

# CSR REPORT 2012

A question of balance



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### CSR FOCUS AND PROGRESS

CSR work is always work in progress, a journey that never ends. The goal is to integrate CSR with business. This section tells how the work is progressing and what Nordea focuses on to reach its goal. The complexity of the task should not be underestimated and is constantly scrutinised by responsible investors worldwide.



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Everything we do in Nordea has one purpose: to create great customer experiences. Our customers' goals are our goals. The better we know them the more likely it is that we can work together with them to realise their goals.



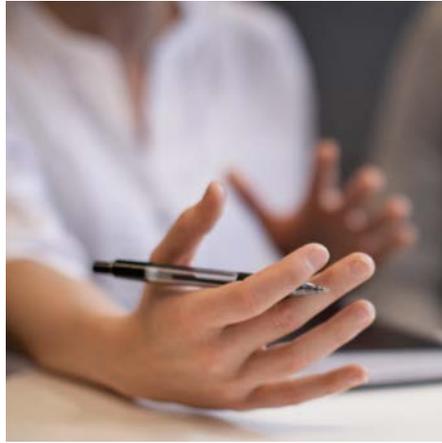
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## GROWING TOGETHER

At Nordea we want our people to grow. When they grow, Nordea grows. Internally we say One Nordea Team. Read about Nordea's people and how leaders are coached to unfold the potential of others, live the values and help others reach out for the common vision.

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## REDUCING OUR ENVIRONMENTAL FOOTPRINT

Minimising our environmental footprint is part of everyday working life. It is constantly decreasing as a result of systematic work. Travel is reduced and less paper is used as information is conveyed via web. Suppliers are contractually obliged to follow the treaties to which Nordea is signatory.

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## AUDITOR'S REVIEW REPORT

# MEET NORDEA

**Nordea is** the largest financial services group in the Nordic and Baltic Sea region with market capitalisation of approximately EUR 29,3bn, assets under management of EUR 218bn and a core tier 1 capital ratio of 13.1%. In 2012 we received no state subsidies. Nordea has leading positions within corporate merchant banking as well as retail banking and private banking. It is also the largest asset manager in the Nordic region and the leading Nordic life and pensions products provider.

Nordea has an ambitious vision of becoming a Great European bank, acknowledged for its people, creating superior value for customers and shareholders. The vision is reflected in Nordea's financial targets and supported by Nordea's values:

- **Great customer experiences**
- **It's all about people**
- **One Nordea team**

To help us achieve that vision we also:

- **Pursue a strategy that ensures sufficient income generation to create great customer experiences and long term value.**
- **Aim to be the best relationship bank in the markets where we operate retaining existing customers and attracting new ones.**
- **Operate according to one operating model in everything we do in order to free up resources to serve customers**

We have had our position confirmed as the market leader in the Nordics by being among the ten largest universal banks in Europe and defined as the only global systemically important bank in our part of Europe. To meet the regulatory challenges, we have initiated one of the most ambitious New Normal plans for any bank in the world. We have continued to attract new customers and deepen our relations in all segments - from households to the largest companies in the region. We were appointed the Bank of the Year in Western Europe by the Banker.

Today Nordea has some 11 million personal customers, approximately 1,000 locations in total and a leading net-banking position with approximately 6.9 million Netbank customers. Building relationships with our customers is fundamental. That is how we are able to provide each customer with what

is right for him or her. Nordea offers a wide range of products, services and solutions within banking, asset management and insurance.

Nordea Bank AB (publ), the parent company of the Nordea Group, is legally registered in Sweden with head offices in Stockholm. Christian Clausen is the Group President and CEO. At the end of 2012 Nordea Group had 31,466 employees\*. Nordea's organisation strengthens the value-chain-based concept. It consists of three main business areas geared towards increased flexibility and focus on capital and cost efficiency. A detailed organisational chart is available on [www.nordea.com](http://www.nordea.com). Nordea has no major joint ventures, apart from the IT operations jointly run with IBM.

The Nordea share is listed on NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen. With high market capitalisation and high liquidity, the share is included in key indices. In the end of December 2012 the three largest shareholders were Sampo Group with 21.4 (20.3)% of the shares, the Swedish state with 13.5 (13.5)% and Nordea Fonden with 3.9 (3.9)%. Nordea has approximately 475,000 shareholders who hold 4,049,951,919 shares. Nordea can trace its roots as far back as to 1820. To date 250 banks have been incorporated.

## RECOGNITIONS

Nordea received several awards and recognitions during 2012. Some of the main awards were:

- **Bank of the Year in Western Europe by the Banker, owned by the Financial Times**
- **The best in Private Banking in the Nordic and Baltic Region by Euromoney**
- **The best debt bank in Nordic region by the Global Finance Magazine**
- **The safest bank in the Nordic region by Global Finance Magazine.**

More information on received awards is available on [www.nordea.com](http://www.nordea.com).

Please see pages 4-8 and 211 of the Annual Report for more detailed information.

\* FTE's, full-time equivalent

# FACTS & FIGURES

NORWAY  
**971,000**  
CUSTOMERS

FINLAND  
**2,630,000**  
CUSTOMERS

SWEDEN  
**3,389,000**  
CUSTOMERS

ESTONIA  
**140,000**  
CUSTOMERS

RUSSIA  
**72,000**  
CUSTOMERS

DENMARK  
**1,684,000**  
CUSTOMERS

LATVIA  
**112,000**  
CUSTOMERS

LITHUANIA  
**155,000**  
CUSTOMERS

POLAND  
**668,000**  
CUSTOMERS

## INTERNATIONAL MARKETS

Beijing, Frankfurt, London,  
Luxembourg, New York, Sao Paulo,  
Shanghai, Singapore

## ECONOMIC VALUE GENERATED

Million euros

### Direct economic value generated:

Net sales plus revenues from financial investments and sales of assets

**9,303**

### Economic value distributed:

Payments to suppliers, non-strategic investments, royalties and facilitation payments

**1,860**

Total monetary outflows for employees (current payments, not future commitments)

**3,048**

All financial payments made to the providers of the organisation's capital

**1,048**

Gross taxes

**991**

Donations, voluntary contributions

**1**

# WELCOME FROM OUR CEO INTRODUCING NORDEA

“ Banks have an important role in the global economic recovery. We can only take on that responsibility by always putting customers first and helping finance their plans and ambitions. That is the engine of growth and the idea behind Nordea’s relationship strategy. The financial crisis shows that financial stability is a prerequisite for strong customer relations. Only if we can generate the capital needed to provide new loans and maintain capital buffers, can we serve customers and contribute to society. This is the core of our CSR thinking. Nordea’s long term goal is to fully integrate CSR and business.”

**Christian Clausen**, President and Group CEO



## GREAT CUSTOMER EXPERIENCES AND FINANCIAL STABILITY

The global financial sector has been under strong pressure for five years. First, the financial crisis paralysed large parts of the industry as trust between banks disappeared and liquidity became scarce. It became obvious that many banks had far too small capital buffers to run sustainable banking models. Today, many banks are struggling to adjust to new regulations aimed at preventing future financial crises. At the same time, the recession in Europe is causing economic activity and demand for banking services to slow.

Through all these phases banks have lost the public’s trust and appreciation. In many cases, the

criticisms levelled against the financial sector are justifiable. There were banks that exhibited weak and unclear values, banks that had buffers that were too small or governance systems that were poor, and there were banks that distanced themselves from the rest of the societies where they operate.

