

Additionally, we select three to six suppliers per year, primarily those with the largest impact, with whom we perform an in-depth CSR Review. During the two-day on-site review, we conduct an extensive evaluation of the supplier's policies, procedures and performance related to the ten principles of UN Global Compact. The review concludes with a commonly agreed upon action plan with development activities for both parties.

During 2014, we developed action plans for the three suppliers with whom we conducted CSR reviews. We did not identify any suppliers demonstrating a significant risk in any of the UN Global Compact areas. In the future, suppliers that are at risk for such incidents will be identified through our evaluation and follow-up of the self-assessment questionnaires. For a more detailed outcome of the CSR Review in 2014, see p. 39. ■

## 1. Becoming a supplier to Nordea





◀ **Maija Tenhunen, Maria Hejde Færgemann, Shailesh Kumar Gawane and Shirish Wasker met up for the supplier on-spot review.**

▶ **“It is important for us to ensure that neither our own or our suppliers’ company practises cause any indirect adverse impacts,” Maria Færgemann from Nordea’s Group Procurement says.**



## CSR Review of Tieto: **Aligned for success**

**Tieto is one of our close partners in our Extended Delivery Centres (EDC’s) in India. We have cooperated with Tieto since 1995, and approximately 250 consultants support Nordea from India with application development and maintenance.**

**Maria Hejde Færgemann** from Nordea’s Group Procurement conducted a CSR Review with Tieto in India.

**Q What made you select Tieto for a CSR Review?** Tieto operates in India, which is considered a high-risk country. We wanted to make sure that the corporate level policies and processes are also locally enforced, especially with regards to labour rights. It is important for us to ensure that neither our own or our suppliers’ company practises cause any indirect adverse impacts.

**Q Can you describe the process you went through over the three days of your review?** When reviewing companies, we apply the UN Global Compact Management Model, and investigate which management systems and processes the supplier has in place for taking care of environmental, social and governance risks. We had in-depth discussions about Tieto’s approach to labour rights, supply chain management, community engagement, anti-corruption and waste handling among many other things. We went on a site tour of the premises and conducted interviews with employees and business area heads.

**Q How easy or difficult was it to explain what you needed from Tieto?** It was clear to us already in the first telephone meeting that Tieto had a well-established approach to working on CSR issues. They are a signatory

to many of the same conventions as we are, and were familiar with the UN Global Compact Management Model, for example. It was also clear that Tieto had only spent a little time preparing for the review – which is positive, because it meant they had everything in place already before we announced our visit.

**Q Coming up with the action plan to make improvements is key. Can it be hard to agree that with a supplier?** Very seldom. One of the benefits of spending two to three days with the supplier is that expectations are aligned before we conclude the meeting. In the debriefing session, we give a short overview of the areas we expect to suggest in the action plan, and often there is already consensus by then.

**Q Do you also provide support to help suppliers deliver on those commitments?** Yes, to a certain point. We will provide advice and knowledge sharing if that is desired as they work through their action plan. But commitment is required internally from both the management and employees to deliver the changes.

**Christer Mattsson**, Head of Corporate Responsibility (CR), and CR manager **Maija Tenhunen** at Tieto comment on the process from their perspective...

**Q What did you think when you received the request for a CSR Review from Nordea?** We have enjoyed a long and fruitful relationship with Nordea. So having them review our CR activities is a great opportunity for us to get some feedback on what is important to them. And it challenges us to look again at our CR activities. We believe that the best way to improve on CR is to look at the value chain.

**Q How easy or difficult was it for you to provide Nordea with the information needed?** Not that difficult since both Nordea and Tieto base CR work on the United Nations Global Compact Management Model. Our CR report, which complies with the GRI (Global Reporting Initiative) G4 and UN Global Compact Advanced Level, was an excellent source of information.

**Q Did the review reveal anything new to you?** The review mainly confirmed that we are working on the right topics, but it encouraged us to take the next steps in our work on value chain and especially supply chain. We also identified some smaller areas which we could emphasise more.

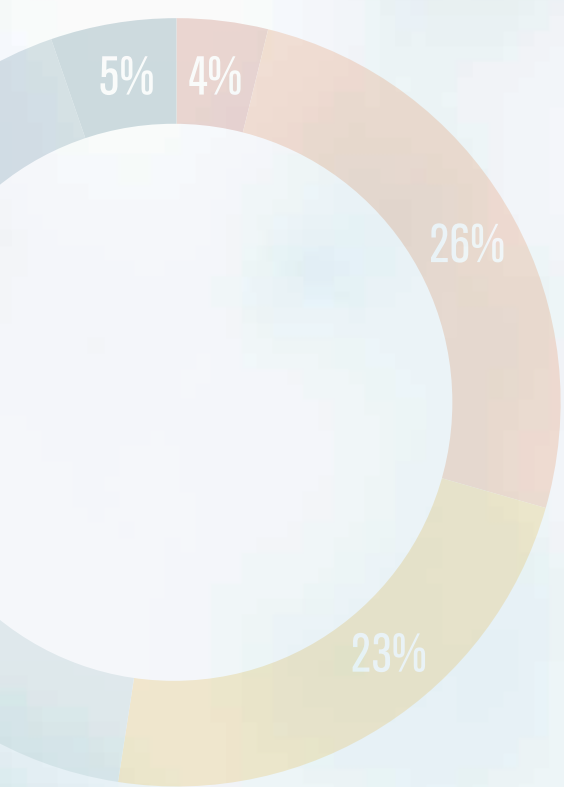
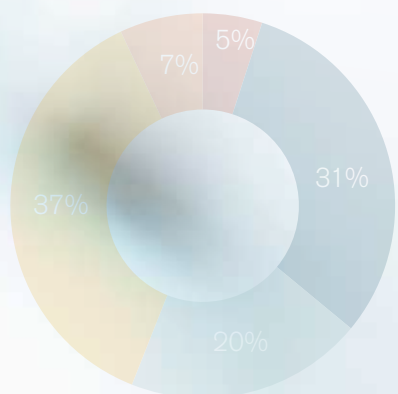
**Q How useful did you find Nordea’s assessment?** It is always useful to go through a review, we get to take a fresh look at ourselves when someone is looking at us from their perspective. We get feedback on areas we can improve. One of the best findings for us was that Nordea and Tieto are well aligned on CR and that we could share best practices.

**Q What do you think you will do differently as a result of the assessment?** We will place more focus on the supply chain.

**Q How confident are you that you will be able to demonstrate improvements?** Very confident. As we have said, we have a very strong focus on CR starting with our executive leadership, board of directors and investors. We report every year and we have senior managers owning each of our material aspects so we have the right conditions in place to improve.



# Performance Data 2014



## 42 Overview of corporate governance structure

Our governance framework, including CSR governance, is presented.

## 44 Commitments & policies

International commitments and internal policies guide our CSR work and Nordea is a member of the most important industry associations.

## 45 Taxation data

A detailed breakdown of the type of tax paid can be found in this section.

## 46 Social data

The data presented gives a picture of Nordea's workforce from a variety of angles.

## 50 Environmental data

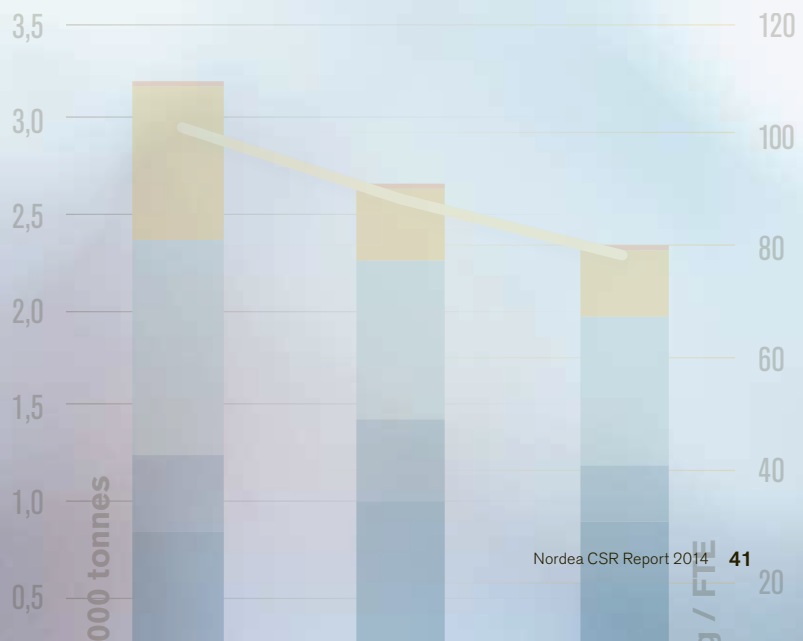
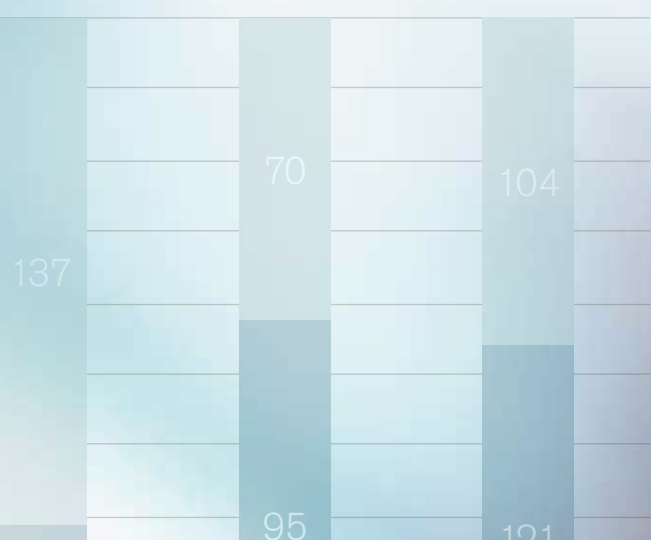
The main environmental indicators and the status of our EcoFootprint programme's KPI's can be found here.

