nsn

Understanding our impact

Sustainability Report 2012

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About this report

This is our sixth annual sustainability report. It focuses on our performance on the ethical, social and environmental issues identified as most significant – or material – to our business and our stakeholders (see Managing Sustainability on page 7).

The report covers performance data and activities from all Nokia Solutions and Networks operations globally for the 2012 calendar year. This report does not consider subsequent changes and focuses only on activities up to December 2012.

The report has been assured to give users confidence that the data is accurate and that the content reflects the most important issues NSN has to manage. We commissioned DNV Two Tomorrows to undertake independent assurance using AccountAbility's AA1000 Assurance Standard (2008) which evaluates adherence to the principles of:

Inclusivity – involving stakeholders in the development of the company's response to sustainability issues

Materiality – the relevance and significance of an issue to the company and its stakeholders

Responsiveness – communicating and responding to issues raised by stakeholders.

Selected data indicators are also included in this assurance. See the Assurance Statement from Two Tomorrows on page 50.

An index of our conformance with the Global Reporting Initiative guidelines and reporting against the Global Compact principles, together with more information about our sustainability strategy, approach and policies are available online at www.nsn.com/about-us/sustainability.
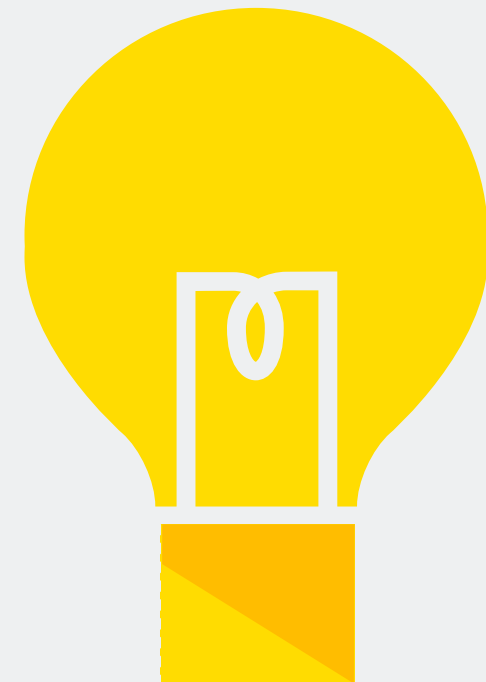
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Introduction

This report covers 2012, which was the first year of the significant 2-year transformation program for NSN.

In 2012, restructuring of the company continued as we made good progress towards achieving our objective of becoming the world's leading mobile broadband specialist by 2014. This was a substantial two-year transformation to create a high-quality, innovative business that could succeed in this dynamic sector.

The many changes have led to a stronger NSN, but it has also been a difficult time for many employees. During 2012, we reduced the number of permanent employees by 21% and the temporary labor force is down by 13%. We outsourced IT, exited areas of the business that were not in line with our strategy, and ended activity in several countries. A number of sites have been closed.

These actions will contribute to our cost saving target of EUR 1 billion, by the end of 2013, compared to 2011, but the restructuring is not only about saving money. It is also about making the major changes that will bring us sustainable success in the future.

We undertake all restructuring with the utmost respect for employees, and accompany it with investment in our people to improve our effectiveness in the future. Where appropriate, we have consulted employee representatives and local Works Councils, and communicated clearly with employees about the changes affecting them. We have been able to redeploy some employees in new roles and where this has not been possible, we have looked for socially responsible ways of reducing the workforce and supporting the people affected.

Throughout 2012, we continued to invest in training and introduced a comprehensive change management program, equipping people to cope with the changes to the business and adopt behaviors that build a disciplined, accountable, profit-oriented culture.

Highlights 2012

73 per cent
engagement score in our annual employee survey, up three points

72 per cent
of employees support the future direction of the company, up six points

21 per cent
reduction in lost-time incidents per 1,000 employees

87 per cent
of employees completed ethical business training

25,614 employees
completed additional anti-corruption compliance training

20 out of 33
open audits closed by working with suppliers to improve their performance on sustainability

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Employees have been very receptive to the change program and the results are positive. Our annual employee engagement survey in October 2012 revealed an improvement in employee engagement despite the ongoing changes, and a much stronger connection with the direction the company is taking.

Our commitment to sustainability remains strong. We have continued to emphasize the need for high ethical standards and respect for human rights in our industry, and the importance of strong health and safety practices in both our own operations and those of our suppliers. Our continued focus on issues such as human rights and anti-corruption demonstrates our ongoing commitment to the values embodied in the UN Global Compact.

We have maintained our efforts to support ethics and human rights, including training for the vast majority of employees and almost all procurement staff as part of our work to ensure high standards among our suppliers. In 2012, we continued the Telecommunications Industry Dialogue on Freedom of Expression and Privacy with seven other companies.

Our continued focus on health and safety has had impressive results, with a significant reduction in both the number and rate of incidents during the year. We are aiming to achieve global certification to the international health and safety management standard OHSAS 18001 in all the countries where we operate, besides China, by the end of 2013.

The Green to Gold strategy continues, ranging across our activities in 2012, as we work to reduce the environmental footprint of our operations. Our energy efficient products also continue to help our customers reduce their carbon footprints.

We have, however, narrowed the scope of our sustainability strategy to concentrate on the most important areas as we refocus the company. For example, we could not continue our global community programs in 2012 although employees continued to volunteer their time to charitable causes and we maintained our policy for disaster relief efforts.

As we continue to transform our business, we will work to make it ever more sustainable – economically, socially and environmentally.

Highlights 2012

125 relevant suppliers
asked to participate in industry due diligence on conflict minerals

105 suppliers
trained on sustainability through three virtual workshops

89 per cent
of waste recycled, reused or used for energy recovery

20 per cent
reduction on our own operations' emissions

52 per cent
reduction in emissions from outbound logistics

Worked through the Industry Dialogue to develop Guiding Principles on Freedom of Expression and Privacy

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Who we are and what we do

NSN is the world's specialist in mobile broadband. We provide mobile operators with hardware, software and services to plan, design and build their networks; to operate and maintain those networks; and to enhance their customers' experience.

Meeting the growing global demand to be connected anywhere, anytime, using any device, requires network infrastructure that only very few companies can provide – and NSN is one of those companies.

We focus on mobile broadband technology and services: from the radio equipment found on towers and rooftops around the world, to the sophisticated software systems that manage complex networks, to the services that make it all work together.

Our customers include most of the world's leading telecommunications companies, including América Móvil, China Mobile, Deutsche Telekom, SoftBank, Telefónica, T-Mobile USA, Verizon and Vodafone.

Our customer-focused sales and delivery organizations are grouped into three large geographical areas: North America, Europe and Latin America, and Asia, Middle East and Africa. Net sales totalled approximately €13.4 billion in 2012.

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Transformation

In 2012, we transformed our business to focus on mobile broadband. The new organization is based around two businesses units:

– **Mobile Broadband** – providing mobile operators with radio and core network software together with the hardware needed to deliver mobile voice and data services. The product portfolio includes 'Liquid' software, which allows unrivalled flexibility and adaptability including migration towards a cloud architecture; network management tools that provide a real-time view of the network performance and quality of service; and customer experience management software that monitors and adapts network and service experience.

– **Global Services** – providing mobile operators with a broad range of services, including network implementation, customer care services and professional services (including network planning and optimization, systems integration, and managed services for network and service operations).

This restructuring has resulted in some business areas being divested or managed for value, and a significant reduction in our global workforce to 58,411 in 2012 (see Employees, page 19). These reductions aim to streamline the organizational structure, consolidate sites and activities, simplify processes, and align the workforce with our new strategy, improving productivity and efficiency.

Our Code of Conduct governs everything we do, and our commitment to corporate responsibility that the Code embodies is unwavering. See Managing Sustainability, page 7, for more details.

Our values

Focus on the customer

Communicate openly

Win together

Inspire

Innovate

Managing sustainability

We have refocused our sustainability priorities and changed the way we manage related issues to align with our new business strategy. The emphasis is on securing an economically sustainable future for our business, while maintaining key programs to achieve environmental and social sustainability.

Governance

Sustainability at NSN is overseen by the Executive Board, which acts as a Steering Group for sustainability matters, reviewing performance at least once a year and providing guidance. The Head of Marketing and Corporate Affairs is the board member directly responsible for sustainability.

Sustainability issues are managed by our Corporate Responsibility (CR) team, now within our global Health, Safety and Security function. The team focuses on managing our sustainability systems, reporting and environmental management system, as well as coordinating our approach to human rights and compliance with CR-related regulatory requirements.

In 2012 we merged our two cross-functional networks (divided between products and operations), bringing together sustainability experts throughout the business to form an Environment, Health and Safety (EHS) Council.

The primary purpose of the Council is to run our global EHS management systems, coordinate cross-functional activities, and oversee the management of a wide range of sustainability issues through working groups which gather experts from various business units and functions to act as forums for discussion, development and sharing best practice. Initially, specific working groups are focusing on clarifying and developing our existing regulatory process to ensure our products are compliant with relevant EHS legislation and that we are aware of upcoming legislation in every market.