These various malpractices have led to criticism of the entire industry that affects all banks. Also Nordea has faced challenges.

## CUSTOMERS FIRST

The conclusion from the past five years is that every bank has to put the customers first and ensure a business model that provides financial stability, good funding access and healthy profitability.

Without the trust of the customers, banks cannot ensure the stability and development that 21st century banking requires. For Nordea, this translates to our value: Great Customer Experiences. By constantly maintaining strong relationships with both corporate and household customers, doing our utmost in each customer situation and striving to add value with every advice we give, we want to help our customers shape their future. Thereby we also shape the future of our relationship bank.

It is equally important to recognise that banks must generate a profit above the cost of capital. Without this, banks will not be able to provide long term stability or the ability to support growth and development in the societies where it is mostly needed.

Through the crisis, Nordea has delivered. Since 2007, we have welcomed 700,000 new household customers to a close relation with us. Today more than three million people do their daily banking business and get financial advice from Nordea. Over this period, our monthly performance figures have been consistently positive as well. In fact, we have managed to reach a return on equity above 8 % in each single quarter since the crisis started. Nor has our return on equity ever dropped below 11% any year since. Instead of reducing credits and lending, we are generating additional business with our customers. Instead of leaving customers and markets behind, we are increasing the number of households and companies that we serve. Instead of scaling down on development, we are introducing new products and channels for our customers. Today, Nordea has close to one million frequent mobile bank users and almost all of our household customers access their services on-line.

This is the core of our contribution to society. Instead of causing problems, we want to be part of the solution – by supporting growth, by helping find good regulatory structures for the future, and by taking difficult measures to adjust our bank to the emerging environment.

## KEEPING ON COURSE

As chairman of the European Banking Federation, I have had the opportunity to participate in the work of reshaping the global financial regulation. The over-arching aim of the regulation is to ensure that banks have the profitability and financial stability to avoid new financial crises and instead become buffers that protect society from the economic effects of asset price bubbles.

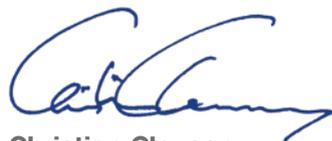
If this objective can be achieved – at a level and pace that does not hurt the ability for Europe to recover

from the present sovereign debt crisis – then it will mark a historic, collective accomplishment for politicians, authorities and banks. Certain calibrations still await and some complex regulatory work needs to be finalised, but significant steps have been taken to make the economy less volatile in the future.

Other industry-wide initiatives are of equal importance. They establish clear norms by which we can navigate the road ahead. One example is the United Nation's Environmental Principles for Financial Institutions, which Nordea signed in 2001 and has served as a guiding star for us ever since. The Equator Principles, the Global Compact and the United Nations Principles for Responsible Investment provide a similar signposting role for us.

However, signing documents is easy; translating them into practice is what makes a change. It is necessary to break them down into tangible policies and practices. Nordea does this. We act on the principles in our day-to-day tasks.

Moreover we aim at shaping Nordea's future culture, where every employee lives out our values – Great Customer Experiences, It's All About People and One Nordea Team – in everything we do. There is no more forceful way for us to take our responsibility than to convert these values into action – for our customers, our employees and the societies where we operate.



**Christian Clausen**  
President and Group CEO

### Christian Clausen re-elected Chairman of European Banking Federation

**In November 2012, Christian Clausen was re-elected to a second term as Chairman of the European Banking Federation.**

**The European Banking Federation is based in Brussels and has 4,500 members from 31 countries. Christian Clausen is also Chairman of the Swedish Bankers' Association.**

# OUR IMPACT ON SOCIETY

**For a bank,** a year's performance is often described in terms of net interest income, return on equity and operating profit. But as important is the impact we have on society in our home markets.

## OUR IMPACT STARTS WITH CUSTOMERS

We have an impact on society when we meet our customers. We need to stand by our customers and help them in realising their plans. This requires that we know them thoroughly. In 2012 we conducted almost 2 million advisory sessions with household and corporate customers. Each working day, more than 5,000 people visited a Nordea branch and received a comprehensive overview of their personal finances and a clear view on how to make their ambitions possible. We met with more than 300,000 small and medium-sized corporate customers and were able to help many entrepreneurs adjust to both sluggish demand and the effects of new banking regulations. We supported over 270 large and multinational companies in finding financing on the bond market through bond issues in the amount of almost EUR 50bn. In addition, we enabled over EUR 70bn syndicated loans to be issued.

In order to provide long-term stability and to support growth and development wherever we operate we must be financially stable, have good funding access and healthy profitability. Financial strength is a prerequisite for funding, in the eyes of both equity and fixed income investors. We must also be perceived as a safe bank for customers' deposits. In return we pay interest on deposits and fixed income investments, and dividends to our shareholders.

In our role as a corporate citizen we also keep the wheels of society rolling through tax payments, buying services and goods as well as employing 31,466 people.\* ■

\* FTE, full-time equivalent



**Deposits** →

**124 B€**  
OF DEPOSITS\*

**Shareholders** →

**447,000**  
SHAREHOLDERS\*

**29 B€**  
MARKET CAP\*

**1 B€**  
DIVIDENDS

**Debt securities in issue** →

**184 B€**\*

\* Based on 31 Dec 2012

Other figures are based on full year 2012

## Purchases

**2 B€**

1,000 CONTRACTORS\*



## Gross Taxes

**991 M€**



# Nordea



## Employees

**31,466**

EMPLOYEES\*

**3 B€**

SALARIES AND OTHER CONTRIBUTIONS  
RELATED TO EMPLOYEES

## → Household lending

**305,000**

MORTGAGES ISSUED IN 2012

**130 B€**

MORTGAGES

**29 B€**

CONSUMER LENDING

## → Corporate lending

**183 B€**

CORPORATE LENDING

**120 B€**

BONDS AND SYNDICATED LOANS ISSUED IN 2012

## → Wealth management

**218 B€**

ASSETS UNDER MANAGEMENT\*

**2,567,051**

NUMBER OF FUND UNIT HOLDERS\*

## → Advisory

**750,000**

"360 DEGREE" MEETINGS

**312,000**

MEETINGS WITH SMALL & MEDIUM CORPORATES

**770,000**

FINANCIAL PLANS

## → Transactions

**248,000,000**

NETBANK TRANSACTIONS

**24,000,000**

BRANCH OFFICE TRANSACTIONS

**1,300,000,000**

CARD TRANSACTIONS

**883,000**

NEW CARDS

**123,000,000**

MOBILE LOG-INS

# CSR FOCUS AND PROGRESS

**The banking industry** is changing fast. Customers are making new demands and lawmakers are setting new rules. In 2012, our focus was on further embedding CSR with our core businesses. We strengthened our compliance, developed our lending practices, introduced a new Sustainability Policy and continued to reduce our ecological footprint. All with one goal: to continue carrying out responsible relationships with our customers and other stakeholders and to contribute to the societies in which we work.



## MOVING FORWARD IN A DOWNTURN

Financially healthy societies need financially healthy banks. Economic stability is Nordea's fundamental. Our customers as well as all our shareholders need to know that we are there in the long-term. This is our primary social responsibility. To fulfil that vision, we need to go about our business in a responsible way.

Keeping ahead also means having to adapt. Nordea monitors our changing economic environment very closely, as well as listening to the emerging concerns of our stakeholders. We respond to these variables both quickly and effectively. This ensures that our economic performance remains strong despite challenging times.