## 53 Supplier data

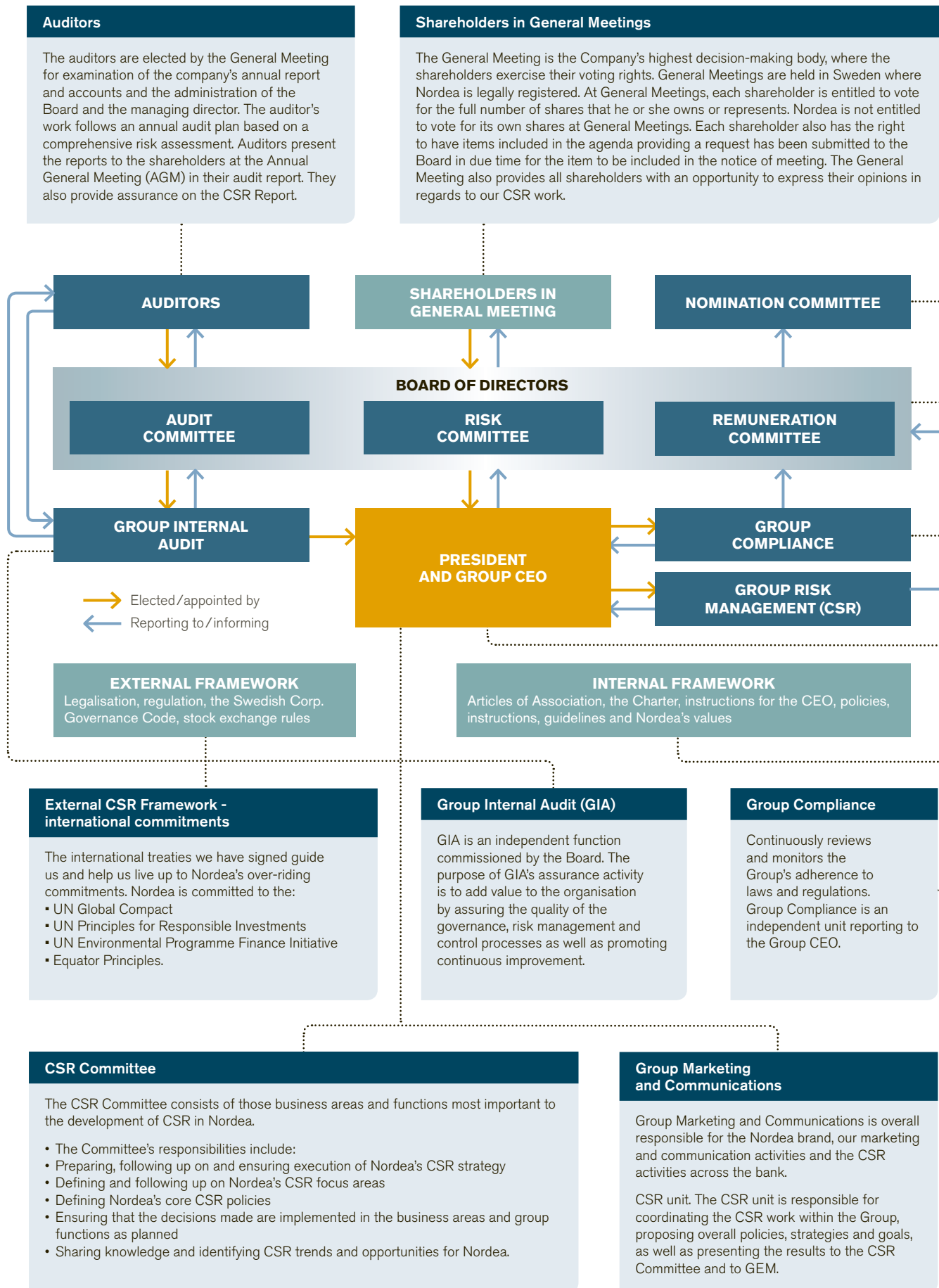
The purchases per country and industry and the summary of findings of our supplier reviews are shown here.

## 54 Assurance Report

Nordea's CSR Report is externally assured.



# Overview of corporate governance structure



**Nomination Committee**

In accordance with the Code, Nordea has a nomination committee representing the shareholders, which is established by the AGM. The committee shall consist of the chairman of the Board and four other members. Shareholders with the four largest shareholdings

in Nordea at a set date shall be entitled to appoint one member each. The committee prepares the decisions on appointments, and remunerations to be taken by the shareholders at the AGM. The committee issues a Statement on the proposal regarding the board of directors

giving the background and the considerations of its proposals. The Statement is published on Nordea's website. In the process of drawing up propositions of Board members, knowledge of CSR issues is one of the parameters to be taken into considerations by the committee.

**Board of Directors**

**Composition of the Board.** The Board currently consists of eight members elected by the General Meeting. In addition three members and one deputy member are appointed by the employees. Employees are entitled under Swedish legislation to be represented in the Board. The CEO of Nordea is not a member of the Board. The appointment of the employee representatives is to ensure a full process of informing and consulting employees about working relationships. Further, according to the Articles of Association the aim shall be that the Board, as a whole, for the purpose of its work, possesses the requisite knowledge of and experience in the social, business and cultural conditions of the regions and markets in which the main activities of the Group are carried out.

**The Chairman.** The Chairman of the Board is elected by the shareholders at the General Meeting. According to the Charter, the Chairman is to ensure that the Board's work is conducted efficiently and that the Board fulfils its duties. The Chairman is to, among other duties, organise and lead the Board's work, maintain regular contact with the CEO, ensure that the Board receives sufficient information and documentation and ensure that the work of the Board is evaluated annually and that the Nomination Committee is informed of the result of the evaluation.

**Board Committees.** In accordance with the external framework and in order to increase the effectiveness of the its work, the Board has established separate working committees to assist the Board in preparing matters belonging to the competence of the Board and to decide in matters delegated by the Board. The duties of the Board Committees, as well as working procedures, are defined in the Charter. Each Committee regularly reports on its work to the Board. The minutes are communicated to the Board.

**The Board Audit Committee (BAC).** Assists the Board in fulfilling its oversight responsibilities by, for instance, monitoring the Nordea Group's financial reporting process and, in relation thereto, the effectiveness of the internal control and risk management systems, established by the Board, the CEO and GEM, as well as the effectiveness of GIA.

**The Board Risk Committee (BRIC).** Assists the Board in fulfilling its oversight responsibilities concerning the management and control of risks, risk frameworks, controls and processes associated with the Group's operations, including credit, market, liquidity, business, life and operational risk.

**The Board Remuneration Committee (BRC).** Prepares and presents proposals to the Board on remuneration issues. When preparing such proposals, BRC shall take into account the long term interests of shareholders, investors and other stakeholders in Nordea.

**The CSR work of the Board.** Nordea's Board of Directors does not have a specific CSR committee. The governance of the CSR work is performed by the Board as a whole. The Board is the highest governing body responsible for the Group's CSR performance. The Board assesses our sustainability performance whenever needed, however at a minimum once a year. Part of this evaluation is to ensure sufficient knowledge of CSR issues of the Board as a whole as well as for individual Board members.

**Evaluation of the Board.** The Board of Directors annually conducts a self-evaluation process, through which the performance and the work of the Board is evaluated and discussed by the Board. The evaluation is based on a methodology that includes questionnaires to evaluate the Board as a whole, the Chairman and individual Board members.

**President and Group CEO**

Nordea's President and CEO is charged with the day-to-day management of Nordea Bank and the Nordea Group's affairs in accordance with the external and internal framework. The internal framework regulates the division of responsibilities and the interaction between the CEO and the Board. The CEO works closely with the Chairman of the Board with planning of Board meetings.

The CEO is accountable to the Board for the management of the Nordea Group's operations and is also responsible for developing and maintaining effective systems for internal control within the Group. The CEO works together with executive officers within the Group in Group Executive Management (GEM). Presently GEM consists of six members and the CEO. GEM meets regularly and whenever necessary

upon request by the CEO. These meetings are chaired by the CEO, who reaches decisions after consulting with the other members of GEM. Notes of meetings, verified by the CEO, are kept.