Additional working groups will be established to run specific projects as needed. The EHS Council meets monthly, with representatives from global business units and Health, Safety and Security teams from each of our regions. Experts from other parts of the business are also invited to offer insights on particular issues such as conflict minerals.
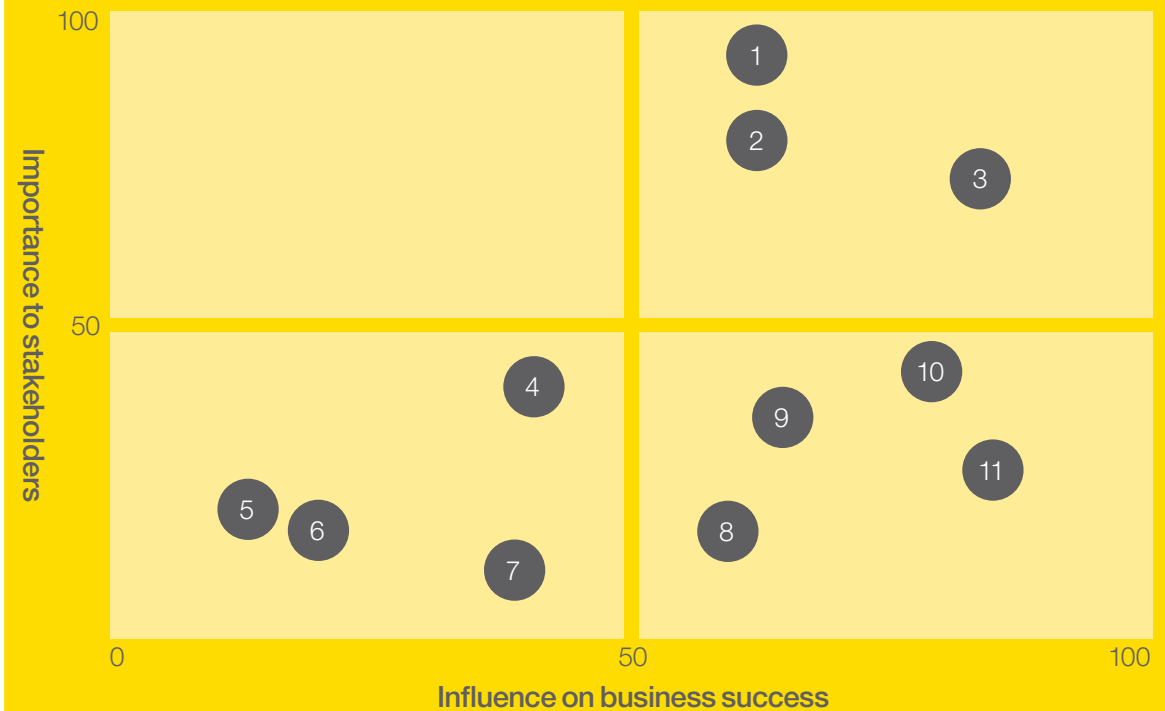
Material issues

In 2012, we reviewed our sustainability priorities to align with our new corporate strategy and renewed focus on securing an economically sustainable future for the business. To improve efficiency and secure the success of our sustainability strategy, we have streamlined our approach to focus on the issues that are most important (or "material") to our business.

As a result, our activity in two areas we reported on in previous years – community and connectivity – has diminished. We have been unable to actively support our global community programs – on education and ICT, and the environment – as we refocused resources on supporting our people through the restructuring in 2012. Some community programs have continued where we had a pre-existing commitment and teams in some countries have chosen to continue their support for local communities on a smaller scale. Employees also continued to volunteer their time to charitable causes and our policy for disaster relief efforts remained in place. More information on our approach to community is available online [http://nsn.com/about-us/sustainability/community]. We founded the Connectivity Scorecard, a global ICT index ranking countries on how advanced their networks are in promoting productivity and economic growth. We were not involved in the production of the 2013 scorecard [http://nsn.com/about-us/sustainability/connectivity-and-development], which is now run by an external organization.

Our revised priorities are shown in the materiality matrix (see chart) which identifies the issues most relevant to our stakeholders and our business based on an analysis of criteria set out in a tool developed specifically for our industry by the Global e-Sustainability Initiative. This was updated in 2012 by our global CR team, based feedback from stakeholders and changes in the business. We plan to complete a more comprehensive update of the analysis during 2013.

Materiality analysis output

Importance to stakeholders

Influence on business success

1	Supply Chain	7	Product use issues
2	Privacy and human rights	8	Customer relationships
3	Ethics, bribery and corruption	9	Employee relationships
4	Climate change	10	Privacy and Security Freedom of Expression
5	Waste and materials use	11	Intellectual Property rights
6	Access to ICT		

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Stakeholder engagement

In 2012 we engaged with stakeholders on a wide range of sustainability issues. Examples are highlighted in the table below and throughout this report.

Stakeholder group	How we engage	Examples in 2012	Stakeholder group	How we engage	Examples in 2012
Customers	We collaborate closely with customers to meet their sustainability requirements for suppliers and help them meet their own environmental targets.	We took part in Telefonica's supplier workshop to discuss their "Think Big" sustainability initiative. We have also collaborated with Telefonica on the management of hazardous substances in the supply chain.	**Industry**	We engage with others in our industry to share best practices and develop consistent standards and guidelines on particular issues.	We continued to contribute to the Industry Dialogue on freedom of expression and privacy, which resulted in the publication of Guiding Principles for the telecommunications industry in early 2013 (see page 32).
Employees	We communicate with employees throughout the business to ensure they understand and support our strategy, as well as gaining feedback on how we are doing as an employer through our annual Employee Engagement Survey. Employees can communicate with one another, and find information on the activities taking place in our business through NSN Connect, our online networking platform.	We implemented an extensive change management program in 2012 to support employees through the transformation of the business and engage them in the new strategy. Our annual employee survey showed improved levels of engagement despite the significant changes in the business (see page 21).	**Governments and regulators**	We work with governments and regulators to support the development of new guidelines and ensure we adhere to their standards.	We represented the Industry Dialogue on freedom of expression and privacy to provide advice to the European Commission in the development of their guidelines on human rights in the ICT sector (see page 32).
			Non-governmental organizations (NGOs)	We engage with relevant NGOs on particular issues.	Through the Industry Dialogue, we engaged with NGOs in the development of the Guiding Principles on freedom of expression and privacy.
Suppliers	We work closely with our suppliers to improve their management of ethical, labor and environmental issues, monitoring their compliance through regular audits.	We ran three workshops for 105 suppliers in high-risk countries, to raise their awareness of our Supplier Requirements.	**Communities**	Employees can choose to volunteer their time to support community programs and we offer match funding for employee donations to disaster relief efforts.	Although our support for global community programs declined, some teams continued to support communities locally. In Indonesia, for example, we supported programs that use ICT to improve education.

Environment

Operations

We aim to continually reduce greenhouse gas emissions from energy use in our buildings and data centers, and incorporate sustainability principles during design and construction of sites. We are also working to reduce emissions from logistics and to save resources by minimizing waste.

We target emissions reductions through the use of renewable energy and efficiency measures in all our operations, including logistics, as well as encouraging employees to travel less and choose lower-carbon transport options. A robust, certified management system underpins our environmental actions.

Performance in 2012
We carried out a thorough review of our environmental Green to Gold strategy in 2012 to align our activities with economic circumstances, set clear priorities and concentrate on delivering value from everything we do. Through these activities, we achieved a 20% reduction in total emissions from our operations.

Energy use in our buildings
The reorganization of the company resulted in substantial changes in our building portfolio, including several site closures and the creation of more flexible sites with higher occupancy ratios. Recognizing the increasingly mobile nature of our workforce, we are targeting smaller average space per employee and

an average of three people for every two workspaces (using a "hot-desk" approach). We have also aligned heating and air-conditioning with operational hours and external temperatures to reduce energy use and costs.

We launched a program in 2012 to investigate the energy consumption of our test labs and develop specific improvement plans most appropriate to each site. Test labs are our most energy-intensive buildings, accounting for an average 70% of total energy on the major lab sites. The "deep dive" approach gathers detailed data, initially on the 10 sites with the highest energy consumption. Our future investment in installing sub-metering to measure consumption accurately will help to inform decisions linked to business planning. As a result of these improvements and consolidation of the Real Estate portfolio, energy consumption from our buildings declined by 4% on a like-for-like basis. However, in absolute terms our total energy use increased by 3% as a result of the inclusion of full year data for the first time from former Motorola sites.

Total energy use in buildings
GWh

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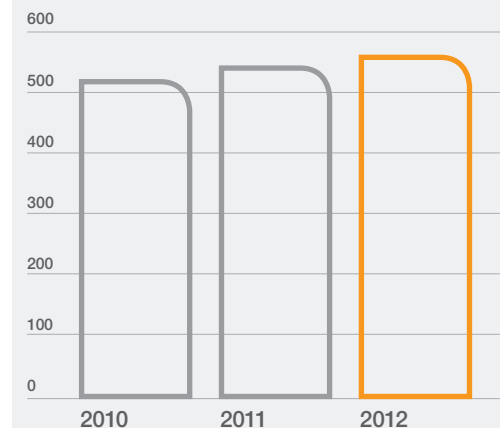
Our carbon footprint

(000 tonnes CO_2 equivalent)	2010	2011	2012
Direct emissions from gas and oil, methane and nitrous oxide in heating	2.9	3.8	4.6
Indirect emissions from purchased electricity and district heating, includes chilled water for 2012 (3 sites)	169.6	205	216.2
Net total from buildings (after deducting renewable energy)	172.5 (67)	208.8 (60)	220.8 (57.3)
External data centers	3.5	2.4	2.3
Outbound logistics	110	135	65
Air travel	83	80	53
Total emissions from operations	368	426	341

Note:
1 Ozone depleting substances and HFC from refrigerants are very small. Emissions from these sources totaled 38Kg in 2012.
2 The 2011 figure for external data centers differs from the figure in the 2011 report as it has been recalculated

Logistics

As part of our Green to Gold program, we explored ways to cut greenhouse gas emissions and costs from logistics. Shifting from air to road and rail where possible was a major focus, as air freight causes much higher emissions and is more expensive than other transport modes. This required a change of approach, including amending procurement processes to allow for the longer lead times involved.

To ensure that air freight is used only when absolutely necessary, we introduced a requirement for senior management approval of any air freight expense above €10,000. In 2012, emissions from outbound logistics more than halved.

Waste and water

We intensified efforts to recycle waste in 2012 and improved on our 2011 performance. Simple measures such as replacing individual workstation bins with centrally located alternatives encourage employees to separate waste types and enable increased recycling. As a result of such measures, 89% of waste was diverted from landfill in 2012 (up from 81% in 2011). Of this, 60% was recycled, 15% was reused and 14% was used for energy recovery.