## NEW SUSTAINABILITY POLICY

In 2012, Nordea's Board of Directors established a new Sustainability Policy. Before, we had two parallel policies: our Environmental Policy and our Corporate Citizenship Principles. The purpose is to clarify what we mean with sustainability. In the year ahead, we intend to launch a mandatory e-learning module for all Nordea employees including new recruits so as to familiarise them with the new policy.

The Group Executive Management approves the CSR strategy and goals each year. In addition to that, the Head of CSR participates in Group Executive Management meetings regularly during the year. Strategic oversight and direction sits with our CSR Stakeholder Board (see list below). The Board met three times in 2012.

## Our CSR Stakeholder Board

- Chairman: **Ari Kaperi**, Chief Risk Officer and member of Group Executive Management
- **Henrik Priergaard**, Head of HR and CEO Office
- **Jorma Timonen**, Chief Credit Officer, Head of Group Credit
- **Olli-Petteri Lehtinen**, Head of Corporate Merchant Banking, Finland
- **Topi Manner**, Head of Retail Banking, Finland
- **Tapio Saarelainen**, Head of Group Services
- **Rune Kibsgaard Sjøhelle**, Head of Brand Management
- **Hans Christian Riise**, Union representative
- **Rodney Alfvén**, Head of Investor Relations
- **Sasja Beslik**, Head of Responsible Investment
- **Liisa Jauri**, Head of CSR
- **Lena Höglund Rosén**, CSR Manager

## Highlights in 2012



### ESG assessment in lending

Going forward we will focus on identifying potential risk cases and concentrating our efforts on them. The work to develop our credit assessment processes, tools and guidelines continues.



### Changing by engaging

We actively engage with the companies in which we invest. Emerging Stars and Swedish Stars funds' performance has proven that we can combine sound financial rationality with ESG.



### Standards for suppliers

We work with our suppliers to identify and plan actions to improve their sustainability performance. Our supplier management system guides us in this work.

## INVESTING THROUGH POSITIVE SCREENING

Emerging Stars, the funds with positive screening launched by Nordea's Responsible Investment team in 2011, continued in a positive direction in 2012 outperforming their benchmark indexes. Traditionally, responsible investment has meant excluding companies, so called negative screening. It is a shift in mind set we believe in.

As the largest asset manager in the Nordics, with over 200 bn EUR assets under management during 2012, we want to promote responsible investment. That is why Nordea was the first Nordic bank to sign the Principles for Responsible Investment in 2007. Five years on, we now have a wide range of socially responsible products and solutions.

## ILLEGAL AND NUCLEAR WEAPONS DIVESTMENT

In 2012, we took the decision to sell all our holdings in companies that produce or develop illegal and nuclear weapon systems or technologies. Following our decision to divest our holdings our position in terms of lending to or offering credit to these companies came under scrutiny from some quarters.

## IMPROVING ESG IN LENDING

During 2012 we have continued to develop the assessment of environmental, social and governance (ESG) risks in our credit process. The main change is that we will focus on identifying potential higher risk cases and focus our efforts and analyses on these. For example, certain industries and countries are more prone to ESG risks than others. On these higher risk cases we will use enhanced tools, both internal and external databases as well as ESG analyses. In 2012 we have developed an enhanced internal prototype tool that combines current internal ESG tools. The new tool will be piloted going forward. This development does not preclude lower-risk areas, which remain within the scope.

## WORKING WITH SUPPLIERS

Nordea's concern about ESG issues goes beyond our immediate operations and extends to our supply chain. As a signatory to the Global Compact, we commit to engage with our suppliers on their ESG performance. Nordea recently introduced a supplier management system to promote supplier compliance with our values. This includes a call for ad-hoc CSR reviews. Our initial efforts focus on our forty largest suppliers. These account for over half our procurement spend of EUR 1,9bn per year. Nordea's

# BEST NORDIC BANK IN CDP FOR THE 2ND YEAR

For the second consecutive year, Nordea topped the Nordic banking sector in the Carbon Disclosure Project's annual survey. In fact, our score puts us among the best performing companies for the whole Nordic region. CDP is an industry-led initiative that registers the direct and indirect carbon emissions of leading companies. For Nordea, this includes the carbon impacts of our investments and lending in addition to those from our own operations. CDP serves as a leading benchmark for analysts interested in identifying environmentally responsible companies. Currently, 655 investors with 78 trillion USD in assets under management use the CDP database.

approach is one of 'carrots' rather than 'sticks'. We work alongside suppliers to identify where their weaknesses lie and to agree joint action plans. We believe this is a more effective way of bringing about continuous improvement than imposing sanctions.

## STAKEHOLDER DIALOGUE

Consulting our stakeholders and acting on their recommendations is a cornerstone of Nordea's responsibility strategy. We believe this practice makes us a more trusted and more sustainable bank.

Nordea conducts an annual survey of our customers and employees. The results of these surveys form our Customer Satisfaction Index (CSI) and the Employee Satisfaction Index (ESI). In addition, we created an online forum to allow employees space for dialogue and discussion.

As part of our responsible banking strategy, Nordea undertakes regular stakeholder consultations to ensure that we are addressing the most material issues for our business. In the third quarter of 2012, we carried out two such consultations. These comprised an online discussion board and a stakeholder survey. As well as providing us with many vital insights, the outcomes of this consultation process influenced the framing of this report.

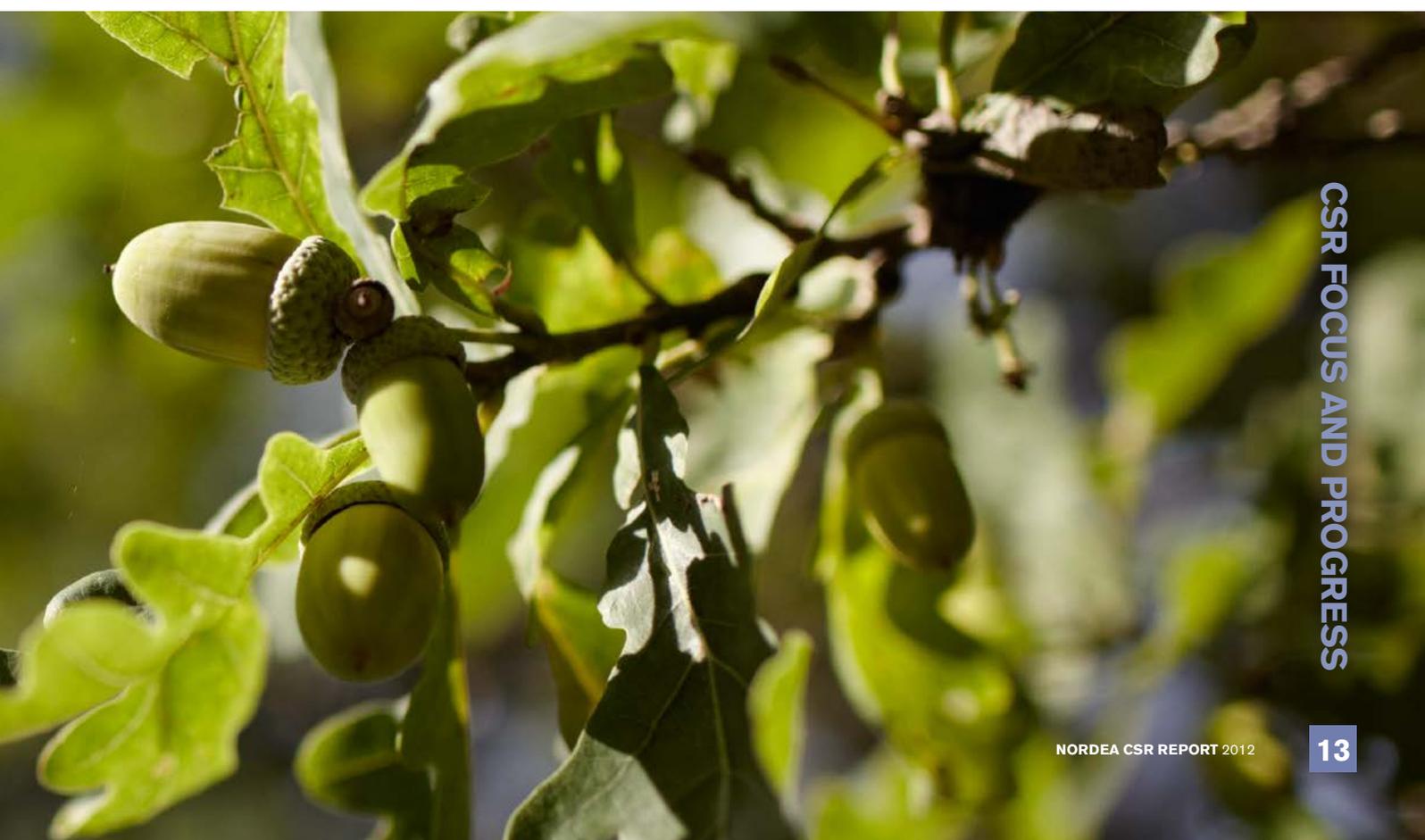
**“ The fact that 31% of Nordea's shares are owned by responsible investors provides impetus to our CSR ambitions, but it is also a huge responsibility.”**