GEM is the highest operational body responsible for the Group's CSR work.

**Internal CSR framework - Internal policies**

We have committed ourselves to good citizenship in Nordea, which means that we are a responsible and active member of society.

The Nordea Sustainability Policy serves as the main standard of our role in society.

- Policies we have developed are e.g.:
- Nordea Sustainability Policy
  - Code of Conduct
  - Anti-Bribery and Corruption Policy

# Commitments & policies

## Implementation of international commitments

In addition to the conventions in the table below, Nordea follows the United Nations' Universal Declaration of Human Rights, ILO-conventions and the OECD Guidelines for Multinational Enterprises in our operations and business.

International Commitments	Objectives	Implementation in Nordea
<b>United Nations Environment Programme Finance Initiative</b> <b>UNEP FI</b>	The UNEP FI is a global partnership between UNEP and the financial sector. Institutions, including banks, insurers and fund managers, work with UNEP to understand the impacts of environmental and social considerations on financial performance.	Nordea signed the UNEP FI in 2001 <b>UNEP FI:</b> <ul style="list-style-type: none"> <li>guides us in how to take environmental and social considerations into account in our own operations and business decisions, especially in lending</li> <li>is one of the commitments forming the basis for the Nordea Sustainability Policy.</li> </ul>
<b>UN Global Compact</b> <b>UNGC</b>	The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. By doing so, businesses can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.	Nordea signed the UNGC in 2002 <b>UNGC:</b> <ul style="list-style-type: none"> <li>guides us in how to take environmental, social and governance considerations into account in our own operations and business decisions, especially in lending</li> <li>forms the basis of Nordea's Code of Conduct</li> <li>is one of the commitments forming the basis for the Nordea Sustainability Policy</li> <li>forms the basis for our requirements towards suppliers expressed in Nordea's Supplier Guidelines.</li> </ul>
<b>Equator Principles</b> <b>EP</b>	The Equator Principles is a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions. Project finance is often used to fund the development and construction of major infrastructure and industrial projects.	Nordea signed the EP in 2007 <b>EP:</b> <ul style="list-style-type: none"> <li>is used in project financing and have been incorporated into Nordea EP Manual that is utilized in preparing the cases, the decision-making process and training</li> <li>is one of the commitments forming the basis for the Nordea Sustainability Policy.</li> </ul>
<b>Principles for Responsible Investment</b> <b>PRI</b>	The UN-backed Principles for Responsible Investment is an initiative in partnership with UNEP FI and UNGC. PRI consist of six principles and reflects the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors.	Nordea signed the PRI in 2007 <b>PRI:</b> <ul style="list-style-type: none"> <li>is the basis for Nordea's responsible investment strategy</li> <li>is one of the commitments forming the basis for the Nordea Sustainability Policy.</li> </ul>

## Nordea memberships

### International forums

IIF - Institute of International Finance  
 IBC - The International Banking Circle  
 ICMA - International Capital Market Association  
 GFMA - Global Financial Markets Association

### European forums

EFR - European Financial Roundtable  
 EBG - European Banking Group  
 IIEB - Institute International d'Études Bancaires  
 AFME - Association for Financial Markets in Europe  
 CFO Network Forum  
 CEPS - Centre for European Policy Studies  
 European Payments Council (EPC)  
 European SWIFT Alliance

### Banking Associations

European Banking Federation  
 Swedish Banking Association  
 Federation of Finnish Financial Services (FFI)  
 Finance Norway  
 Danish Banking Association

### Securities Dealers Associations

Norwegian, Swedish and Danish  
 Securities Dealer's Associations

### Asset Management

European Fund and Asset Management Association  
 FEAM - Forum for European Asset Managers  
 Swedish Investment Fund Association (Fondbolagens förening)  
 Norwegian Fund and Asset Management Association  
 Danish Investment Association  
 Finnish Fund & Asset Management Association  
 Association of professional Fund Investors (AFPI)

## Core content of the Nordea Sustainability Policy

Our sustainability principles guide our own behaviour in our daily work and when making business decisions. We take these principles and all other relevant environmental, social and governance principles into consideration when evaluating business risks and opportunities. We expect our business partners and suppliers also to adhere to these principles.

### We are committed to

- good corporate citizenship
- human rights and freedom
- equal opportunities
- caring for the wellbeing of our employees
- ethics, honesty and sincerity
- caring for the environment

Full version of the Sustainability Policy can be found at [www.nordea.com/csr](http://www.nordea.com/csr)

## Core content of the Code of Conduct

Our Code of Conduct describes in general terms the ethical principles for how we guide our business, how we treat our customers, and the behaviour we expect from our employees.

### The core principles are based on

- high standards of integrity and fair business
- proper handling of customers
- ethical employee behaviour

Full version of the Code of Conduct can be found at [www.nordea.com/csr](http://www.nordea.com/csr)

# Taxation data

## Nordea's tax footprint

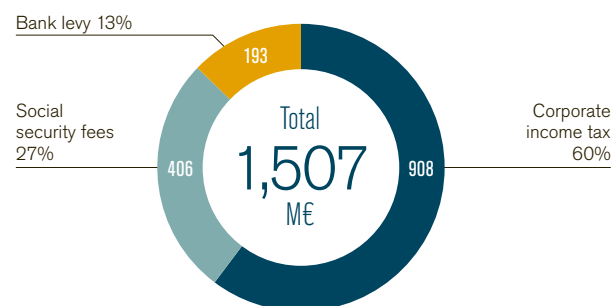
Nordea's policy is to pay taxes in accordance with the local regulation in all countries where we operate. We manage tax costs and risks with due considerations and by paying and reporting taxes in due time and aim to preserve good local tax reputation. We make effort to comply with tax rules for all the taxes that we pay everywhere where we in order to ensure appropriate contribution to the local societies.

Nordea is a substantial corporate income tax payer in its main home countries of operation, i.e Denmark, Finland, Norway and Sweden. We also pay social security contributions and bank levy in countries where we operate.

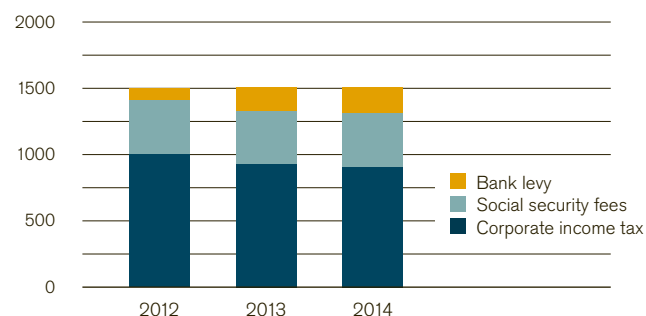
Statutory rates of taxes, contributions and levies vary in our countries of operation. When comparing the taxes paid it is important to note that the size of Nordea's business operations also vary country by country. Both the rate level and change in business operations may create fluctuation.

Corporate income tax includes current taxes booked as cost for the year and adjustments to the previous year's current taxes.

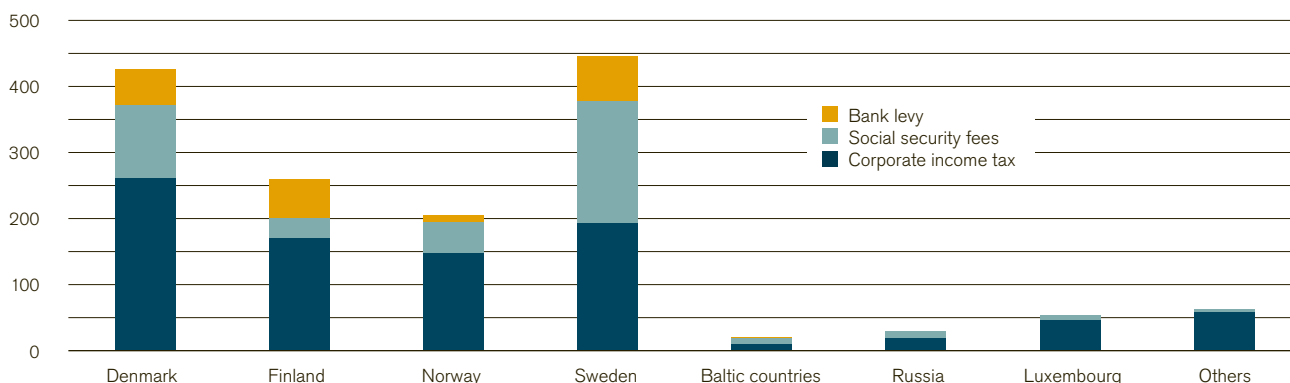
Taxes paid by Nordea Group in 2012-2014 by type%



Taxes paid by Nordea Group in 2012-2014 by type EURm



Taxes paid in 2014 by country EURm



Taxes paid in 2012-2014 by country EURm

Taxes paid	Denmark			Finland			Norway			Sweden		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Corporate income tax	242	275	261	201	148	172	271	126	149	169	274	193
Social security fees	103	97	111	21	22	30	48	45	47	192	196	185
Bank levy	32	52	53		51	60		16	11	57	63	68
<b>Total</b>	<b>377</b>	<b>424</b>	<b>425</b>	<b>222</b>	<b>221</b>	<b>262</b>	<b>319</b>	<b>187</b>	<b>207</b>	<b>418</b>	<b>533</b>	<b>446</b>