Emissions from operations

Thousand tonnes CO_2
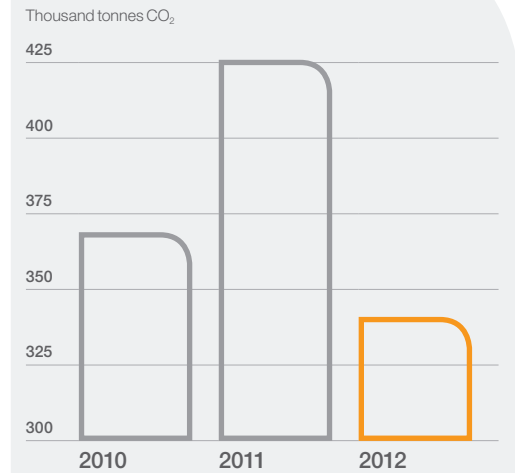
CO_2 emissions relative to sales and employees

- CO_2/net sales (g/€)
- CO_2 per employee (tonnes)

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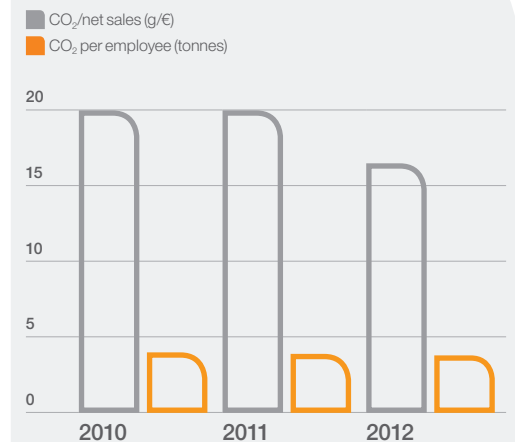
Site consolidation and closures as a result of restructuring led to a large amount of redundant office furniture. In Espoo, Finland, where we closed two buildings, we invited employees to take items such as tables, chairs and cabinets to use in their own homes. The local university was also able to make use of some furniture. As a result, only approximately 15% was not reused, and this was sent for recycling of materials. We also partnered with the non-profit Planet Office, which redeploys office furniture for reuse by charities, beginning with a pilot program to distribute items from sites in Kuwait and Qatar.

In 2012, we used a total of 597,308m^3 of water across our operations, which was in line with our 2011 usage. Reductions in water consumption from site closures, cutting back on the use of water for landscaping and reduction programs in China and Portugal were offset by increases in facilities in Egypt, India and South Africa.

Employee engagement
To meet our environmental targets, we rely on the commitment of our employees. We communicate frequently to raise awareness and stimulate action through a range of communication channels. In 2012 we introduced a monthly newsletter for our Environment, Health and Safety community. It showcases best practices, reports progress on our priorities, and provides updates on audits of our environmental management system (see below).

Environmental management system
All our environmental activity is underpinned by a robust environmental management system (EMS). In 2012, we continued with surveillance audits from our external certification body, following the initial ISO 14001 certification the previous year. These surveillance audits generated several positive findings on the policies and practices behind our environmental performance.

We have continued to strengthen the EMS based on internal and external audit findings. In 2012, we defined the five most significant environmental aspects across the business, having previously defined these separately for specific business units. These global aspects are selected based on the extent of their impact to the environment as well as on our ability to effectively manage them. The company-level significant environmental aspects in 2012 were:

– Compliance with environmental laws
– Energy consumption
– Supply chain management (see suppliers on page 38)
– Travel and transport
– Waste management.

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Progress against targets

Target	Progress in 2012	Status
Average 5% reduction year on year for energy consumption of own operations	We reduced energy use from our operations, including our facilities, manufacturing and IT, outbound air logistics and air travel to the effect of 20% reduction in emissions	✓ Achieved
Reduce CO_2 emissions from buildings by 30% from 2007 baseline by end 2012	We have reduced our overall CO_2 emissions to 34% below our 2007 baseline	✓ Achieved
Improve the energy efficiency of buildings to reduce associated energy use by 34,300 MWh by end 2012	Energy use reduced by 38,600MWh	✓ Achieved
Reduce CO_2 emissions from IT operations and use of IT products by 20% by 2015 (from the 2008 baseline)	By the end of 2012, we had achieved a 12% reduction from the 2008 baseline	→ Ongoing

Future targets

Target	Target date
Average 5% reduction year on year for energy consumption of own operations	→ Ongoing
Reduce CO_2 emissions from IT operations and use of IT products by 20% (from the 2008 baseline)	20 15 End of 2015

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Products and services

Our products and services help customers meet their environmental targets by reducing energy use in their networks. We develop hardware which uses energy and materials efficiently, and provide innovative services that maximize the efficiency of networks.

Reducing energy use and related carbon dioxide (CO_2) emissions is a priority as this is the most significant environmental impact of our products and services, and where we can make the biggest difference for our customers. We also continue to use materials in our products more efficiently and manage other environmental issues including packaging and product disposal after use.

Performance In 2012
Through ongoing research and product development, we have continued to improve the efficiency with which we use energy and materials, and manage the environmental impacts of our products.

Hardware using less energy and materials
Our Flexi base stations use energy-saving software that cuts power consumption. We have continued to reduce energy consumption and our GSM/EDGE products are 21% more energy-efficient than in 2007, exceeding our 19% improvement target for 2012. We have also improved the efficiency of WDCMA/HSPA products.

We estimate the energy consumption of our products during their use in mobile networks, based on their average power consumption and the typical number of years in operation. Due to changes in our systems, we are unable to report data on product lifetime energy consumption in 2012, but we aim to report these for 2013.

Reducing the amount of materials used also reduces their environmental footprint of base stations throughout the lifecycle. We have cut the weight of the Flexi mounting unit by approximately 60% since it was first introduced in 2007. The new version introduced in 2012 weighs 2.7kg compared with the original 6.7kg.

In 2012 we increased the focus on material efficiency with the expansion of our Design for Environment research team. The team began a project to evaluate and improve the choice of materials we use, how they are used and disposed of, including exploring ways to increase the proportion of recycled content and the recyclability of our products.

Participation in research
We work with other ICT companies to develop a common approach for measuring environmental impacts and creating standards that will help network operators identify the most effective options. In 2012 we participated in Opera 2, a project sponsored by the European Union that is examining environmental impacts across network infrastructure, and working with standards bodies to develop an agreed approach to environmental measurement.

Following our participation in European Commission pilot projects to test standards, we have proposed simplifying the approach and concentrating on energy use over the lifecycle. Our analysis of data on our own products showed that energy consumption during their manufacturing and use accounts for 75-95% of the total environmental impact in most of the 15 impact categories covered[1].

1 For details, see *Methods and Standards for Environmental Impact Assessment of Mobile Radio Networks*, a paper presented to the ICT 2013 conference

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Software and services for energy efficient networks

Innovative software can cut energy consumption and emissions significantly by reducing the amount of hardware and energy required for a given level of network activity. Networks need to respond to increasingly variable demand at different locations and over the course of a day, particularly with the growing use of smart phones and mobile apps.

Our software enables networks to release unused capacity on the network to meet peaks in demand. We estimate that sharing resources in this way can save 40% of energy required using conventional, dedicated resources.

We also provide energy management services to help network operators meet their energy and emissions targets, and save energy costs. These include optimizing equipment and site design, remote monitoring and field maintenance, and can extend to managing customers' entire energy use, including procurement and the use of renewable energy.

Remote services reduce emissions by replacing physical travel to network sites. Our Global Service Delivery center in Chennai, India, manages network elements for subscribers on our customers' networks and a significant proportion of our Consulting and Systems Integration projects use remote delivery capabilities.

Managing other environmental impacts

Our product and service development processes consider environmental factors such as hazardous substances, packaging and recyclability as well as energy and materials. We comply with the EU Restriction of Hazardous Substances (RoHS) Directive and Registration, Evaluation, Authorisation and restriction of Chemicals (REACH) regulations.

The NSN Substance List identifies substances banned, restricted and targeted for reduction and is regularly updated. We released a new version in December 2012 conforming to the requirements of the European Union's RoHS 2 which came into force in January 2013. We encourage suppliers to phase-out substances which are classified as "Monitored".

Packaging is another important area where we continually look for reductions to save money and reduce the burden on the environment.

We take back equipment at the end of its life, including other manufacturers' equipment, avoiding potentially hazardous disposal and conserving materials. We use a small number of reputable and professional recycling companies who treat everything from components to entire products. We carry out system audits (see page 39) to ensure these suppliers have good management systems to provide transparency and allow us to meet our reporting needs.

Radio waves and health

Wireless communications technologies operate well within the limits recommended by the International Commission on Non-Ionizing Radiation Protection and endorsed by the WHO, and we work to ensure continued compliance of our products with these requirements. NSN engages with its stakeholders and in public discussions on this topic as well as monitoring scientific studies.

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Progress against targets

Target	Progress in 2012	Status
Improve the efficiency of GSM/EDGE and WDCMA/HSPA base station products by up to 40% compared to 2007 performance by end 2012	GSM/EDGE: achieved 21% improvement, exceeding the target for these products WDCMA/HSPA: 6% improvement, not meeting the target for these products	Partially achieved
Achieve full material content data collection for 90% of components in use at NSN by end 2012	Not measured in 2012, update on progress expected in 2013	NR Not reported
Increase the average energy efficiency of the product portfolio by 5% per year on average	Not measured in 2012, progress in improvement measures to be updated 2013	Ongoing

Future targets

Target	Target date
Introduce product creation process change aimed at energy efficiency improvement in the product portfolio	Ongoing

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People

Employees

The changes in our business have had a significant impact on our employees. We aim to support our people throughout the transformation, engage them in our new strategy, and ensure they have the skills and mindset to drive our future success.