Liisa Jauri, Head of CSR

## LISTENING TO RESPONSIBLE INVESTORS

In 2012 Nordea's CSR Secretariat conducted its second survey to gauge how many of Nordea's shareholders are responsible investors. The criteria used was whether the investors had signed the Principle for Responsible Investment. At year's end 31 per cent of Nordea's shares were owned by responsible investors. The average in European and North American companies is between 10 and 15 per cent.

From the CSR Secretariat's point of view this entails a great responsibility that we convey to our colleagues throughout Nordea. It gives impetus to our CSR efforts and proves that it is essential also to our share price. Besides these specific surveys, we communicate with shareholders, analysts, employees, customers and civil society organisations through a range of formal and informal channels such as Investor Relations road shows and responses to [csr@nordea.com](mailto:csr@nordea.com). ■



# LIFELONG RELATIONSHIPS

**Nordea's core business concept** revolves around relationships. All our customers are unique. They have unique business needs, unique life situations, and unique aspirations for the present and for the future. Through good relationships, we can understand these factors better – and offer better advice and support as a result.



## RELATIONSHIP BANKING

Every working day, approximately 5,000 private and 1,000 business customers meet with Nordea people for financial advice. Engaging with our customers on a face-to-face basis is an essential part of our relationship banking approach. This is a key pillar on which our bank is built.

Every individual requires individual advice. It's essential for us to understand the individual customers' needs to add value and give the right advice. There is no better way to secure this by really getting to know our customers. At Nordea, customers participating in our relationship banking program have an appointed relationship contact whose job it is to acquire a holistic view on the customer's financial affairs. We wish to be our customers' lifetime financial partner.

At Nordea, we have a core value that guides everything we do. We call it "Great Customer Experiences". This principle governs every interaction

that we have with customers, whether it is through automated transactions or personal contact.

Following Nordea's recent introduction of 24/7 customer services in Finland, customers in all our Nordic countries can now get help and advice whenever they like – day or night.

## RESPONSIBLE AND CLEAR ADVICE

We aim for clarity and simplicity in all our communications with customers. Our goal is to communicate our products and services as clearly as possible. This is not always easy in the finance industry and requires a balance between clarity and regulatory requirements. We apply the same principles with our own employees. The objectives and incentives we set with our employees are always simple and clear.

We extend the principles of clarity and simplicity to our product development process as well. By

doing so, we are able to create transparent and no-nonsense products and services. This enables us in turn to advise our customers clearly and in a way that is most relevant to their financial situation.

Ensuring that our customers can manage their personal finances is an important part of being a socially responsible bank. By the same token, it is important for Nordea to keep a watchful eye over our risks as a lender. This involves striking a balance. On the one hand, we naturally wish to fulfil our customers' aspirations. On the other hand, we wish to do this in a way that is responsible and in line with our values.

## AN OPEN EAR TO IMPROVEMENT

Customer feedback is essential to help us understand our customers' expectations and improve our services. Nordea Sweden was the first bank to appoint a customer ombudsman in 2003. The other Nordic countries followed and in 2012 Estonia did as well. In all home market countries we have designated people to handle customer feedback.

It is not only the ombudsmen who gather customers' opinions. In Nordea it is mandatory for all our employees who work in our branches



and contact centres to register complaints in our customer management system.

Nordea's system for gathering, reporting and monitoring customers' comments is in place in all of the Nordic and Baltic countries. These comments emerge in many different settings, from meetings and telephone calls to e-mails and letters. Some may be positive, others negative. All count and all are registered in our customer management system. We ran a communications campaign among our employees in 2012 to emphasise the importance of this registration process.

Our local Ombudsmen gather all the feedback registered in our system. They forward this to the relevant business units on a monthly basis, together with suggestions for improvements. The Ombudsmen's role also includes talking to customers and coaching employees on how to handle feedback. The Ombudsmen in the four Nordic countries present a quarterly report to senior management in each of these markets. The reports focus especially on what Nordea can do to practically address the issues raised by our customers.

In 2012, Poland, Estonia and Latvia, had designated individuals in charge of handling customer complaints. In Lithuania, a Customer Complaints Committee fulfilled this same function. In Russia, this role falls to the Customer Compliance department.

In 2012 the amount of feedback received increased with 28% on year-on-year basis. A likely cause is the many changes that occurred during the year: fewer branches, less branches offering manual cashhandling and a substantial increase in the use of digital solutions that lead to instability of these

services. Responding and reacting to customers' feedback is handled with highest priority.

In 2012 we had one substantiated complaint regarding breaches of customer privacy or losses of customer data. We did not receive any significant fines for non-compliance with laws or regulations relating to the provision or use of our products and services.

## SHARING OUR KNOWLEDGE

Nordea's financial expertise is fundamental to the advisory services that we offer our customers. We are mindful that this knowledge could serve the public good as well. Nordea is keen to share. The main way we do this is through our Private Economists who provide information on relevant topics via the media and through our website. Among the topics they addressed during 2012 were:

- **Financial concerns, such as unexpected expenses, tax declarations and thefts**
- **Specific issues for certain groups, such as students, teenagers and retirees.**
- **Financial considerations for those in relationships, such as "who pays what" and consumption loans.**

Nordea has a particular commitment to young people and their education. Financial literacy represents a key life skill, yet it is a topic that is often overlooked or not adequately taught in schools. Our employees are well placed to help correct this. For this reason, many share their knowledge on a voluntary basis as Financial Education Ambassadors in schools. This is all about equipping today's youth for tomorrow. It is in no way about marketing. In their role as Ambassadors, our employees make no reference to the Nordea brand or

## Challenging discussions give me energy

“**Financial Education Ambassadors** work with students on a voluntary basis, but I see it as part of my job. It is taking responsibility for others in society by sharing my knowledge. Young people are open-minded and give us a glimpse of what the

next generation expects from banking services.”