Taxes paid	Baltic countries			Russia			Luxembourg			Others*		
	2012	2013	2014	2012	2013	2014	2012	2013	2014	2012	2013	2014
Corporate income tax	15	13	10	24	17	19	26	36	46	52	38	58
Social security fees	16	9	9	14	13	11	5	5	8	11	11	5
Bank levy		1	1									
<b>Total</b>	<b>31</b>	<b>23</b>	<b>20</b>	<b>38</b>	<b>30</b>	<b>30</b>	<b>31</b>	<b>41</b>	<b>54</b>	<b>63</b>	<b>49</b>	<b>63</b>

# Social data

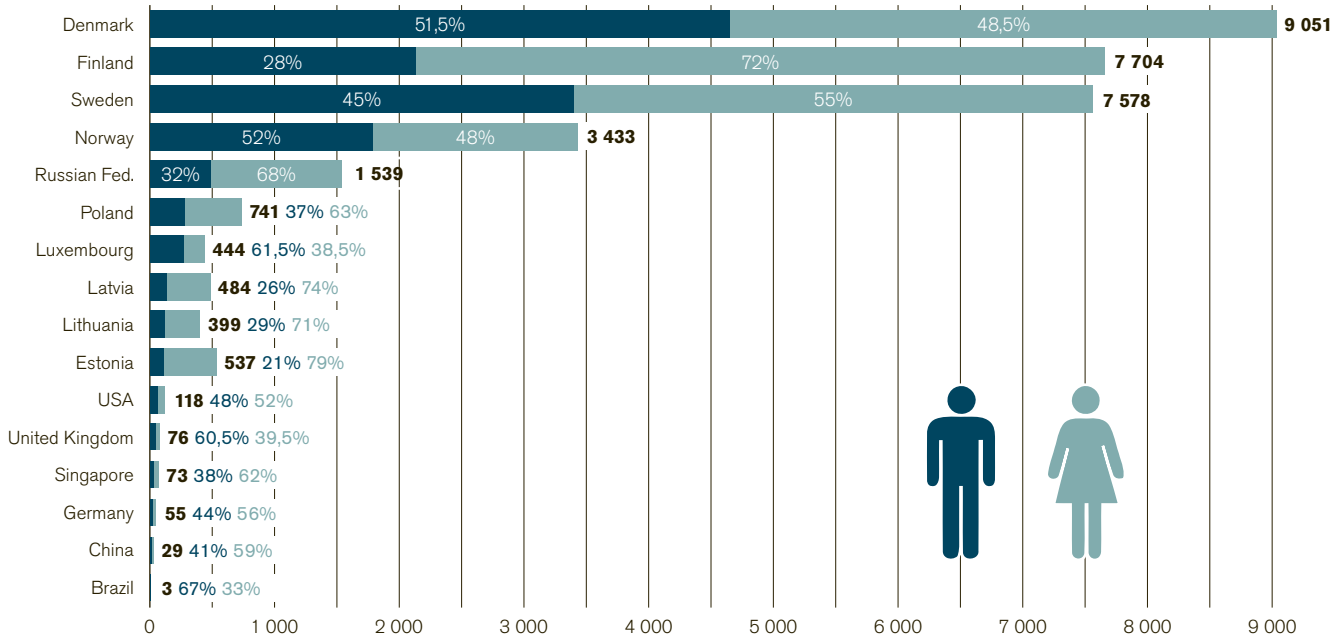
All employee data is based on number of employees (NOE), if not stated otherwise.  
Data including excel tables also on [www.nordea.com/csr](http://www.nordea.com/csr)

## Organisational profile

### Total workforce in Nordea Group divided by region & gender

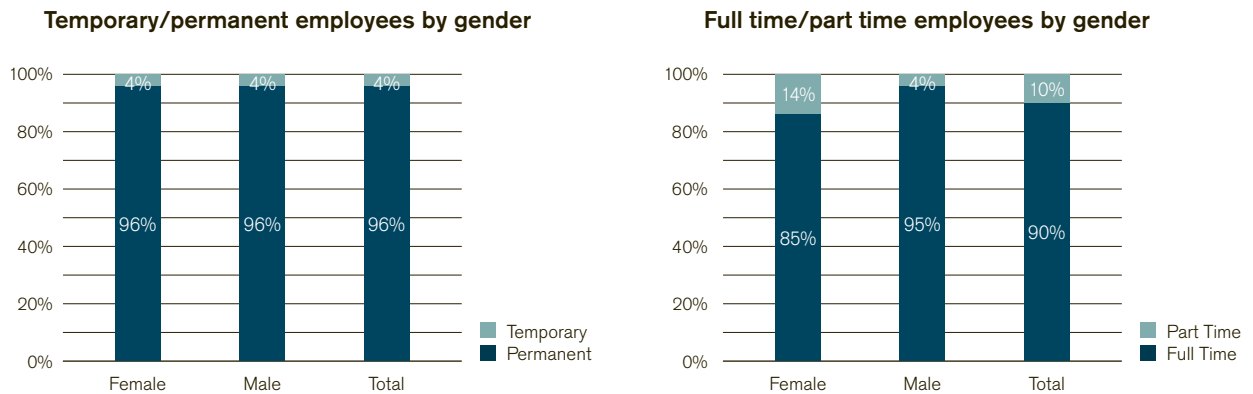
G4-10

Nordea Group's workforce consists of 58 per cent women (59% in 2013) and 42 per cent (41% in 2013) men.



### The total workforce in Nordea Group by employment type divided by gender

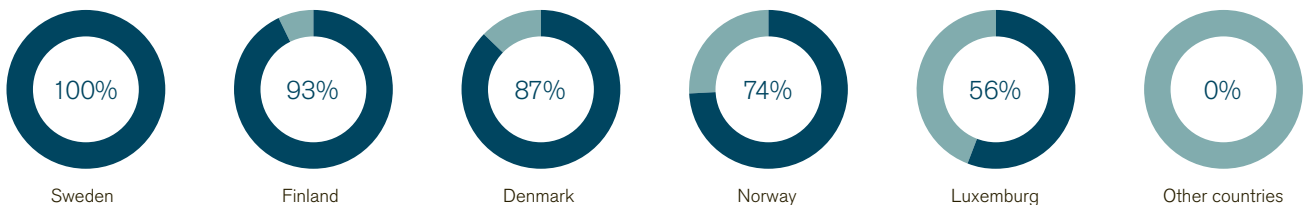
G4-10



### Percentage of employees in Nordea Group covered by collective bargaining agreements

G4-11

Managers and specialists with individual contracts in Denmark (12%), Finland (7%) and Norway (26%) are always, at a minimum, covered by terms in the local collective agreements and additionally holding, to a various extent, more favourable terms.



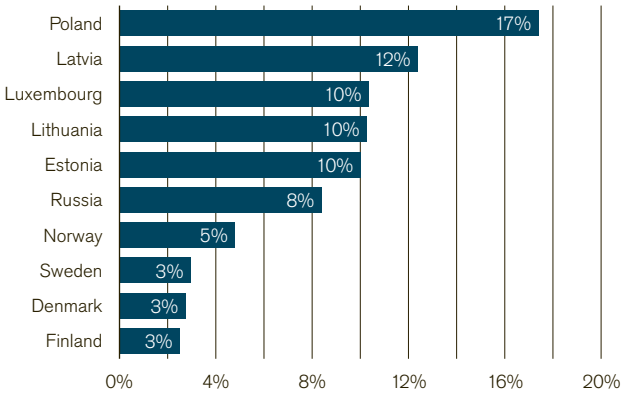
# Employment

## Total number and rates of new employee hires and employee turnover

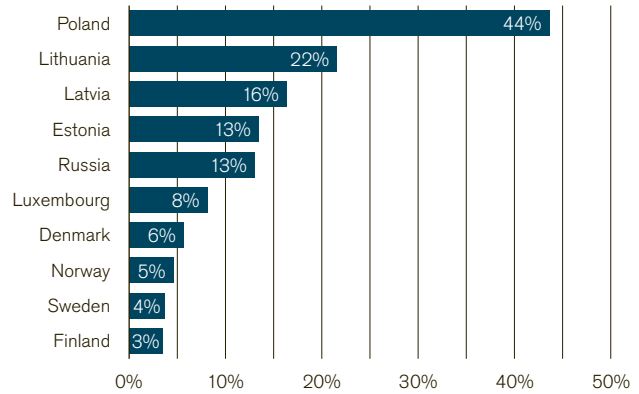
LA 1

Employee turnover as a percentage of total number of employees was 4.0%. In 2013 this figure was 3.95%. Turnover rate includes only employees who have left the company voluntarily.