Performance In 2012

Restructuring to support the implementation of our new business strategy led to a significant reduction in our workforce in 2012, making effective change management our overriding focus. We have also continued to invest in training and we maintain our commitment to provide safe, fair and equal working conditions by following global standards for labor conditions.

Change and restructuring

In 2011 we announced a change in our business strategy and our intention to focus on mobile broadband and services. Restructuring throughout 2012 has influenced employees across the business. By the end of 2012, we had reduced our permanent workforce by 21% from 73,529 in 2011 to 58,411 in 2012, and cut our external temporary labor force by 13% to 10,617.

These workforce reductions are part of the wider transformation to streamline our business and cut costs, including consolidation or transfer of certain sites and functions, divestments, outsourcing, project exits, simplification of processes and other efficiency measures.

Redundancies on this scale are extremely regrettable and we are offering as much support as possible to affected employees during this period of transition. We consult employee representatives and local Works Councils where needed, and focus on communicating clearly with employees about the changes affecting them throughout the restructuring process. We are meeting country-specific legal requirements to find socially responsible means of reducing our workforce and supporting affected employees. Where appropriate, we have redeployed employees in new roles within NSN.

Changes in our workforce

	2011	2012
Total number of employees at 31 Dec	73,529	58,411
Total number of leavers	10,534	18,584
Voluntary leavers	6,919	8,341
Employee turnover of voluntary leavers	9.9%	9.9%
Employee turnover of involuntary leavers	–	14.2%
Attrition due to common agreement	–	5.8%
Leavers through voluntary severance package	302	1,744
Involuntary leavers	3,615	8,453
Leavers through common agreement	610	1,745
Leavers through outsourcing and divestments	386	1,374
External temporary labor	12,169	10,617
New employees	17,228	6,757

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Change management

We recognize the need to support staff who stay with NSN as we reposition our business, and we have introduced a comprehensive change management program to develop people's capabilities so that they feel equipped to cope with change and help us deliver our new business strategy. The main emphasis of the Focus on Change program is on adapting and changing the mindset of employees through three key behavior shifts:

– From misalignment to **discipline**
– From excuses/blame to **accountability**
– From growth mindset to **profit mindset**.

We launched three tailored programs in 2012 to support people through the transformation and embed this new culture at all levels of the organization:

– Focused Leader workshops, attended by 86% of senior leaders across the business
– Focused Manager pilot program, completed by approximately 600 managers before it was closed in May 2012 to concentrate our resources on the Focused Leader and Focused Mind programs
– Focused Mind, completed by 40% of employees in 2012.

The Focused Mind community page was the most followed community site on NSN Connect, our internal professional network, in 2012. The results of our annual Employee Engagement Survey in October 2012 show that our change management program is working, with between 82% and 85% of employees responding positively to questions designed to test all three of the key mindsets – accountability, discipline and profit. These mindset shifts are also underpinning wider change management programs that aim to improve the efficiency of our processes and the way we do business across the organization.

Focus on change

Program	Target group	Format	Aims
Focused Leader	Top 1,000 senior leaders including the Executive Board	A combination of virtual and face-to-face sessions	To engage leaders to take ownership of changes in the business, act as role models for behavior change, and shape a culture of increased accountability, discipline and focus on profit.
Focused Manager	Managers – pilot completed by approximately 600 managers	Virtual training course comprising five 90-minute training sessions via teleconference	To provide managers with the skills and methods they need to lead their teams, maintain focus during change, and deal with conflict.
Focused Mind	All employees	Four 30 minute video modules and supporting activities	To improve understanding of how people respond to change and how to minimize negative reactions, while equipping employees with tools to help them manage stress, improve their performance and engage with their teams during periods of change.

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Engagement

Our annual employee engagement survey in October 2012 achieved a response rate of 87% (up from 84% in 2011). With a three point increase in our overall Employee Engagement Index to 73%, we are extremely encouraged by the results, particularly given the scale of the changes taking place in our business. The survey took place in the third quarter of 2012, the first to show profit for NSN, demonstrating to employees that our renewed focus and transformation of the business is proving effective.

We refined the survey in 2012 to include targeted questions that would give us a better picture of our employees' views on the changes in the business and how we are managing them: 63% of those surveyed agreed that changes within NSN are well communicated.

The efforts of our senior leaders in 2012 to address one of the key findings of the 2011 survey, the lack of consistent leadership and vision, have paid off with an eight point increase in the overall perception of leadership and an 11 point increase in those agreeing that our senior leaders communicate a clear sense of direction.

Pride in NSN, one of the key components of our Employee Engagement Index, remained constant at 63%. However, this together with optimism for the future of the company and intent to stay, are low compared with an external benchmark of the telecommunications industry. We aim to address this in 2013 through our ongoing change management program and by clearly redefining NSN's values and long term aims as an employer.

Employee Engagement Index

The Employee Engagement Index measures our people's emotional, rational and motivational commitment to the company based on a set of nine survey questions

Employee engagement survey (% positive responses)

	September 2010	December 2011	October 2012
I am proud to tell others I work for NSN	69	63	63
I fully support NSN's values	86	84	86
I strongly believe in the goals and objectives of NSN	71	66	72
The senior leadership of NSN communicates a clear sense of direction	55	46	57
Changes within NSN are well communicated	–	–	63
I am optimistic about the future of NSN	–	–	56

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Training and development

Despite our focus on cost reductions, we have continued to invest in training and development. In 2012, we spent approximately €50m (compared with €54m in 2011) on 106,759 days of training for employees through our Academy.

	2010	2011	2012
Total amount of training days provided by our Academy	162,646	118,563	106,759
Average number of training hours per employee	14.8	9.9	14.1

Leadership development remains a priority. We continued the Leading for Performance program, which reinforces our commitment to enable high potential managers to develop leadership skills. Globally, 625 employees took part, and the overall satisfaction rate was 5.4 out of 6.

We also encourage employees to complete a Personal Development Plan (PDP), agreed with their line manager, outlining how they will work towards their personal and career development aspirations in the short and long term. However, in 2012, just 36% of employees had a PDP (down from 54% in 2011). We will continue to monitor uptake of PDPs in 2013.

Diversity

Although diversity remains important to our business, this was not a big focus in 2012 due to the significant changes taking place in our business. Despite this, representation of women in senior management continued to rise to 12.5%. At the end of 2012, 150 nationalities were represented in our workforce, and employees who are not from our parent companies' home countries (Finland and Germany) held more than half (54%) of senior management positions.

Labor standards

Our Code of Conduct sets out clear standards for labor conditions. We operate according to the detailed Global Labor Standard, aligned with International Labour Organization conventions (ILO), SA8000 and common industry code of conduct.

Gender balance 2012
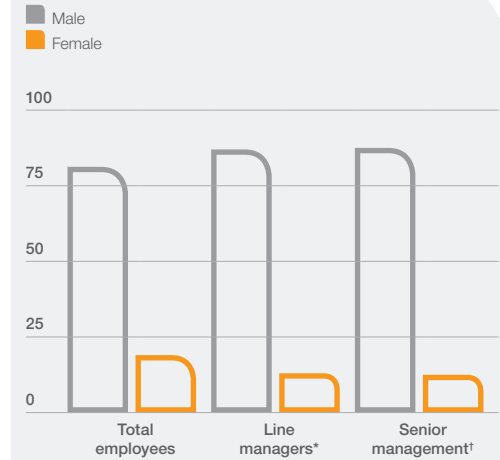
Gender balance 2011
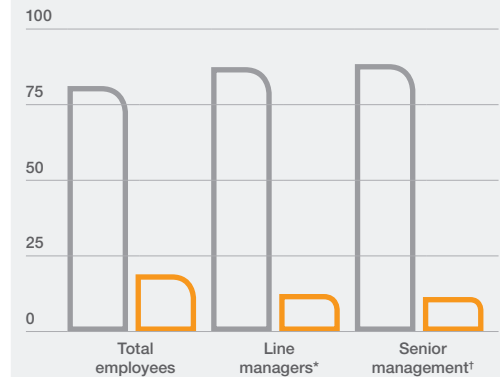
* Employees with one or more subordinates
†Representing top 370 employees

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Progress against targets

Target	Progress in 2012	Status
Increase employee engagement by two percentage points	Our employee engagement score increased by three percentage points to 73%	✔ Achieved
Achieve employee support of 67% for our future direction, measured through a combination of questions in our employee survey	72% of employees supported the future direction of the company, an improvement of 9 percentage points	✔ Achieved
Train a further 1,000 employees in Service Excellence through two day face-to-face workshops	Service Excellence was discontinued as a global program and included as part of our Academy learning portfolio	✖ Not achieved

Future targets

Target	Target date
Increase Employee Engagement Index by three percentage points	20 13 End 2013
Increase leadership perception in our annual survey by four percentage points	20 13 End 2013
Increase employee support for direction of the business by four percentage points	20 13 End 2013
Provide Leading for Performance programs to 1,280 high potential employees	20 13 End 2013
Retain 90% of top performing employees	20 13 End 2013

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Health and safety

Protecting the health and safety of our people is a core corporate responsibility and critical to maintaining our customers' trust in the way we work. We provide employees and contractors with the appropriate procedures, equipment and training to prevent accidents, and we promote a culture that puts safety first.

Our health and safety management system, based on the international OHSAS 18001 standard, provides a framework to ensure consistently high standards across our operations. Employees are trained to recognize and avoid risks and to report incidents, and health and safety is included in mandatory annual training on ethical business conduct for all employees. We are raising awareness of the importance of good safety standards through the commitment of our senior leaders, and working closely with our contractors to ensure they understand our requirements and operate to the same high standards as we do.

Health and safety can often be a key differentiator for winning work, particularly for our Global Services business, and we collaborate with customers to continually strengthen our safety management. Therefore, targeting the high-risk activities involved in the installation and maintenance of telecommunications equipment by our Global Services business is a priority.