We visit with all levels of students, from the primary grades to university students. At the younger levels we discuss practical matters such as cards, accounts, financial difficulties and loans. With vocational and univer-

sity students, subjects range from investments to employment opportunities.

“I greatly appreciate the challenging discussions we have with students, they give me a huge amount of energy.

**Heli, Keränen,**  
Sales Manager, Oulu

to our products. To emphasise this point, all of our tutoring materials are white-labelled and free of any bank logos. In 2012, the volunteers visited a total of 515 lessons and spent 1,037 hours with young people across the Nordic countries discussing financial matters in life.

## 100,000 FACEBOOK LIKES

In 2012 communication with customers via social media increased sharply. Nordea is active on Facebook, Linked-in and Twitter. More than 50% of the adult population in the Nordics now use Facebook. Our intention is to be present with an open mind, answering questions whenever the customers have them and providing interesting content. In November 2012, Nordea's Facebook pages in Norway, Denmark, Sweden and Finland passed the 100,000 'likes' mark. The questions that come in through Facebook largely resemble those that are received by the Contact Centre by phone or e-mail.

## CARDS OR CASH?

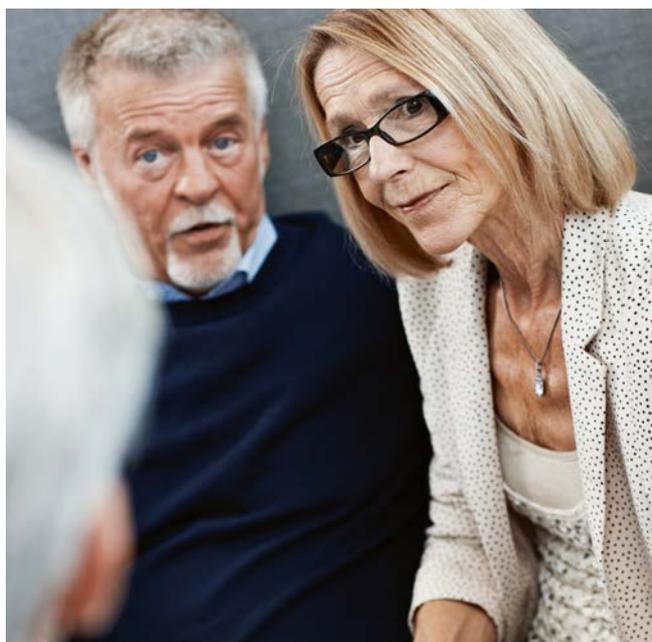
The vast majority of our customers visit a branch when they need advice. Otherwise, they prefer managing their day-to-day banking with their cards or through electronic payments. This is safer than using cash because:

- **it reduces the risk of individual thefts or branch robberies**
- **bank cards will be replaced by Nordea if lost or stolen**
- **customers will not be held responsible for transactions made with a stolen or lost card, other than in very rare exceptions.**

On the other hand, we recognise that cash is still the preferred option for many of our older customers. Over half of our branches still offer cash withdrawal service over the counter.

Cash is also available from our widespread network of ATMs. We are also increasing the possibilities to withdraw foreign currencies in ATMs as well as increasing the functionalities to deposit money in the ATMs in many of the countries.

In addition, customers can now withdraw cash from supermarkets with which Nordea has special agreements in all of the Nordic countries. ■



# Customer Satisfaction Survey

## Our annual Customer Satisfaction survey

measures our ability to deliver great customer experiences. It also measures our performance compared to our peers. Some 95,000 customers voiced their opinion on Nordea and gave valuable input for improvements. A sample of customers of other banks were asked the same questions. All customer segments, Corporate, Household and Private Banking, were included. The main focus area in the 2012 survey was customer loyalty and drivers for loyalty, evaluation of main product areas as well as activeness and customer service in various channels.

The main results of the survey are first discussed in Group Executive Management (GEM). GEM has a

strong interest in the survey since customer satisfaction is a relevant part of the strategic steering of the group. Both "Customer Satisfaction" and "Delivery Satisfaction Index" are Nordea's key performance indicators. GEM decides actions on Group level. The results are analysed in detail per customer segment and finally also on branch region level. The survey is conducted in such a way that each region can see where they stand. Follow-ups and action plans are mandatory.

In 2012 there was a negative trend in customer satisfaction and loyalty for most banks across markets and segments with very few exceptions. Our results were from stable to slightly negative but we maintained our scores above the average scores of peers. ■

# RESPONSIBLE LENDING

**Being the largest financial institution** in the Nordic region with a systemic importance for the global financial system our responsibility towards the society goes beyond strict commercial objectives. To safeguard that we take our social responsibility as a major lender requires that environmental, social, political, labour and other related issues are properly taken into account when granting loans to our customers in our daily work.



“Integration of environmental, social and governance issues into the business and credit processes is an essential part of the risk assessment of corporate customers.”

Jorma Timonen, Head of Group Credit

## SUSTAINABILITY AT THE CORE

Nordea’s commitment to sustainability is evidenced by being a signatory to several international agreements related to CSR and we are continuously working to incorporate these treaties and integrate them in our business and credit processes when deciding about to whom and which projects to finance. Nordea’s long-term strategic CSR goal is to integrate responsible lending with business, in core strategies, policies, procedures, products and services.

As the largest bank in the Nordic countries, many of the leading Nordic companies are our customers. They have many large projects both within their home region as well as on a global scale. It is clear to us that an environmental, social or political risk may also entail a credit risk.

## FRAMEWORK FOR CREDIT DECISIONS

We have a framework including instructions for environmental, social and political risks. There are two high level Group directives adopted by the Board of Directors: Credit Policy and Strategy for the Nordea Group and Credit Instructions for the Nordea Group.

The first directive establishes the overall principles such as that the granting of credit within the Group is based on sound banking practice and high ethical standards. It also establishes that the Group should in no way compromise generally accepted ethical and legal principles, nor should it have dealings with counterparts that we suspect to be of questionable morality.

The Credit Instructions define practical guidelines and processes for evaluating and granting credits in general. The directive includes detailed instructions for business units on how to define, measure, execute and report on specific issues.

For monitoring the distribution of a portfolio, improving risk management and defining a common strategy, there are specific industry credit policies and principles in place that establish requirements. Industry credit policies are established for industries where at

least two of the following criteria are fulfilled:

- Significant weight in the Nordea loan portfolio
- High cyclicity and/or volatility of the industry
- Special skills and knowledge required

Nordea currently has Industry Credit Policies in place for the following industries:

- Shipping, Oil and Offshore
- Energy
- Leveraged buy-out (LBO)
- Hedge Fund
- Commercial Real Estate

Industry Credit Principles apply to:

- Forestry
- Telecoms
- Aircraft

The industry policies include instructions of specific issues e.g. how to manage CSR risk assessment within lending.

All industry credit policies are approved by the Executive Credit Committee and confirmed annually by the Board Risk Committee. The Industry Credit Principles are approved by Group Credit Committee of Wholesale Banking and confirmed by the Executive Credit Committee.

## DEVELOPMENT OF RISK ASSESSMENT

At present we are using two tools to analyse environmental, social and governance (ESG) risks in lending; ERAT, Environmental Risk Assessment Tool and SPRAT, Social and Political Risk Assessment Tool.