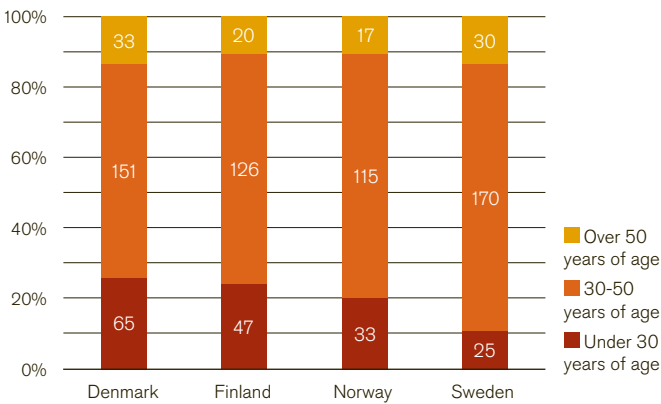
Turnover rate in Nordea Group



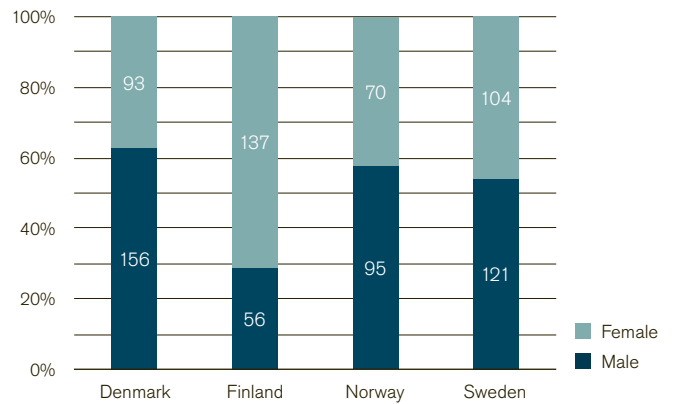
Hiring rate in Nordea Group



Employee turnover by age in Nordic countries

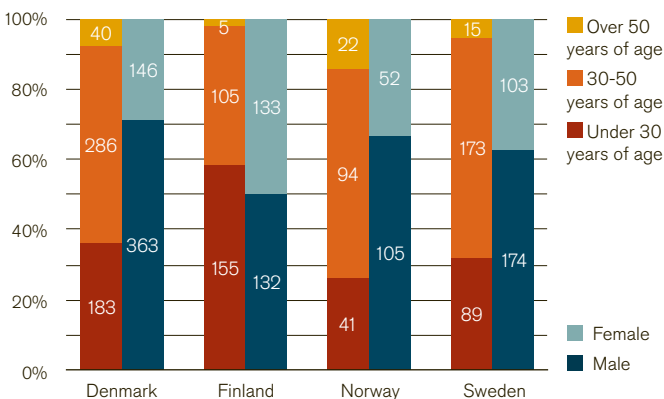


Employee turnover by gender in Nordic countries



Number of new hires by age and gender in Nordic countries

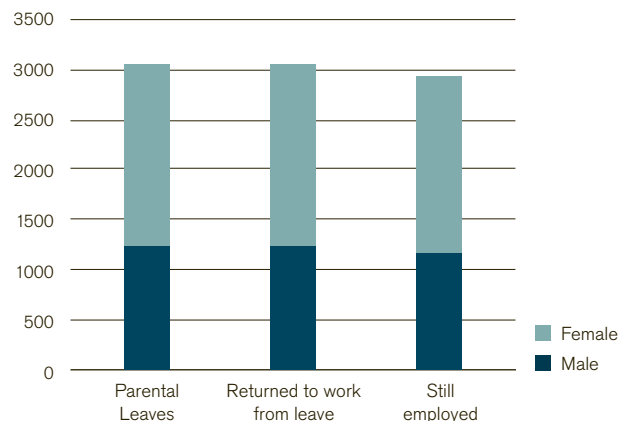
Figures include permanent employees.



Return to work and retention rates after parental leave, by gender

LA3

Every employee in Nordea is entitled to parental leave. Figures are based on number of permanent employees employed by Nordea in the Nordic countries.



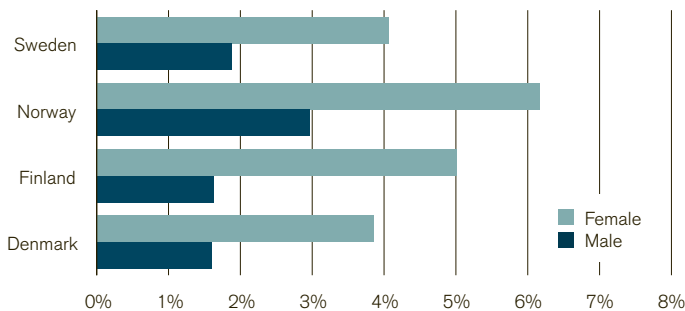
## Occupational health and safety

### Type of injury and rates of injury, occupational diseases, lost days, and absenteeism

LA 6

To secure a safe work environment for employees Nordea has a close co-operation on the security area with other banks via the Bankers Association in each Nordic country. In order to prevent bank robberies Nordea implements various security measures e.g. closed cash register systems to make the cash inaccessible, reducing branch offices that offers cash services and security training of employees. We follow the ILO code of practice on recording and notification of occupational accidents and diseases in all Nordic countries.

#### Sickness rate by region and gender in Nordic countries



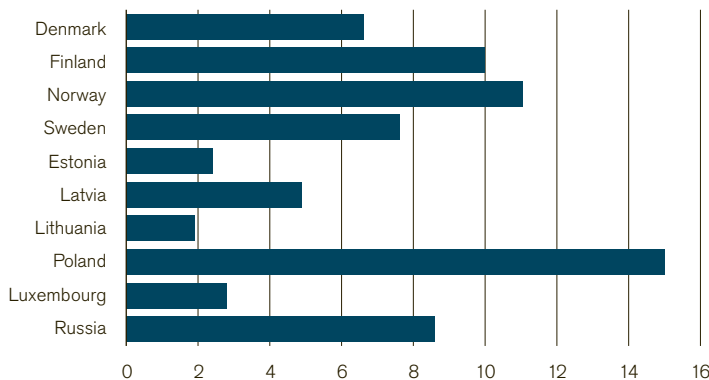
#### Occupational health and safety data

In Finland and Sweden also injuries that occur when commuting to/ from work are seen as work related injuries. Work related illness is not registered in Denmark. The respective collective agreements with Unions cover the health and safety topics to the extent deemed necessary.

Country	Work related Injuries	Robbery cases*	Accidents while commuting	Fatalities	Work related illnesses
Denmark	24	74	0	0	-
Finland	72	0	149	0	2
Norway	6	10	0	1	0
Sweden	10	2	30	0	3
Estonia	0	0	2	0	0
Latvia	2	0	0	0	0
Lithuania	0	0	0	0	0
Poland	0	0	3	0	0
Russia	0	0	0	0	0
<b>TOTAL</b>	<b>114</b>	<b>86</b>	<b>184</b>	<b>1</b>	<b>5</b>

\*#of employees directly affected by a robbery

#### Average sick leave days in Nordea Group

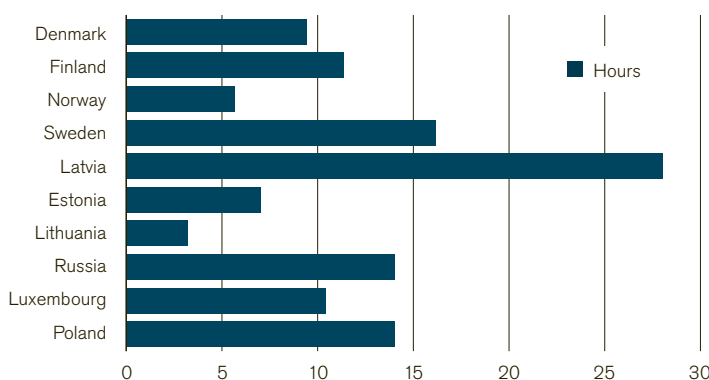


## Training and education

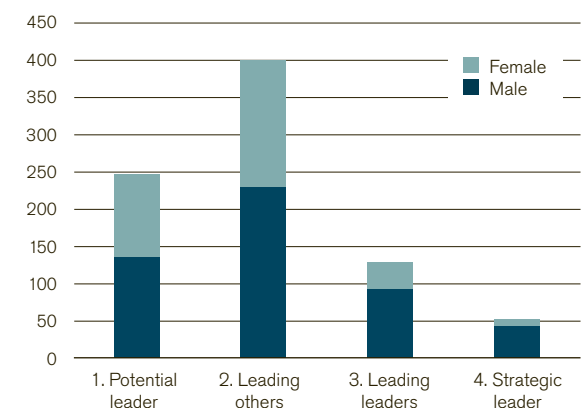
### Average hours of training per year per employee by gender, and by employee category in Nordea Group