Performance In 2012

We made good progress on health and safety in 2012 with a significant reduction in incident rates, the introduction of a 'deep dive' program to target performance improvements, and a decline in road traffic accidents following a series of road safety campaigns in high-risk countries. We also continued to make progress towards our objective to achieving global OHSAS 18001 certification.

In 2012, the total number of recordable incidents and lost-time incidents fell by 29% and 36% respectively compared with 2011. This was not only due to the reduction in employee headcount as a result of restructuring (see page 19), but also the awareness programs that we implemented. The rate of lost-time incidents per 1,000 employees declined by 21% to 1.73 in 2012. We also established a key performance indicator that measures the number of major incidents as a percentage of total incidents to help us target prevention of major incidents in our objectives.

We deeply regret that two employees and ten contractors died in 2012 while working on projects for NSN in Brazil, Germany, India, Morocco, Saudi Arabia and Tanzania. Nine of these fatalities involved road traffic accidents and three were as a result of falls from height during installation and preventive maintenance work on telecommunication masts. We fully investigated each fatal incident and implemented corrective actions. Any fatality is unacceptable to NSN and we are working hard to address the root causes of these incidents through, for example, our focus on road safety (see below).

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Health and safety performance

	2010	2011	2012
Total recordable lost-time incidents	118	160	101
Total recordable incidents	151	214	151
% of incidents classified as "Major"	–	–	3.29%
Recordable incidents in Global Services business	91	194	78
Near miss incidents reported	–	55	141
Lost-time incident rate per 1,000 employees	1.78	2.18	1.73

Fatalities

	2010	2011	2012
Total number of employee fatalities	0	4	2
Total number of contractor and subcontractor fatalities	5	9	10

Focus on road safety

Road traffic accidents remain one of the biggest safety risks for our employees and contractors. In 2012 we expanded our road safety awareness programs, with a particular focus on India and Latin America, where vehicle accidents are especially prevalent.

In India, where someone is killed on the road every four minutes, poor road conditions and unsafe driving behavior have a significant impact on our operations and tragically one of our employees was killed while driving there in 2012. To increase awareness of road safety, we held a series of events to coincide with the national Road Safety Week in 2012, including presentations from leadership teams, driver training, a company-wide quiz on responsible driving, and a workshop on road safety with traffic police.

In Latin America, where an employee and a contractor died in motor vehicle accidents in 2012, we established a regional initiative on road safety that included the installation of GPS tracking on vehicles to monitor driving speed, with follow-up action taken by managers for anyone caught speeding. 'How's my driving?' stickers on vehicles also encourage members of the public to report any inappropriate driving behavior. This program has already helped to cut road traffic accidents reported in the region, as well as cutting costs by reducing the number of speeding fines incurred and potentially leading to reduced insurance premiums.

Partly as a result of these campaigns, we have seen a 15% reduction in the number of recorded motor vehicle accidents worldwide from 82 in 2011 down to 69 in 2012.

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Improving safety management

We introduced a number of measures in 2012 to further improve our safety management procedures. Key among these was our Deep Dive Program, which focused on four countries where we experienced a relatively high rate of major incidents or fatalities – Brazil, India, Saudi Arabia and Tanzania. We also used this program to review and strengthen our health and safety management in three key markets where business is increasing quickly – Japan, South Korea and the US.

In each of these countries, we analyzed incident data, training levels, and existing and proposed health and safety programs to help us create a plan to improve major accident prevention. While plans were tailored to each country's needs, common factors included auditing for contractors, further training of riggers (who often work at height or move heavy objects), road safety awareness and regular engagement with customers on health and safety.

As part of our shift towards taking a more proactive approach to the prevention of accidents, we set up a system in 2012 to systematically report 'near miss' incidents across the business. Although near misses do not result in injuries, they provide a valuable opportunity to prevent accidents by addressing root causes. Reporting and acting on near misses is an important step in moving our health and safety performance to the next level as this will focus the attention of employees and contractors on identifying and eliminating potential causes of accidents. The overall number of total recordable incidents declined by 29% in 2012 and reported near miss incidents halved.

We are keen not just to prevent poor management of safety, but also promote excellence. In 2012, we introduced a new NSN Safety Award to recognize and reward outstanding achievements by our teams on health and safety. The first Award, together with a €1,500 prize, went to Paulo Medeiros for the driving safety program in Brazil.

OHSAS 18001 certification

In 2012 we carried out an internal review of our performance against the international health and safety management standard OHSAS 18001 across the globe. We are committed to achieve OHSAS 18001 certification in all the countries where we operate. External review will begin in mid 2013, and we expect to have achieved our goal in this area by the end of 2014. In 2012 our operations in Spain achieved OHSAS 18001 certification, bringing the total number of operating countries with certification to 15: Albania, Australia, Germany, Greece, India, Italy, Mozambique, New Zealand, Portugal, Shanghai, Spain, South Africa, Tanzania, Turkey, and the UK.

Working with suppliers

Many of our Global Services projects are in emerging markets, where mobile networks are growing rapidly. Much of the work of building and maintaining base station towers is carried out by contractors, who face the highest safety risks as they are often working at heights, in confined spaces, or with electricity. We provide regular training for contractors to make sure they fully understand our health and safety management system and in 2012 we held three supplier workshops, all virtual to avoid the need to travel and enable us to reach suppliers in more markets. We also conducted 23 health and safety audits of services suppliers in 2012.

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Progress against targets

Target	Progress in 2012	Status
Achieve zero fatal accidents by collaborating closely with our customers and contractors	The total number of fatal accidents declined in 2012, but any fatality is unacceptable and we are continuing to tackle the root causes of these incidents	➡ Ongoing
Continue to consolidate incident reporting by increasing the number of near miss incidents reported by end 2012	New reporting system doubled the number of near miss incidents recorded	✔ Achieved
Establish a Major Accident Prevention Plan to decrease the number of major accidents by collaborating closely with our customers, contractors and business units	Set up Deep Dive Program focusing on major accidents and introduced a new key performance indicator measuring number of major accidents as a percentage of total with the aim to reduce this year on year	➡ Ongoing
Align health and safety management system to achieve the maturity for global certification to OHSAS 18001 for all NSN operating countries by 2013	Internal review of alignment and assessment of maturity completed ready for external review in 2013, with the expectation that we will achieve global certification to OHSAS 18001 in 2014	✔ Achieved

Future targets

Target	Target date
Achieve zero fatal accidents by collaborating closely with our customers and contractors	➡ Ongoing
Achieve global certification to OHSAS 18001 for all NSN operating countries	20 14 End 2014

Ethics and human rights

Ethics and human rights

Tackling unethical behaviour and corruption, and respecting human rights, is vital to maintain the trust of our customers and the integrity of our business.

We expect all our employees, suppliers and business partners to uphold the high ethical standards set out in our Code of Conduct wherever we operate. The Code includes our commitment to ensure the communications technologies we provide are used to respect, and not infringe, human rights.

Our due diligence process helps us identify and address relevant human rights risks across our global operations. We also provide training to help employees understand our expectations for ethical behaviour, and work closely with our suppliers and business partners to do the same.

Performance In 2012
In 2012, we continued to focus on training and implementing new tools to ensure employees understand and adhere to our ethical standards, while conducting human rights due diligence and working with others in our industry to develop principles on privacy and freedom of expression.

Training and awareness
Employees are required to complete training on ethical business conduct and human rights annually to improve their understanding and practice ethical decision-making, applying our Code of Conduct and other guidelines in real-life situations.

In 2012, the training, which uses a series of scenarios to highlight aspects of the Code of Conduct, covered topics such as conflicts of interest, facilitation payments, ethics in the workplace, and proper accounting and controls. The accompanying "Did you Know?" questions encourage employees to find out more. Around 86% of employees completed the training in 2012.

Indicator

	2011	2012
% employees that completed ethical business conduct training (including on human rights issues)	90%	86%

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Anti-corruption: prevention and detection

Our anti-corruption program aims to prevent corrupt behaviour and encourage people to report concerns. In 2012, 25,614 employees completed our new online anti-corruption training, which is designed to enable staff dealing with customers, vendors, subcontractors and government officials to recognise potential conflicts of interest or corrupt behaviour. In addition, 1,640 employees completed our face-to-face anti-corruption training. This means that 74% of our employees that work with customers and suppliers received training on anti-corruption. Strong due diligence procedures remain in place for the appointment and extension of any contracts with third parties used in sales and promotion roles, which are subject to approval by the Compliance Office.

In 2012 we formalised a visit approval process which requires all customer travel paid for by NSN to be reviewed and approved from business and compliance risk perspectives in advance. This process has enabled us to improve monitoring and controls over paid customer travel, and therefore lower compliance risks.

Reporting ethical concerns

We encourage our employees to ask for guidance on ethical concerns by email (ethics@nsn.com) or anonymously through the ethics hotline on our website. These are also open to people outside the organisation. We did not open a 24-hour telephone helpline in 2012 as planned due to technical challenges, but we continue to run our online reporting system.

All reports of ethical misconduct are taken seriously and investigated by the Ethics & Compliance Office. In 2012, we investigated 139 alleged violations of the NSN Code of Conduct. As a result of these investigations, 28 employees were dismissed and a further 31 received written warnings.