During 2012 we have continued the work to integrate CSR into business and credit processes. It has been decided to develop our credit risk assessment regarding the analyses of ESG risks. The main change is that we use a risk based approach to identify potential risk cases and focus our efforts and analyses on these. The main criteria when evaluating the potential risk will be the geographical



location of the business activities as well as the field of business of the companies in question.

For identified risk cases we will use enhanced tools i.e. internal and external databases as well as ESG analyses. In 2012 we have continued the development work that started 2011 and have introduced a Group Risk Management level strategic initiative "Responsible lending". The target is to renew the tool and the process how to use the tool. In 2012 we have developed a tool that combines ERAT and SPRAT. This new enhanced test tool will be piloted going forward. The aim is to start the implementation of the new way of working by the end of 2013.

## PROJECT FINANCE REQUIRES SPECIAL GUIDELINES AND TOOLS

Societies need infrastructure. Constructing motorways, ports, bridges and dams are large and long-term projects. In the Nordic area the majority of large investments are financed with general corporate or municipality borrowing. Project finance is a specific form of financing single, often large projects such as power plants, pulp and paper plants, ports, mines or transportation infrastructure. Usually there are several parties involved in the financing and project development. When project finance is used the focus is in identifying and mitigating all project related risks. If the risks materialise, they can impose significant practical, financial as well as reputational consequences. It is essential to have a holistic view of the project risks.

The Export and Project Finance (EPF) unit is responsible for project finance in Nordea. In 2007 Nordea adopted The Equator Principles (EP), a global, voluntary standard for commercial lenders to identify and address social and environmental risks in project financing based on the International Finance Corporation's (IFC) guidelines for environmentally and socially responsible financing. Analysts and other relevant personnel have been trained in using the routines and tools. Internal seminars are held annually to provide staff with updates and the opportunity to knowledge share.

The EP is currently being reviewed. Nordea has participated in this review of the scope of application of EP. We have supported that EP should be applied to projects/corporate lending cases over 50M USD (this threshold indicates a bank's individual initial commitment). We also support that the wording and the principles should be as clear as possible in order for homogenous implementation. We have also voiced that common documentation libraries would be beneficial.

## APPLYING THE EQUATOR PRINCIPLES

As a signatory Nordea will only provide loans to projects that confirm to the EP. Nordea has produced its own EP Manual (toolkit) for use in training and in the decision making process. The toolkit is updated as the EP develops. Nordea evaluates the borrower's capacity to adequately identify, mitigate and manage key social and environmental risks and impacts of the project based on documentation provided by the borrower, independent environmental and social consultants and possibly site visits. Nordea uses independent experts in category A projects. Due to our relationship strategy and Nordic focus the number of projects subject to the EP tends to be small. The toolkit provides guidance on how to apply the EP in the day-to-day business of Nordea's project finance deal managers (DM). In practice the internal environmental specialist carries out EP reviews of projects - including review of reports by independent environmental and social advisers - and helps the DMs in issues related to covenants and monitoring of projects.

The ten principles contained in the EP are organised into four workflow steps:

- 1. Initial project review**
- 2. Project appraisal**
- 3. Project negotiation, commitment and monitoring**
- 4. External reporting.**

The steps match the Nordea project finance cycle and are integrated with the general credit evaluation and decision workflow. Each project finance case is presented to Nordea's EP Advisory Group for recommendation and classification. If the recommendation is positive, the terms and conditions to participate in the project are established, including environmental and social representations and covenants. The borrower will provide annual social and environmental monitoring reports usually verified by an independent expert. In case of any non-compliance, Nordea will determine an appropriate course of action together with the other lenders. Increasingly, corporate loans involving projects are reviewed according to the EP methodology due to their environmental and/or social impact. There is more flexibility in the process. The reviews are seen as risk management tool in these transactions. ■

## NORDEA WORKFLOW FOR THE EQUATOR PRINCIPLES

The steps match the Nordea project finance cycle and are integrated with the general credit evaluation and decision workflow

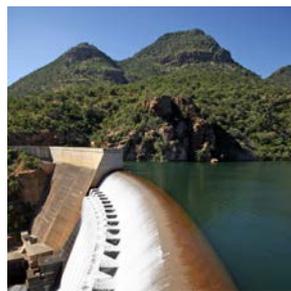
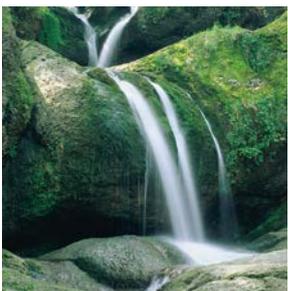


# RESPONSIBLE VALUE CREATION

**Today, Nordea is the biggest asset manager in the Nordics.**

With more than 200 bn euros under management and with a client base of more than 10 million people from all layers of society, Nordea has a duty to support international norms and to be responsible investors on behalf of the clients. As the first bank in the Nordic region, Nordea signed the UN Principles for Responsible Investment in 2007 and since then has developed its policies, procedures and investment products, not only to meet the growing demand of global shareholder activism but also to strive to set a new set of positive standards in the financial sector.





**“ To reduce environmental impact, provide good working conditions and adhere to ethical standards should not be seen as a cost but as a necessity for future revenues.”**

**Sasja Beslik**, Head of Investments & Governance

## SOUND BUSINESS STRATEGY AND OWNERSHIP APPROACH

The past couple of years have been shaped by financial crisis as well as growing macro changes all over the world. Imbalances disclosed have in many ways demonstrated crisis of active ownership as such in the financial sector.

The market economies dominating world markets are today facing significant pressure from civil societies, clients and interest groups. Questions are being raised as to how shareholders could and will continue to enjoy right of ownership without taking responsibility that comes with that ownership. As investors we are continuously striving for higher standards of transparency, disclosure and accountability from the companies we invest in. We believe that industries we operate in as well as our actions need to move from a culture of formalistic ownership entitlement to a culture of responsible ownership.

Our activities in realm of responsible ownership have increased over the last couple of years and results achieved have improved our ability to provide clients with long-term responsible investment solutions. Most investment managers have millions of beneficiaries, mainly ordinary people, so it is unwise

to suggest that it is in their interest to invest in and encourage a company to destroy the environment and mistreat people working for these companies.

## IDENTIFYING COMPANIES PERFORMING WELL

The core of our Responsible Investment (RI-) strategy is in-depth environmental, social and governance (ESG) analysis and engagement activities. Throughout our ESG analysis companies' overall management practices regarding key ESG issues are assessed together with their governance structure for these issues. Based on the analysis, companies are selected for proactive engagements dialogues. The focus is on transferring knowledge and active participation in the development process. In 2010, we initiated our in-house environmental, social and governance (ESG) analysis and developed our own criteria and methodology. Our analysis is based on a positive approach with the aim to identify best practices and those companies that manage their risks, opportunities and/or develop sustainable products. Our in-house analysis focuses mainly on Nordic companies and on analysing companies for our enhanced RI funds Swedish and Emerging Stars. We have thus analysed a wide range of companies on the Swedish market and emerging markets to find companies performing well environmentally, socially as well as financially.



## OUR PROCESS

The first and one of the most important parts of the ESG-analysis process is to identify key issues for each sector and for the company we are assessing. Our aim is to identify key issues that are of material relevance for the company to address, today but also in the future. NGO's, external research providers, unions and media are important sources for information. The assessment is then based on the key issues where we search public information and meet the company to identify if and how the company is managing identified issues. We search for concrete actions and results that indicate that the company has established policies and practices to manage identified key issues. The company is informed about our rating but also about what improvements we need to see in order to rate the company differently.