LA 9

#### Average training hours per year in Nordea Group



#### Leadership training in Nordic countries





# Diversity and equal opportunity

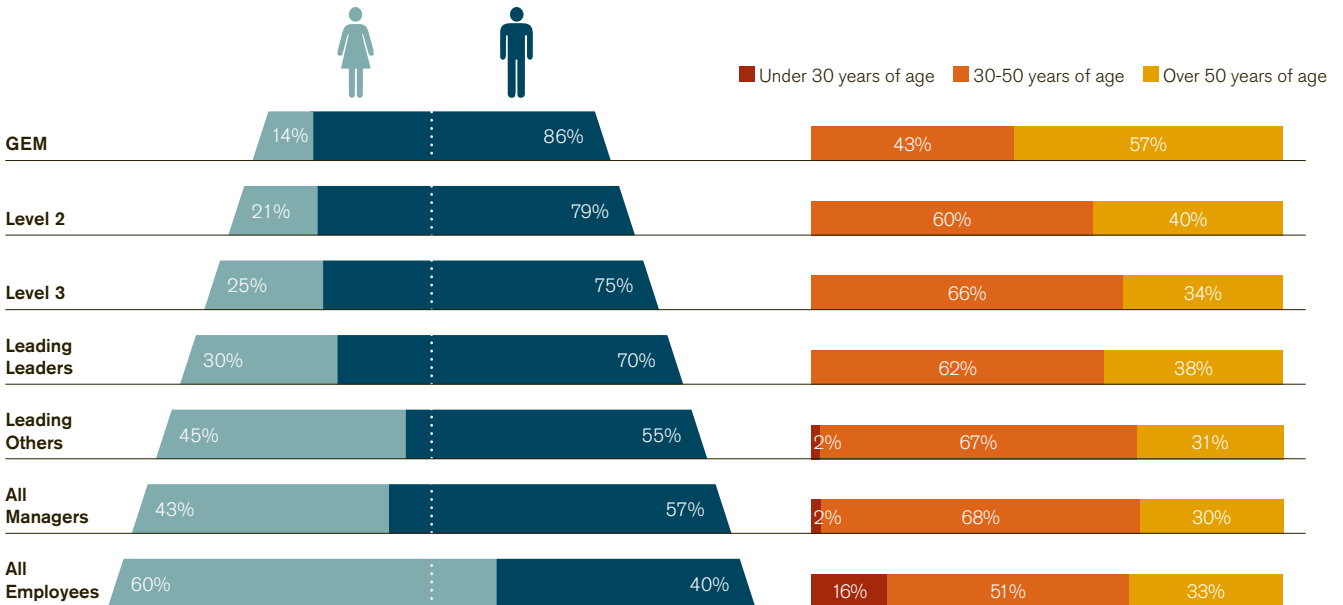
## Composition of governance bodies

LA12



## Ratio of women and age groups in management positions

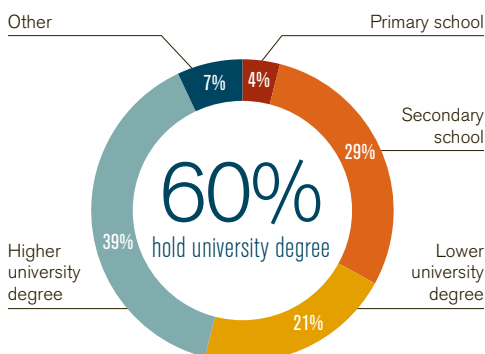
Figures are based on number of employees employed by Nordea Group in all countries except for 'Leading leaders' and 'Leading others' for which the figures are from the Nordic countries.



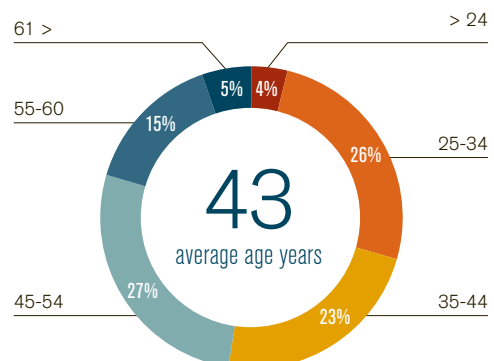
- **GEM** = CEO & Group Executive Management (GEM)
- **Level 2** = Leaders directly reporting to CEO or members of GEM
- **Level 3** = Leaders directly reporting to level 2 leaders
- **Leading Leaders** = Leader of leaders
- **Leading Others** = Leader of employees

# Other information

## Educational background of employees in Nordea Group



## Age structure in Nordea Group



# Environmental data

The reporting of emissions, water and waste include data from the Nordic countries, the Baltic countries, Russia and the Nordea Operations Centre (NOC) in Poland. Nordea Bank Polska is included in the 2012 figures, but was divested in 2013 and is therefore not in the 2013 and 2014 figures. This change in reporting scope is the single most significant factor causing the decreases in 2012-2013.

The reporting of Nordea's environmental KPIs (flight travel, paper and energy) only include the Nordic countries as the KPIs were set before Baltics, Poland and Russia started reporting. We have included data for the baseline year 2008 and target values for 2016 in order to show our progress and the distance to our targets.

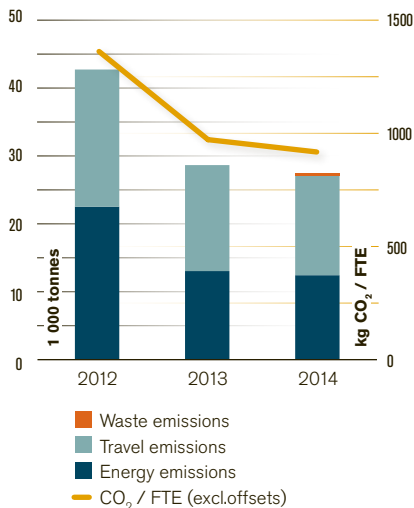
The full-time equivalent (FTE) employee figures used in the environmental data refer to full-time equivalents at year end including temporary staff and external consultants working in Nordea's premises.

The environmental data is calculated in accordance with the Greenhouse Gas (GHG) Protocol's guidelines for emissions calculation. Information on the sources of the emissions factors can be found next to the emission charts.



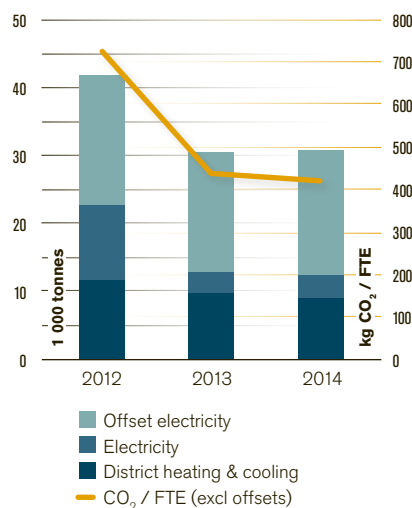
## CO<sub>2</sub> Emissions

**Total CO<sub>2</sub> emissions**



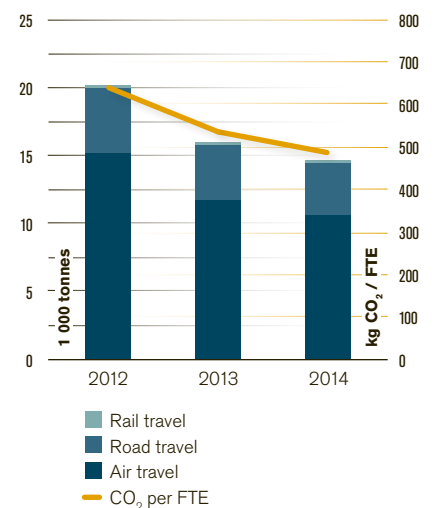
**Total emissions** (excluding offsets) have decreased by 5,7% from 2013 (6% measured in CO<sub>2</sub>/FTE). Total CO<sub>2</sub> emissions for 2012 and 2013 consist of energy and travel emissions. In 2014 we have also added emissions from waste. 46% of our emissions in 2014 derived from energy consumption.

**CO<sub>2</sub> emissions from energy consumption**



**Energy emissions** (excluding offset Nordic electricity) have decreased by 3% from 2013. Emissions factors for electricity have been sourced from the Greenhouse Gas Protocol v1.2 and include only carbon dioxide. Factors for district heating and cooling in the Nordic region have been provided by our energy suppliers, while the Baltics, Poland and Russia use a global factor from the US Environmental Protection Agency and include also methane and nitrous oxide. Nordea has purchased Guarantees of Origin to offset electricity consumption in the Nordic offices since 2009. CO<sub>2</sub> emissions include emissions derived from estimated energy consumption. Starting this year the graph 'CO<sub>2</sub> emissions from energy consumption' also include CO<sub>2</sub> emissions related to offset electricity.