Indicator

	2011	2012
Enquiries made via the ethics hotline – number by type of issue raised and total number.	302	160
Number of investigations by Ethics & compliance office	112	139
Number of employees dismissed on grounds of violation of Code of Conduct	40	28
Number of employees given a written warning	30	31

Enquiries made via the ethics email reporting channel in 2012
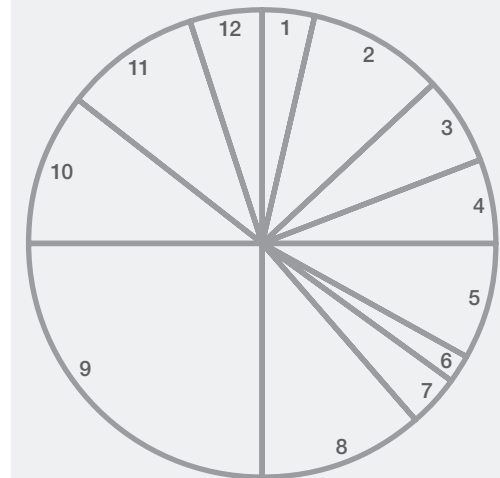
1	Anti-Corruption	6
2	Conflict of Interest	15
3	Gifts & hospitality	10
4	Code of conduct	9
5	Human resources (fairness)	13
6	Labor conditions & supply chain	3
7	Legal & compliance (Fraud)	6
8	Workplace practices	18
9	General guidance & advice	40
10	Human rights	17
11	Customer policy	15
12	Privacy	8
Total		**160**

Examples of ethical issues encountered by employees

Issue raised	Our guidance	Action taken
Concerns were raised over a violation of the Code of Conduct and Conflict of Interest policy by four employees.	Our Code of Conduct clearly states that bribery has no place in NSN and all employees are prohibited from giving or receiving bribes. This is reinforced by guidance in our Anti-Corruption Employee Handbook and Conflict of Interest Policy.	The allegations were substantiated following an investigation by the Ethics & Compliance Office. The employees involved have resigned.
We received a report that an employee was using office merchandise for personal use and had received kickbacks.	Our zero tolerance policy on bribery is set out in our Code of Conduct and Anti-Corruption Employee Handbook. NSN is committed to contract only with partners who adhere to a similar strict ethical code.	The Ethics & Compliance Office investigated the allegation and it was substantiated. The employee was terminated.
An employee received an invitation from an institute to visit them as an examiner, for which he would have travel costs reimbursed and receive compensation of around 550€.	This situation presented no conflict of interest. Although the assigned work of the employee at NSN must not be affected as a result of his involvement, he is permitted to accept the invitation outside working hours.	We advised the employee that if he accepts the invitation for his own academic interest he must take leave from his role at NSN and do so in his own time. On this basis, he can accept the compensation offered but he is responsible for declaring this additional income to the tax authorities.

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Human rights due diligence

Communication technology has great potential to improve human rights, but they can also infringe on them if used in the wrong way. We condemn any use of communication networks to limit human rights, and take seriously our responsibility for the way we supply our products and services, and who we supply to.

As a supplier to telecommunications operators, we have limited influence on how our products are used after sale. We therefore concentrate our efforts on pre-sale due diligence. This can be implemented most effectively at the regional level, where our sales take place. The common sales platform automatically flags any potentially high risk sale. Our teams then undertake a detailed analysis and risk assessment of the sale, and if the risks are deemed too high we decline the sale.

Further information on our due diligence process is available on our website [http://nsn.com/about-us/sustainability/ethics-and-human-rights].

Developing industry principles

In 2012 we continued the Telecommunications Industry Dialogue on Freedom of Expression and Privacy with seven other companies to develop common principles, tools and due diligence mechanisms to ensure respect for privacy and freedom of expression across the industry. The dialogue explores the interaction and boundaries between a government's duty to protect human rights and the corporate responsibility of telecommunications providers to respect human rights.

During 2012, we presented the work of the Industry Dialogue as an example of best practice to the European Commission in the development of guidance on the practical application of the UN Guiding Principles on Business and Human Rights in the ICT sector.

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Progress against targets

Target	Progress in 2012	Status
Ensure all employees complete annual ethical business training by end 2012	86% of employees completed ethical business training in 2012	Partially achieved
Roll out online anti-corruption training for all customer and supplier facing employees by end 2012	74% of employees completed anti-corruption training in 2012	Partially achieved
Establish a 24-hour telephone ethics reporting system available in key countries where we operate by end 2012	We did not open a 24-hour telephone helpline as planned due to technical challenges, but we continue to run our online reporting system.	Not achieved
Contribute to the development of common industry guidance and tools on human rights, freedom of expression and privacy through the Industry Dialogue established in 2011	The key principles were developed by Industry Dialogue group, published 2013. The memorandum of understanding is available internally within each company. We also participated in the sector guidance project for the European Commission in the development of their guidelines.	Achieved
Train our sales, legal, procurement and R&D teams globally on the human rights policy	The mandatory ethical business training contained a section on ethics and human rights, which also referred employees to the human rights policy.	Partially achieved

Future targets

Target	Target date
Train sales teams in high-risk countries on our human rights policy and due diligence process	20 13 End 2013
Contribute to the collaboration between the Telecommunications Industry Dialogue on Privacy and Freedom of Expression and the Global Networking Initiative.	20 13 End 2013

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Security and privacy

Security and privacy

We build security and privacy into the design of our products to enable telecommunications providers to safeguard end users' data effectively.

As telecommunications networks are used to transmit and store more and more data, we understand that consumer concern about the potential for security breaches or infringements of privacy is increasing. NSN does not control the personal data transmitted over the network equipment we provide. But we have a responsibility to telecommunications providers (our customers) to ensure the networks we provide them with are secure, so that they in turn can maintain the confidence of consumers.

We also recognize that requests from governments and law enforcement agencies to access data transmitted over telecommunications networks can raise human rights concerns. We have worked with others in our industry to develop Guiding Principles on Freedom of Expression and Privacy, which set out a common approach to dealing with demands from governments (see page 32).

Managing security and privacy
We are committed to observing the highest standards of integrity and ethical conduct in all our operations as set out in our Code of Conduct (see page 29), and this includes respecting the privacy of our customers and other parties. We have established robust security and privacy measures, and we run awareness campaigns to mitigate the risk of any breach as a result of human error.

Three key objectives underpin our approach:

– To provide products that are designed to enable telecommunications operators to comply with their privacy obligations
– To offer reliable and trustworthy service with no security breaches
– To ensure that NSN products respect the privacy of end-users.

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Our security policies are designed to ensure compliance with external regulations and customer requirements. They are based on best practices and aligned with ISO 27001, the internationally recognized standard on information security management. In India, six of our sites are certified to ISO 27001: two remote global delivery centers, our research and development center, manufacturing operations, our centralized sales support center and the local head office. Third party assessments were carried out for business critical applications in 2012 based on the level of perceived risk and anticipated exposure to security threats.

Security and privacy by design
We aim to build security and privacy into the design and development of new products. Each area of our business has a Product Security Manager who oversees the implementation of our product security processes and guidelines, and we nominate a Security Lead for each individual product line.

However, not all risks can be resolved at the design stage. Our security vulnerability monitoring process enables us to detect and manage any potential vulnerabilities through security testing. Where appropriate for the type of product or function, this may include a detailed assessment, supported by external security experts or hackers, simulating attacks that a product might face in a real network.

Our product privacy guidelines provide a checklist of privacy considerations in product design including the level of user control and the ability to express preferences about how data is used.

Future targets

Target	Target date
Introduce privacy impact assessments in design and development of all products	20 13 End 2013

Suppliers

Suppliers

Our robust Supplier Requirements set high standards on sustainability. We work closely with suppliers to improve their management of ethical, labor and environmental issues, monitoring their compliance through regular assessments and follow up.

We focus our engagement on key suppliers – those providing products and services that we sell to our customers – because they represent the majority of our purchasing spend and the highest risk to our business. We encourage them to apply the same standards to their own suppliers, and we collaborate with others in our industry to improve sustainability performance all the way down the supply chain.

Performance In 2012
Our main focus in 2012 was on following up on supplier audits to ensure actions had been taken to improve performance, rather than conducting lots of new audits. We included our revised Supplier Requirements, launched in 2011, in all contracts with new suppliers and are rolling these out to existing suppliers as we renew their contracts. We also continued to work through industry initiatives to encourage suppliers to set targets on their climate impacts and conduct due diligence on conflict minerals.

Driving improvements in performance through supplier audits
In 2012, we focused our efforts on improving supplier performance by closing open items from audits carried out in previous years. To close an audit, suppliers must address all our recommendations for improvement and demonstrate how they have done so, often by presenting documentation via emails or explaining changes via conference calls. Where necessary, we also conduct follow up site visits to confirm improvements have been made – we undertook seven such site visits in 2012.

By the end of 2012, we had closed 20 of the 33 open audits identified at the start of the year. We will continue to work with suppliers to address the remaining open audit findings and expect to have them all closed by the end of 2013.

We also carried out new in-depth audits of two suppliers in 2012, one in India and the other in China. These found 41 instances of non-conformity with our Supplier Requirements. More than half (24) of these related to health and safety. As a result of the audits we made 61 recommendations for improvement, all of which have since been implemented. Both of these audits are now closed.

For services suppliers, health and safety is a particular risk, and in 2012 we conducted 23 audits of services suppliers specifically on health and safety. See Health and safety on page 24, for more on our work with service suppliers in this area.

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Findings of in-depth audits on labor conditions and environmental management in 2012

Category	Number of non-conformities identified	Number of potential risk areas identified	Total number of recommendations for improvement
Child labor (proof of age documents missing)	1	0	1
Forced labor	2	0	2
Health and safety	24	18	42
Freedom of association and right to collective bargaining	0	1	1
Discrimination	0	0	0
Disciplinary practices	0	0	2
Working hours	2	0	0
Remuneration	5	0	5
Management systems	5	0	5
Environmental management system	2	1	3
Total	**41**	**20**	**61**

Supplier audits

	2007 (April-December)*	2008	2009	2010	2011	2012	Total to date
In-depth audits focused on labor conditions and environment	5	7	6	13	17	2	50
Occupational health and safety audits for services suppliers	–	–	–	51	45	23	119
On-site system audits against our Supplier Requirements	37	103	147	108	121	57	573

*NSN was established in April 2007

In addition to these in-depth audits on specific issues for high-risk suppliers, we conducted 1,005 evaluations of supplier performance (including sustainability criteria) as part of our ongoing supplier relationship management. New suppliers are also subject to system audits to check compliance with our Supplier Requirements through self-assessments and on-site audits. There were 57 system audits in 2012.