The policy framework described is based on international norms and conventions such as:

- **United Nations Global Compact**
- **OECDs guidelines for multinational companies**
- **International Labour Organization's Declaration on Fundamental Principles and Rights at Work**
- **Universal Declaration of Human Rights**
- **Rio Declaration on Environment and Development**
- **United Nations Convention against Corruption**
- **Convention on Cluster Munitions**

## IDENTIFYING NEW STARS

A reassessment of Swedish companies was conducted during the beginning of 2012. Swedish companies are often described as mature companies that are well aware of their environmental and social risks and companies who are in the forefront of developing new sustainable technologies. Results from our assessment show that this is true for some of the companies but not for all. In our ESG analysis both leaders and laggards have been identified. Leaders have a good structure to manage environmental and social risks but are increasingly integrating their commitment to sustainable business development with group visions, mission statements and strategies. Our analysis has also identified companies that are not top performers in this area today but that demonstrate a positive momentum and that have a strategy on how to further improve, our future stars.

## EMERGING STARS

The first investment product based on positive screening was introduced in the spring of 2011. The Emerging Stars Fund makes us constantly look for the actual Emerging Stars, companies from the global emerging markets that have the star potential to be a global leader in their industry both in traditional industry and financial terms as well as from ESG point of view. The fund invests solely in Emerging Markets countries such as Brazil, India and China. Its portfolio is considerably smaller than those of other Emerging Markets funds. The portfolio of the Emerging Stars fund typically comprises 40-60 companies, while a more traditional Emerging Markets fund typically invests in about 250

companies selected on the basis of various indices. With the relatively low number of companies in the portfolio Nordea is able to constantly monitor and assess the performance of the individual companies. The fund picks the companies to invest in on the basis of Nordea's own ESG analysis, which scores potential investment candidates based on an evaluation of how they handle ESG risks and opportunities. Only the companies that demonstrate an ability to handle both risks and opportunities and that have a positive approach to ESG issues will be selected.

## COMPANY ENGAGEMENTS - A CORNERSTONE IN SHAREHOLDER ACTIVISM

Nordea acts as active owner on behalf of its clients in companies and sectors across the globe. All funds managed by Nordea are screened for companies verified for violation of international norms regarding environmental protection, human rights, labour standards and business ethics. The results of the screening, conducted twice a year, are reviewed and assessed by Nordea's Responsible Investment Committee. The committee decides on the level of engagement with companies verified for violations.

As of end December 2012, Nordea has active dialogues with 14 companies with the purpose of changing the companies' norm breaching behavior – and thereby enabling Nordea to create long-term value by steering clear of an often risky and short-term behavior in the companies we invest in.

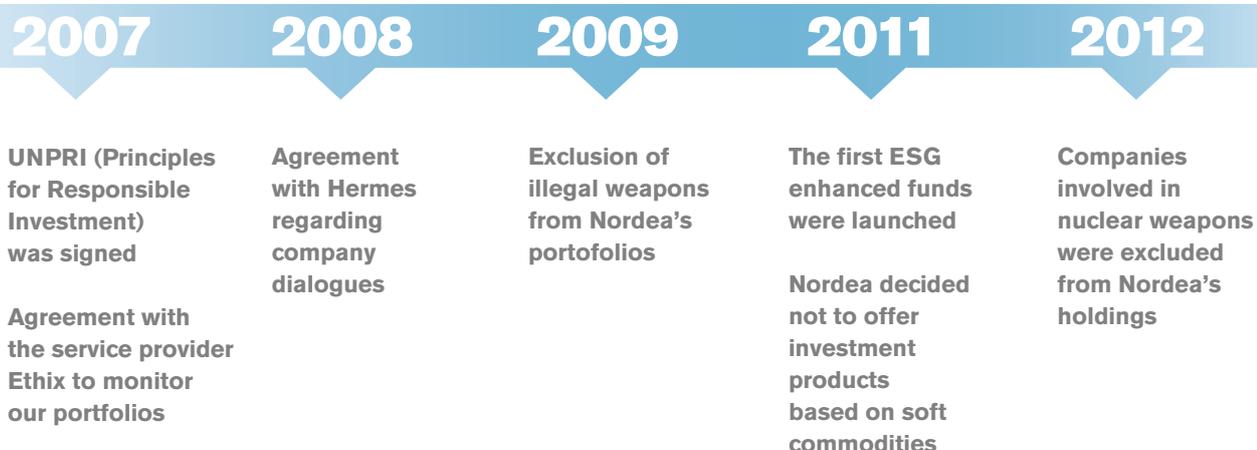
Nordea also exercises active ownership through participating in general meetings.

## EXCLUDED COMPANIES

If a company is not showing true will to change its norm breaching behavior, Nordea's committee for Responsible Investments can decide to divest these investments from all fund portfolios. In 2012 Nordea excluded companies which contribute to the production or development of nuclear programs. Nordea sees nuclear weapons and their potential use as controversial, given their indiscriminate effect on human populations. This decision was in line with Nordea policy of illegal weapons (cluster munitions etc.) which was implemented in 2010.

Nordea does not offer household customers financial products where basic food commodities are used as underlying asset. ■

## NORDEA'S WAY TOWARD RESPONSIBLE INVESTMENTS



A close-up photograph of a woman with blonde hair, wearing a black V-neck top, speaking and gesturing with her right hand. She is looking towards the right side of the frame. The background is blurred, showing what appears to be an indoor setting with warm lighting. The text 'GROWING TOGETHER' is overlaid on the bottom right of the image.

# GROWING TOGETHER

**Relationships count.** That is why Nordea believes in putting people first, especially our employees. When they grow, we grow. It is their skill and dedication that keep us ahead and make Nordea great. Investing in their success makes perfect sense. We look for leaders that can unfold potential.



“ Nordea’s leaders engage and motivate people to reach out for our vision and have the ability to create the right team to make it happen.”

Henrik Priergaard, Head of Group HR

## LEADERSHIP BUILDS CULTURE AND DRIVES PERFORMANCE

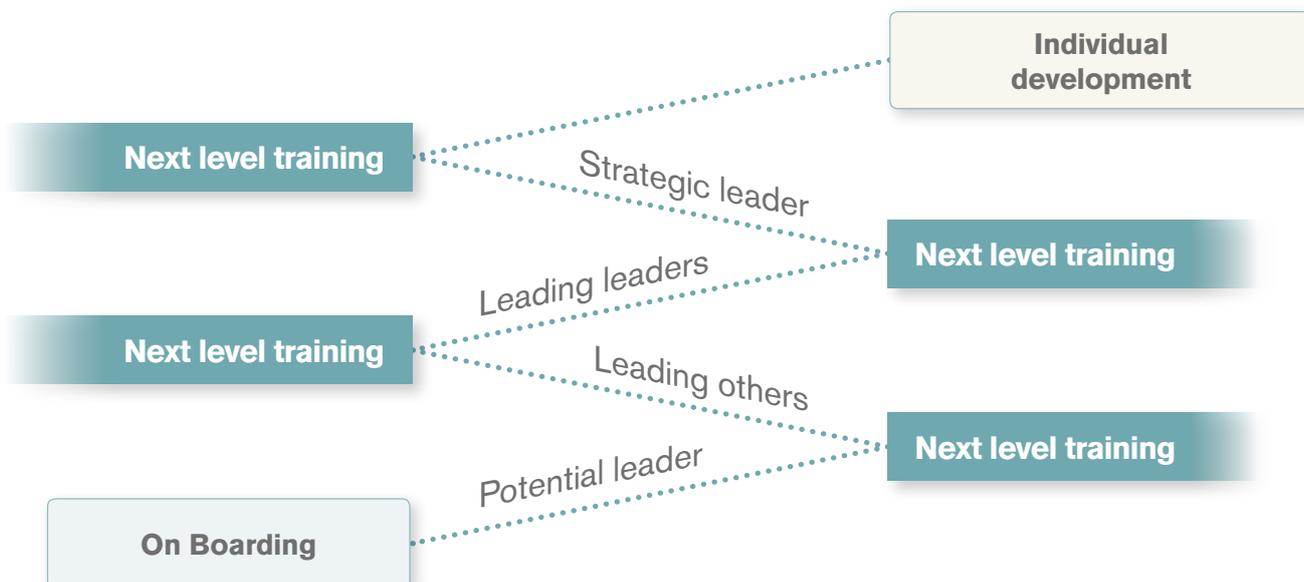
We believe that by living our values and working together as One Nordea Team our employees and our business can best grow together. To achieve this, we need to treat each other with respect and support one another’s development. Values and leadership give direction and impetus to Nordea’s growth and performance. Great leaders look to build those around them, not just themselves. This is the standard Nordea sets for our leaders. Developing the capacities of others, unfolding their potential and providing constructive feedback are true leadership qualities. Our latest ESI gives our managers a 79 approval rating, showing that Nordea has above industry average managers.