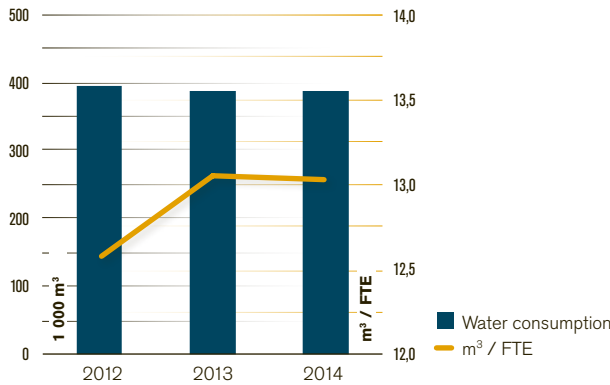
**CO<sub>2</sub> emissions from travel**



**Travel emissions** have decreased by 8% from 2013. Air travel includes trips by employees in Nordics, Baltics, Poland and Russia. Rail only includes train travel in Sweden, Russia and Lithuania. Car travel includes travel in all countries except Poland. Air travel emission factors are sourced from Defra 2013 and only include CO<sub>2</sub>. Car travel factors use the same source but also include methane and nitrous oxide. Defra also provides the emission factor for rail, except for in Sweden where the factor is provided by the Swedish rail company.

## Water

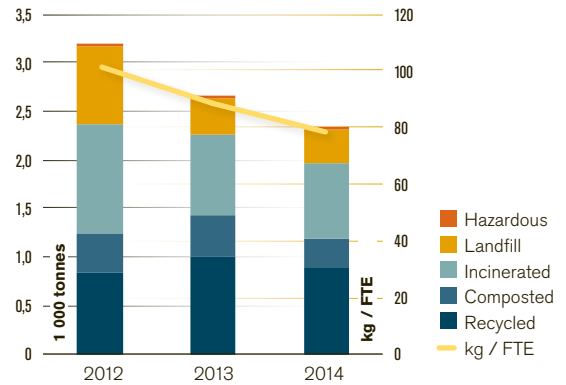
### Water consumption



**Total water consumption** has been stable, with a slight increase of 0,2% in total consumption and a slight decrease of 0,2% in water per FTE. Water data covers HQs and branches in the Nordic region, the Baltic region, Russia and the NOC in Poland. 65% is estimated based on actual data mostly from head offices. All water is withdrawn from municipal water supplies.

## Waste

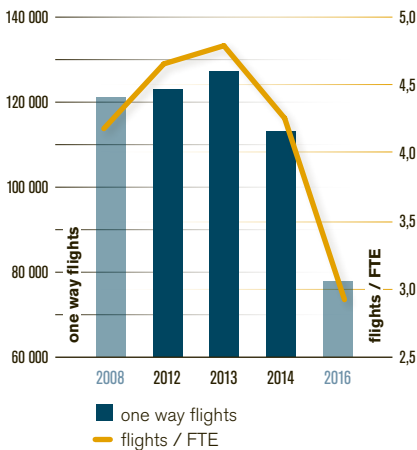
### Waste management



**Total waste** has decreased by 11,6% from 2013. Nordic data is actual waste volumes for head offices only. This year, waste data mainly reflect data from normal operations and exclude waste from renovation projects. This is the largest single reason behind the drop in 2014. Data from Baltics and Russia covers head offices and a number of branches. There is no data available for NOC in Poland. In the Nordic area, waste data is provided by contractors, while the other countries calculate volumes based on invoices.

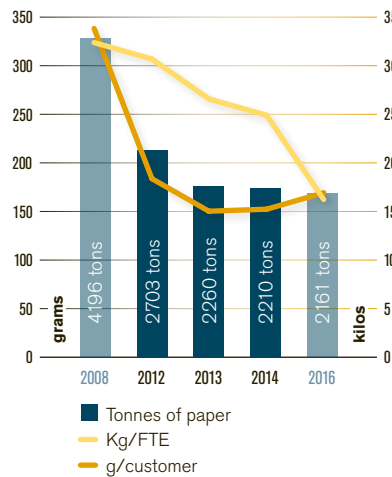
## EcoFootprint KPI's

### Flight travel



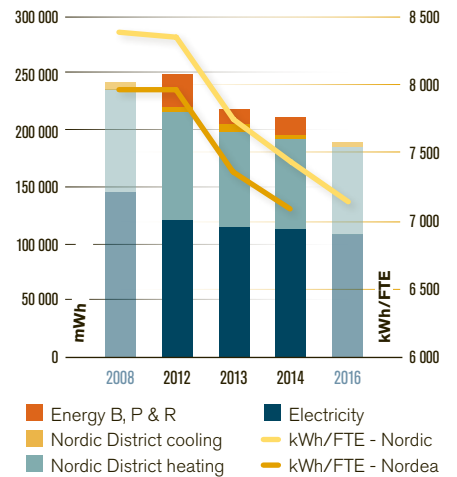
**The number of flights/FTE** decreased by 11% from 2013. Flight data captures air travel by all Nordic employees. As a Nordic company with eight home markets and international operations we are finding it challenging to achieve the desired reduction in air travel activity, although 2014 has shown good progress.

### Paper consumption











**Internal paper (kg/FTE)** is down 6 % from 2013. Internal paper is consumed in Nordea's Nordic head offices and branches. External paper (g/customer) is up 1 % from 2013. External paper is printed offsite and sent to our customers. Starting this year, internal and external paper is reported together. Copy paper used in the Nordic region is all virgin fibre with no recycled content.

### Energy consumption



**Total Nordic kWh/FTE** is down 4% from 2013. Energy includes electricity, district heating and district cooling used within Nordea's headoffices and branches. 35% of the total energy consumption is estimated. Heating of our branches represents 60% of the estimated energy. Estimates are based on actual kWh/m2 for nearby offices. Reductions have been achieved by energy efficiency projects, new and renovated head offices and reduced floor area. 2016 targets in the chart only include Nordic data as this is a Nordic KPI.