If we find instances of non-compliance and the supplier in question fails to change its behavior, then we escalate the issue to senior managers and stop working with the supplier until the issue is resolved.

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Examples of audit findings and corrective plans

Non-conformities identified	Recommendation for improvement	Action taken
Supplier is using a young employee to work nightshifts. Although the worker is above the legal age limit, this is contrary to local regulations that state young workers must not undertake high risk work including working at night.	Supplier must draw up and implement a policy document stipulating that young workers should not be required to work at nights, work overtime, or operate in hazardous areas.	Supplier has established a policy on young labor, prohibiting night work, overtime and work in hazardous areas. Employees and supervisors have been trained on the policy and a list of young workers has been created to make them easily identifiable.
Suppliers have an 'open door' policy that encourages employees to go to managers with concerns or grievances, but offer no method for them to make such comments anonymously.	Suppliers must introduce a procedure for soliciting anonymous feedback from employees so they will feel more confident about coming forward and can be assured there will be no victimization as a result.	In almost all cases, suppliers have established suggestion boxes and some suppliers have created a hotline and email address for anonymous feedback.
Employees are being issued with financial penalties for 'misconduct' such as being late for work, making a mistake on the job, or losing a piece of equipment.	Suppliers must immediately end such penalties and replace them with procedures based on a structured employee performance evaluation system, along with training and verbal warnings where appropriate.	Suppliers have established a policy on disciplinary practices, fines and penalties. In most cases, suppliers no longer use fines and employees are made aware of disciplinary practices. In a few cases, suppliers continue to use small fines in compliance with local law.

Training
We run workshops for suppliers, focusing on high-risk countries, to improve their capability and raise awareness of our Supplier Requirements. In 2012 we introduced a web-based approach for these workshops to enable us to reach more suppliers while cutting our costs and carbon footprint by reducing the need to travel. In total, 105 suppliers participated in three half-day "virtual" workshops introducing different elements of our Supplier Requirements including labor conditions, health and safety, environmental aspects, ethical business behavior and due diligence on conflict minerals. We also ran a series of workshops on health and safety (see page 26).

In addition to supplier workshops we also train our procurement staff on sustainability issues. In 2012 we briefed them on our revised Supplier Requirements and 98% of procurement staff completed our wider training on ethical conduct (see page 29). Due to restructuring in the business, we did not conduct any in-depth sustainability training for global procurement teams in 2012, but we are developing a web-based training course in 2013. We have also developed a standard induction program for new employees that includes sustainability topics.

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Supplier workshops

	2008	2009	2010	2011	2012	Total to date
Number of suppliers participating in NSNetworks sustainability workshops	5	16	54	76	105	256
Number of management level supplier workers participating in NSN sustainability workshops	11	33	103	115	133	395

Suppliers and the environment

Environmental impacts of our supply chain remain an important focus and we are encouraging key suppliers to report their energy use and climate impact through the Carbon Disclosure Project (CDP) Supply Chain Program. Between 2011 and 2012 we invited 142 suppliers to report via CDP and 66 have chosen to do so.

According to their CDP responses, 45 of our key suppliers had set targets to reduce their environmental impacts by the end of 2012 – representing 20% of our purchasing spend. We will work with the CDP to analyze and monitor progress against these targets, and encourage suppliers who have not yet set targets to do so.

All our suppliers (except those with very low environmental impacts) must have a documented environmental management system (EMS) and, for key suppliers and those with higher impacts, this must be certified to ISO14001. In 2012, we reviewed environmental management systems at the sites of our top 300 suppliers by spend – representing approximately 70% of total procurement spend. This showed that 82% of their sites have a documented EMS in place and 75% are certified to ISO 14001. It is unlikely that we will ever achieve 100% EMS coverage at any given time because new suppliers or sites are continually added and it typically takes between 12 and 18 months to develop an EMS for each site.

Tackling conflict minerals

Our policy on conflict minerals, included in our Supplier Requirements, clearly states that we do not tolerate the use in our products of minerals that fuel conflict and human rights abuses in countries such as the Democratic Republic of Congo where they are mined. We expect our suppliers to adopt the same policy with their own suppliers.

Through the Extractives Working Group set up by the Electronics Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI), we support industry efforts to trace metals back to smelters through supplier due diligence and to certify "conflict-free" smelters by tracing minerals to individual mines. These industry initiatives will improve traceability of minerals in the ICT supply chain and help us meet the requirements of US legislation that requires companies to report whether their products may contain conflict minerals.

In 2012, we asked 125 relevant suppliers to participate in the industry due diligence, of which 40 have reported their progress using either the EICC or GeSI due diligence template.

Supplier diversity

In North America, where there are regulations on supplier diversity, 1.69% of our procurement was spent with minority businesses as part of our supplier diversity program during 2012.

Progress against targets

Target	Progress in 2012	Status
Roll out our revised Supplier Requirements in all new contracts and begin a phased upgrade of existing contracts by end of 2012	Revised Supplier Requirements included in contracts for all new suppliers and in new contracts with existing suppliers as they come up for renewal	✔ Achieved
Work with suppliers to ensure all open audit findings are addressed by end of 2012	20 of 33 open audits closed during 2012, with the remainder expected to be closed by the end of 2013	➡ Ongoing
Invite a further 50 suppliers to report their energy use and greenhouse emissions via the CDP by end of 2012	50 suppliers invited to report via CDP in 2012, in addition to the 92 already invited: of these 142, 66 have now chosen to report via CDP	✔ Achieved
Pilot a web-based workshop for suppliers by end of 2012	Three web-based workshops held for 105 suppliers	✔ Achieved
Continue to train procurement staff on sustainability by end of 2012	Ethical training continued for all employees, but no specific training on sustainability for procurement staff as a result of restructuring	✖ Not achieved
Roll out industry due diligence process on conflict minerals, initially focusing on suppliers using tantalum by end of 2012	125 relevant suppliers identified for all four metals associated with conflict minerals (tantalum, tin, tungsten and gold), of which 40 have already completed the due diligence process.	✔ Achieved

Future targets

Target	Target date
Work with suppliers to address open findings from audits conducted during 2012, and continue auditing suppliers in line with the planned audit program	2013 End 2013
Increase the number of suppliers reporting their energy use and greenhouse emissions via the CDP to 70	2013 End 2013
Complete due diligence process on conflict minerals for 80% of relevant suppliers	2013 End 2013
Re-launch in-depth training on sustainability for procurement staff	2013 End 2013
Continue to engage with and train suppliers on sustainability through workshops and webinars	➡ Ongoing

Performance summary

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KPI summary

	2009	2010	2011	2012
Environment				
Energy				
Total Energy Use (GWh)	551	518	483[1]/ 540[2]	558
Product usetime energy consumption (GWh)	16,800	19,924	24,777	–
Carbon footprint				
Total CO_2 from our operations (Thousand tonnes)	456	369	426	341
Total CO_2 normalized by sales (g/€)	23	20	20	16.5
Health and safety				
Number of lost-time incidents	–	118	160	101
Employees				
Employee satisfaction / engagement index (%)	75	73	70	73
Diversity				
Senior leader gender balance (%)				
Male	90	89	88	87.5
Female	10	11	12	12.5
Training and development				
Hours of training per year per employee	–	14.8	9.9	14.1
Ethics				
Percentage of employees who have completed online training on ethical business conduct	82%	92%	90%	86%
Suppliers				
Number of in-depth audits (focused on labor conditions and environment)	6	13	17	2

1 Excluding Motorola.   2 Including Motorola.

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Progress against targets summary

Environment

Target	Progress in 2012	Status	Future targets	Target date
Operations				
Average 5% reduction year on year for energy consumption of own operations	We reduced energy use from our operations, including our facilities, manufacturing and IT, outbound air logistics and air travel to the effect of 20% reduction in emissions	✔ Achieved	Average 5% reduction year on year for energy consumption of own operations	➡ Ongoing
Reduce CO_2 emissions from buildings by 30% from 2007 baseline by end 2012	We have reduced our overall CO_2 emissions to 34% below our 2007 baseline	✔ Achieved	Reduce CO_2 emissions from IT operations and use of IT products by 20% (from the 2008 baseline)	
Improve the energy efficiency of buildings to reduce associated energy use by 34,300 MWh by end 2012	Energy use reduced by 38,600MWh	✔ Achieved		
Reduce CO_2 emissions from IT operations and use of IT products by 20% by 2015 (from the 2008 baseline)	By the end of 2012, we had achieved a 12% reduction from the 2008 baseline	➡ Ongoing		20 15 End of 2015
Products and services				
Improve the efficiency of GSM/EDGE and WDCMA/HSPA base station products by up to 40% compared to 2007 performance by end 2012	GSM/EDGE: achieved 21% improvement, exceeding the target for these products WDCMA/HSPA: 6% improvement, not meeting the target for these products	➖ Partially achieved		
Achieve full material content data collection for 90% of components in use at NSN by end 2012	Not measured in 2012, update on progress expected in 2013	NR Not reported		
Increase the average energy efficiency of the product portfolio by 5% per year on average	Not measured in 2012, progress in improvement measures to be updated 2013	➡ Ongoing	Introduce product creation process change aimed at energy efficiency improvement in the product portfolio	➡ Ongoing

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Overview and approach	Environment	People	Ethics and human rights	Security and privacy	Suppliers	**Performance summary**

People

Target	Progress in 2012	Status	Future targets	Target date
Employees				
Increase employee engagement by two percentage points	Our employee engagement score increased by three percentage points to 73%	✔ Achieved	Increase Employee Engagement Index by three percentage points	20 13 End 2013
Achieve employee support of 67% for our future direction, measured through a combination of questions in our employee survey	72% of employees supported the future direction of the company, an improvement of 9 percentage points	✔ Achieved	Increase leadership perception in our annual survey by four percentage points	20 13 End 2013
Train a further 1,000 employees in Service Excellence through two day face-to-face workshops	Service Excellence was discontinued as a global program and included as part of our Academy learning portfolio	✖ Not achieved		
			Increase employee support for direction of the business by four percentage points	20 13 End 2013
			Provide Leading for Performance programs to 1,280 high potential employees	20 13 End 2013
			Retain 90% of top performing employees	20 13 End 2013

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People

Target	Progress in 2012	Status	Future targets	Target date
Health and safety				
Achieve zero fatal accidents by collaborating closely with our customers and contractors	The total number of fatal accidents declined in 2012, but any fatality is unacceptable and we are continuing to tackle the root causes of these incidents	➡ Ongoing	Achieve zero fatal accidents by collaborating closely with our customers and contractors	➡ Ongoing
Continue to consolidate incident reporting by increasing the number of near miss incidents reported by end 2012	New reporting system doubled the number of near miss incidents recorded	✓ Achieved		
Establish a Major Accident Prevention Plan to decrease the number of major accidents by collaborating closely with our customers, contractors and business units	Set up Deep Dive Program focusing on major accidents and introduced a new key performance indicator measuring number of major accidents as a percentage of total with the aim to reduce this year on year	➡ Ongoing		
Align health and safety management system to achieve the maturity for global certification to OHSAS 18001 for all NSN operating countries by 2013	Internal review of alignment and assessment of maturity completed ready for external review in 2013, with the expectation that we will achieve global certification to OHSAS 18001 in 2014	✓ Achieved	Achieve global certification to OHSAS 18001 for all NSN operating countries	2014 End 2014

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	Overview and approach	Environment	People	Ethics and human rights	Security and privacy	Suppliers	Performance summary

Ethics and human rights

Target	Progress in 2012	Status	Future targets	Target date
Ensure all employees complete annual ethical business training by end 2012	86% of employees completed ethical business training in 2012	⊖ Partially achieved		
Roll out online anti-corruption training for all customer and supplier facing employees by end 2012	74% of employees completed anti-corruption training in 2012	⊖ Partially achieved		
Establish a 24-hour telephone ethics reporting system available in key countries where we operate by end 2012	We did not open a 24-hour telephone helpline as planned due to technical challenges, but we continue to run our online reporting system.	✖ Not achieved		
Contribute to the development of common industry guidance and tools on human rights, freedom of expression and privacy through the Industry Dialogue established in 2011	The key principles were developed by Industry Dialogue group, published 2013. The memorandum of understanding is available internally within each company. We also participated in the sector guidance project for the European Commission in the development of their guidelines.	✔ Achieved	Contribute to the collaboration between the Telecommunications Industry Dialogue on Privacy and Freedom of Expression and the Global Networking Initiative.	20 13 End 2013
Train our sales, legal, procurement and R&D teams globally on the human rights policy	The mandatory ethical business training contained a section on ethics and human rights, which also referred employees to the human rights policy.	⊖ Partially achieved	Train sales teams in high-risk countries on our human rights policy and due diligence process	20 13 End 2013

Security and privacy

Target	Progress in 2012	Status	Future targets	Target date
			Introduce privacy impact assessments in design and development of all products	20 13 End 2013

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Suppliers

Target	Progress in 2012	Status	Future targets	Target date
Roll out our revised Supplier Requirements in all new contracts and begin a phased upgrade of existing contracts by end of 2012	Revised Supplier Requirements included in contracts for all new suppliers and in new contracts with existing suppliers as they come up for renewal	✔ Achieved		
Work with suppliers to ensure all open audit findings are addressed by end of 2012	20 of 33 open audits closed during 2012, with the remainder expected to be closed by the end of 2013	→ Ongoing	Work with suppliers to address open findings from audits conducted during 2012, and continue auditing suppliers in line with the planned audit program	20 13 End 2013
Invite a further 50 suppliers to report their energy use and greenhouse emissions via the CDP by end of 2012	50 suppliers invited to report via CDP in 2012, in addition to the 92 already invited: of these 142, 66 have now chosen to report via CDP	✔ Achieved	Increase the number of suppliers reporting their energy use and greenhouse emissions via the CDP to 70	20 13 End 2013
Pilot a web-based workshop for suppliers by end of 2012	Three web-based workshops held for 105 suppliers	✔ Achieved	Complete due diligence process on conflict minerals for 80% of relevant suppliers	20 13 End 2013
Continue to train procurement staff on sustainability by end of 2012	Ethical training continued for all employees, but no specific training on sustainability for procurement staff as a result of restructuring	✖ Not achieved	Re-launch in-depth training on sustainability for procurement staff	20 13 End 2013
Roll out industry due diligence process on conflict minerals, initially focusing on suppliers using tantalum by end of 2012	125 relevant suppliers identified for all four metals associated with conflict minerals (tantalum, tin, tungsten and gold), of which 40 have already completed the due diligence process.	✔ Achieved	Continue to engage with and train suppliers on sustainability through workshops and webinars	→ Ongoing

Independent assurance statement

Scope and objectives
DNV Two Tomorrows Limited (DNV Two Tomorrows) has undertaken independent assurance of the Nokia Solutions and Networks' (NSN) Sustainability Report 2012 ('the Report').

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide Type 2 moderate level assurance, which covers

– evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness (the Principles); and
– the reliability of specified sustainability performance information, as listed in the NSN Key Performance Indicators (KPIs) section. For the second year we have been unable to provide assurance over the "Environment: Products and services" section as data and evidence was not available in time before publication.

Responsibilities of the directors of NSN and of the assurance providers
The directors of NSN have sole responsibility for the preparation of the Report. In addition to the assurance of the Report, we reviewed evidence for a sample of material claims in NSN's 20-F submission to Nokia Group. We were not involved in the preparation of any part of the Report and we have no other contract with NSN. This is the second year that we have provided assurance.

Our statement represents our independent opinion and is intended to inform all of NSN's stakeholders. We adopt a balanced approach towards all stakeholders.

Our team comprised Dave Knight, Doug Farquhar, Elvin Ozensoy, Anne Euler, Sini Forrsell, Samantha Parsons and Bettina Reinboth. Further information, including individual competencies relating to the team can be found at: www.twotomorrows.com

Basis of our opinion
Our work was designed to gather evidence with the objective of providing moderate level assurance as defined in AA1000AS (2008). We undertook the following activities:

– Review of the current sustainability issues that could affect NSN and are of interest to stakeholders;
– Interviews with selected directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed;
– Review of NSN's approach to stakeholder engagement and recent outputs;
– Review of information provided to us by NSN on its reporting and management processes relating to the Principles;
– Review of supporting evidence for key claims and performance indicators prioritized according to materiality at a consolidated corporate level; and

– Review of the processes for gathering and consolidating performance data and for a sample, checking consolidation from reporting system to the Report.

We used the AA1000 Accountability Principles Standard as criteria to evaluate the nature of adherence to the principles of Inclusivity, Materiality and Responsiveness and the Global Reporting Initiative Quality of Information Principles as criteria for evaluating the selected performance information.

Findings and opinion
We reviewed and provided feedback on drafts of the Report and where necessary changes were made. On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly describe NSN's adherence to the Principles or its performance, with the following exceptions:

– Reported emissions data currently do not include any data on the company fleet. NSN are aware that this data is material, as these emissions are expected to be larger than the emissions from air travel. We understand that data collection systems are currently being enhanced and that NSN will report on fleet emissions in the next report.

Observations

Without affecting our assurance opinion we also provide the following observations.

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability

– We note that despite the recent changes to the business, this year's Report shows an increase in employees' support of the future direction of the company in the employee survey results. The next report will benefit from demonstrating how the business priorities have been adapted for the newly restructured business and how the new strategy will be implemented, reporting on the impacts on the management of sustainability and employees

– In our statement last year we noted that NSN continued to collaborate closely with its stakeholders. We recommended reviewing the opportunities from a formalised structure, for example a stakeholder panel, to integrate stakeholders' views into strategic decision making, enhancing sustainability management. We restate this recommendation.

Material issues are those which are necessary for stakeholders to make informed judgments concerning NSN and its impacts

– In order to align sustainability efforts with the new business strategy, NSN undertook a review of its material issues. This refocused the sustainability strategy as well as reporting. Whilst the reshaping of the sustainability priorities is helpful given the changing business, we understand that future reports will

include a more comprehensive update. This will enable stakeholders to put the revised sustainability priorities into context and understand in more detail how their concerns have been addressed.

– Supply chain data systems and as well audit evidence were found to be robust. While the level of detail provided in the Report is good practice, a summary of the overall supply chain strategy would benefit the reader. NSN should also consider explaining how the different supplier activities are connected and put the information in context for the reader by reporting on the number of suppliers overall and how this relates to those audited.

Responsiveness concerns the extent to which an organisation responds to stakeholder issues

– Last year we recommended ongoing disclosure explaining the rationale for any changes to targets, particularly relating to Health and Safety, Employees, and Supplier performance, as they remain material. We restate this recommendation.

Performance information

– While not all KPI's included complete data from all sites (e.g. "Percentage of employees who have completed training on ethical business conduct"), we observed generally robust data collection, collation and reporting systems and processes.

– As some performance targets were set before the Motorola acquisition not all reporting on performance against these targets include data from Motorola. This reduces data comparability throughout the report. We understand that all future reporting,

including performance against future targets, will include data from Motorola.

– Health and safety systems at corporate level remain strong as per last year. The fatality numbers reported match the evidence provided, however; NSN is aware of an improvement opportunity for the data collection system to enable capturing each individual fatality, rather than fatal incidents, which has the potential to over or under report fatalities.

– NSN continues to make improvements in aligning its data collection systems across its operations. We state our recommendation from last year, that guidance and training around data protocols and definitions for the 'Total recordable incidents' KPI could be improved to ensure consistency.

**DNV Two Tomorrows Limited
London**

**Douglas Farquhar
Principal Consultant**