## Nordea EcoFootprint programme

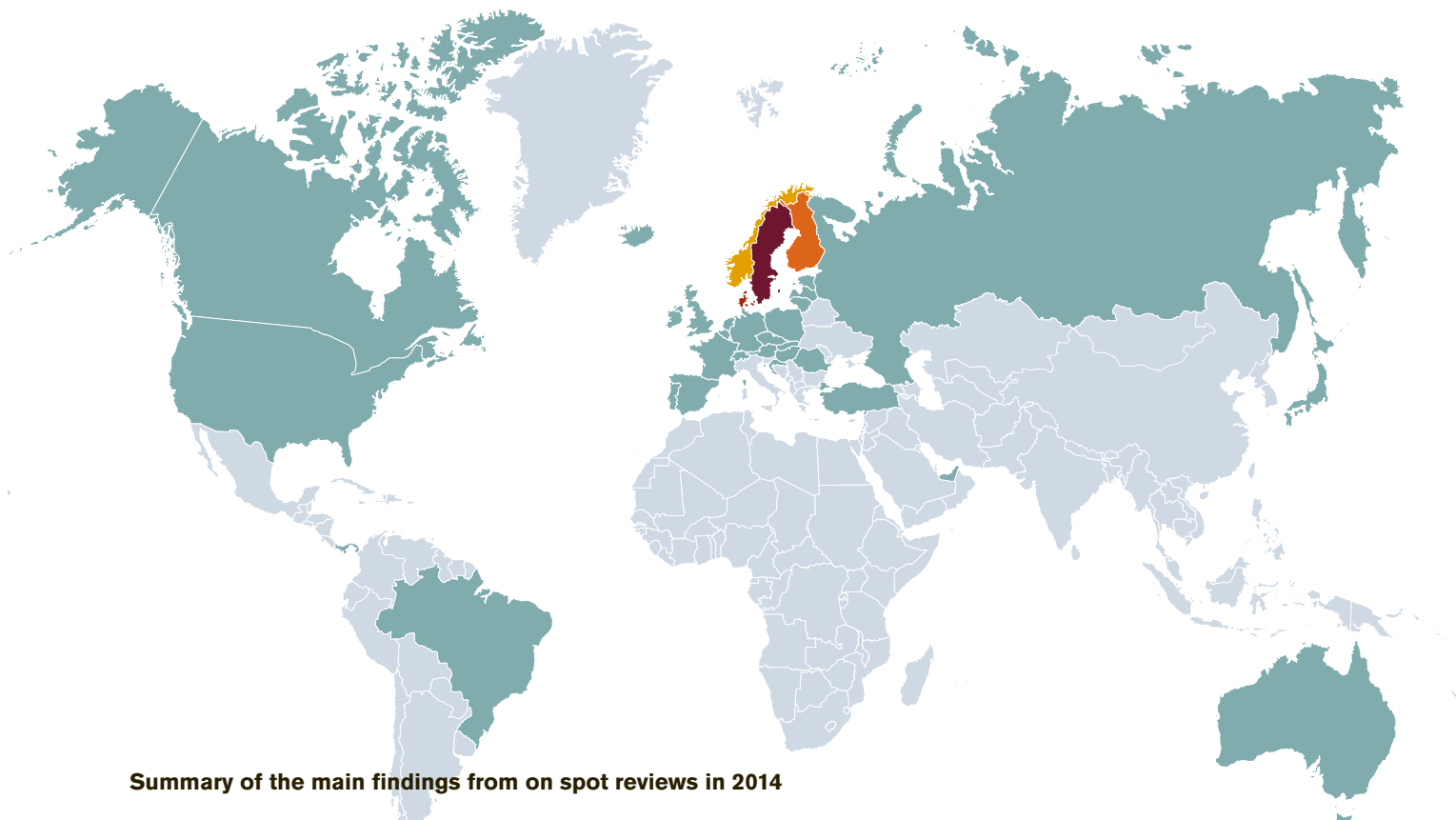
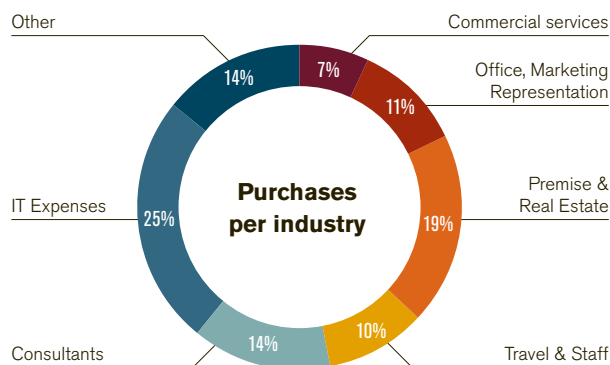
Focus area	Purpose	Target	Status
<b>Energy management*</b> 	Reduce energy and water consumed in Nordea's head offices and branches.	Energy consumption in Nordic head offices and branches: - 15% (kWh / FTE) 2008 – 2016.	On track. kWh/FTE has decreased 11,5% from 2008. Total energy consumption (MWh) has decreased by 18,9% from 2008, but decreasing FTE figures have negatively impacted the kWh/FTE intensity figure. Total energy consumption and kWh/FTE both decreased by 4% from 2013.
<b>Internal paper*</b> 	Reduce the amount of copy paper used in Nordic head offices and branches. Eliminate unnecessary print, increase use of double-sided print, introduce more electronic forms.	Paper used in the Nordic head offices and branches: - 50% (kg / FTE) 2008 – 2016	Behind schedule. Kg/FTE has decreased 23,3% from 2008. Total internal paper (kg) has decreased by 29,7% from 2008. New projects will contribute to future reductions.
<b>Customer paper*</b> 	Reduce the amount of paper that we send to our customers. Eliminate unnecessary print and offer electronic products and services.	Paper sent to Nordic customers: - 50% (grams / customer) 2008 – 2016.	Target was reached in 2013. The amount of paper sent to customers (grams/customer) was down 55 % from 2008 to 2014. There are planned and ongoing projects that will further reduce the customer paper.
<b>Green IT</b> 	Minimize Nordea's environmental footprint through effective technology solutions. Reduce energy consumed by computer equipment.	No official KPI.	Continuous focus on print solutions to reduce paper consumption. In addition, a pre-study was done to investigate ways to reduce emissions related to employees commuting to and from work.
<b>Communications</b> 	Two way communication with employees and other stakeholders. Provide transparent information, inspire to positive behavioral change and openness to new ideas.	No official KPI.	Participated in Earth Hour 2014. Reported to CDP and communicated excellent scores. Published internal communication related to environmental improvements in new and renovated head offices (including LEED certifications), focus on good waste handling and repeated calls to replace more air travel with online meetings.
<b>Facility management</b> 	Minimize use of natural resources by reducing waste. Use eco labelled detergent in the cleaning of our offices. Increase amount of organic food served in our canteens.	No official KPI. However, waste types and volumes are measured, analyzed and reported. We strive to reduce total waste volumes and increase % of waste that is reused or recycled.	Nordic waste volumes have decreased 12,8% from 2013. This is largely due to changes in Sweden, where waste related to renovations and vacating HQ buildings is excluded in the 2014 figures. We strive to have the waste data reflect waste from our normal operations to the extent possible. 58% of the waste is recycled or composted.
<b>Procurement*</b> 	Develop and implement a framework for including environmental (and other CSR) requirements in procurement processes and contracts.	Environmental criteria included in all new contracts by 2016. All suppliers to comply with Nordea's CSR principles. CSR reviews of selected suppliers.	On track. 3 supplier CSR reviews conducted in 2014. Implemented qualifying CSR self-assessment questionnaire.
<b>Travel &amp; virtual collaboration*</b> 	Reduce air travel by introducing alternative virtual collaboration tools and promoting behavioral change.	Internal trips: - 30% (number of non-customer related trips / FTE) 2008 - 2016	Behind schedule, but making good progress. Trips/FTE in 2014 were only 2,1% higher than in baseline 2008. Total number of trips decreased by 11% from 2013 and 2014 is the first year since 2008 that we made fewer flights than in 2008. Decreases in FTEs since 2008 have negatively affected the trips / FTE intensity figure.

\*KPI's

# Supplier data

## Purchases per country

The home country of the supplier determines where the spending is registered. For example in Tieto's case (see p. 40), the headquarters are located in Finland, but the company also has operations in India. As the illustration shows, our primary spend is in Sweden, followed by Denmark, Finland and Norway.



## Summary of the main findings from on spot reviews in 2014

Industry	Industry challenges*	Findings	Actions	Material non-compliances
IT services	Labour Rights and working hours Energy consumption and handling of e-Waste Transparency in the supply chain	<ul style="list-style-type: none"> <li>No issues were found.</li> <li>In regards to energy consumption and e-Waste local targets could be further developed and follow-up methods improved.</li> <li>Limited evidence of follow-up on sustainability risks, opportunities and impacts in the supply chain, especially related to local procurement.</li> </ul>	<ul style="list-style-type: none"> <li>Set targets and continuously measure progress in environmental performance.</li> <li>Increase transparency by formalising supply chain management and increase engagements with suppliers.</li> <li>Increase communication about sustainability initiatives.</li> <li>Continue community engagement initiatives.</li> </ul>	None
Production	Environment, handling of chemicals and waste Labour Rights, worker health and safety Supply chain management	<ul style="list-style-type: none"> <li>No issues were found, but performance measurements could be expanded.</li> <li>No issues, but little evidence of consistent follow-up on incidents, employee development dialogues and trainings.</li> <li>Lack of transparency in the supply chain and low degree of formalisation.</li> <li>Relatively low degree of alignment between countries.</li> </ul>	<ul style="list-style-type: none"> <li>Increase commitments related to the environment and Labour Rights areas. Targets should be formulated and followed-up upon.</li> <li>Formalise supply chain management and consistently follow-up on supplier performance.</li> <li>Align and standardise procedures and practises across countries.</li> </ul>	None
Office supplies	Transparency in the supply chain Environment (chemicals in production, paper, CO <sub>2</sub> emissions during transportation) Worker health and safety	<ul style="list-style-type: none"> <li>Percolation of corporate policies and practises to local levels can be improved, especially related to supply chain.</li> <li>Sustainability initiatives primarily focus on the environment, and are executed centrally.</li> <li>Engagements with external auditors on supplier evaluations, as well as with NGO's on improving environmental footprint.</li> <li>Well-functioning ware-house facilities where minor safety improvements could be made.</li> </ul>	<ul style="list-style-type: none"> <li>Increase communication and enforcement of sustainability initiatives from group-level to local levels.</li> <li>Increase supplier transparency and cooperation.</li> <li>Set targets and continuously follow-up in the area of Labour Rights.</li> <li>Establish designated walking lanes in ware-house, to minimise the risk of incidents with trucks and "pedestrians".</li> </ul>	None

\*When conducting the CSR reviews special attention has been given to specified industry challenges as defined by MSCI and RepRisk

# Auditor's Limited Assurance Report

To Nordea AB

## Introduction

We have been engaged by the Group Executive Management of Nordea to undertake a limited assurance engagement of Nordea's CSR Report for the year 2014 and corresponding GRI Index on Nordea's website [www.nordea.com/csr](http://www.nordea.com/csr).

## Responsibilities of the Board of Directors and the Group Executive Management for the CSR Report

The Board of Directors and the Group Executive Management are responsible for the preparation of the CSR Report in accordance with the applicable criteria, as explained in the GRI Index published on Nordea's website [www.nordea.com/csr](http://www.nordea.com/csr), and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative (GRI)) which are applicable to the CSR Report, as well as the accounting and calculation principles that Nordea has developed. This responsibility also includes the internal control relevant to the preparation of a CSR Report that is free from material misstatements, whether due to fraud or error.

## Responsibilities of the auditor

Our responsibility is to express a conclusion on the CSR Report based on the limited assurance procedures we have performed.

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engage-

ment consists of making inquiries, primarily of persons responsible for the preparation of the CSR Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

Our procedures are based on the criteria defined by the Board of Directors and the Group Executive Management as described above. We consider these criteria suitable for the preparation of the CSR Report.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion below.

## Conclusion

Based on the limited assurance procedures we have performed, nothing has come to our attention that causes us to believe that the CSR Report, is not prepared, in all material respects, in accordance with the criteria defined by the Board of Directors and the Group Executive Management.

Stockholm, February 11, 2015  
KPMG AB



Hans Åkervall  
Authorized Public Accountant



Jenny Fransson  
Expert Member of FAR