Ensuring our people are well-informed and well-trained is vital if they are to feel confident and good about their work. This is an important first step. Being a great employer requires more besides. All our employees receive personal development, competitive compensation as well as a positive working environment (physical and psychological).

## UNFOLDING POTENTIAL

Nordea adopts a ‘blended’ approach to learning. Much of our training occurs on the ‘shop floor’. On-the-job learning is shown to be a highly effective way to keeping training relevant to our employees. We supplement this with classroom teaching, as well as new techniques such as e-learning and virtual workshops. Helping our employees achieve their full potential is critical. That is why we go for stretched targets. In 2012, Nordea employees received on average 1.9 days of training, including e-learning and classroom training. We are careful not to neglect our leaders’ own personal development needs. In that respect, Nordea leaders underwent an average of 1.5 days classroom training in 2012.

## THE NORDEA LEADERSHIP PIPELINE



### TAKING LEADERSHIP TO THE NEXT LEVEL

In 2012, Nordea introduced a Leadership Pipeline Framework to take our leaders to the next level. The programme seeks to educate our managers in the skills and perspectives required at different stages as they progress through the bank. The programme targets all our managers and comprises classroom and work-based learning.

### FEEDBACK CULTURE

Nordea prioritises open dialogue in our relationship with our employees. We know that people feel valued when they feel heard. Regular feedback is also essential to their on-going development. We create this culture of

responsiveness through our Employee Satisfaction Index (ESI) and our Performance & Development Dialogue (PDD) process. The one on one PDD-talk between employee and manager is fundamental accelerating growth and ratifying the performance culture. We assess performance, plan short and long term career and decide on development initiatives/activities. In 2012, 97% reported to have participated in this review process.

The ESI survey is a check point for Nordea as an employer. It shows us what our employees think about our employment practices, our governance standards and our values. In 2012, 94% responded to the ESI. This exceptionally high response rate indicates a commitment to improve operations together. We follow up on the feedback from the ESI both at local and on group level.

ESI RESULTS	2012	2011	2010
Satisfaction and motivation	71	72	73
Development	73	71	73
Considered a good workplace	74	74	79
Proud to tell others where I work	76	76	82
Recommend others to start working at Nordea	72	72	78
Living the values	79	78	79
Great Customer Experiences	81	80	81
It's all about People	75	75	75
One Nordea team	79	79	78

## INTERNAL MOBILITY

Mobility is key for competence development. We advertise our vacancies internally and strive to find candidates among our colleagues. Our Human Resources team also organises career days to encourage job enlargement or rotation across business areas. Over 2.000 people have attended such events since they started in 2009. As a result of these initiatives, more than 3,000 Nordea employees took up new positions internally last year. While our international assignments are popular, most career mobility takes place within the same country or between the Nordic countries. Nordea's Graduate Programme plays an important role in bringing new talents into the bank. In 2012, 62 young people joined Nordea, predominantly directly from university. Retention among these graduate recruits is very high. Of the 700 new Graduate entrants since 2000, well over four-fifths still remain with Nordea today.

## COMPETITIVE REMUNERATION

Nordea aims to be competitive with our market peers in terms of remuneration. We acknowledge the importance of being well-balanced in our approach to remuneration. At the same time, we need to be flexible. As an international bank, we operate in multiple markets. As local business and market needs differ, so too must our remuneration packages. That said, we insist on absolute consistency in the area of risk management. We place an absolute priority on Nordea's long term interests. As a consequence, we ensure that our remuneration policy promotes sound risk management and in no way encourages excessive risk taking. Nordea's criteria for sharing profits among employees are twofold: Return On Equity (ROE) and relative customer satisfaction supporting our one true mission; creating Great Customer Experiences.

Starting in 2013, we will offer defined contribution pension schemes for all employees, where applicable. We see this as a sound and responsible way of supporting modern work life balance.

## WELL-BEING AT WORK

As a responsible employer, Nordea seeks to provide a healthy working environment. Health and safety legislation in the Nordic countries is comprehensive but varies\*. In some cases the collective bargaining agreements stipulate the content of Nordea's health and safety services. The ambition is to support well-being by preventive measures promoting health and supporting active ageing. Activities can include e.g. non-smoking or nutrition classes, access to on-site or external health clubs. We provide health screening, medical examinations and/or health insurances additional to government provision and depending on location.

Working in banking can be high pace and high pressure. That is the nature of our industry. It makes the job exciting. However, it may also cause occasional undue stress if not managed appropriately. Nordea has a Work Related Stress policy. We believe that providing open channels for dialogue and feedback is particularly important in this regard. We track the wellbeing and satisfaction of our employees through formal questionnaires, such as our annual employee survey, where "Talking about stress and welfare is natural", a score that increased to 73 in 2012. We also employ more informal tools, such as coaching sessions and development talks.

\* In Denmark, we provide our employees with health insurance. In Finland, Norway and Sweden occupational health care is closely regulated. In Estonia, Latvia, Lithuania, Poland, and Russia, the scope of Occupational Health Care services provided vary depending on local legislation.





## EQUALITY

Diversity is the cornerstone of an inclusive and creative high performing workplace. Women currently make up 58% of our workforce and 46% of our managers. Nordea is continually looking for ways to safeguard equality and the annual employee survey score 81 for Nordea being an Equal opportunity employer. For example, we seek to have at least one woman among final three candidates for any management position. We achieved this in 84% of cases until end Q3 2012. Of these female candidates, 57% went on to fill the post.

Nordea adopts a zero-tolerance stance against discrimination of all kinds. We encourage employees to report any incidences that they come across. Should regular line manager contacts be found insufficient we have the Whistleblowing procedure. The Group Policy confirms our commitment to prudent banking and safeguards against retaliation. Nordea did not register any alleged discrimination cases in 2012.

## AGREEMENTS & COLLABORATION

Nordea respects the right of freedom of association. Over 80% of our employees around the world have contracts based on collective agreements. We follow collective agreements in all our financial markets where it is standard practice.

Nordea seeks good and constructive collaboration enhancing influence and comprehension on all levels. Representatives are elected among employees for local levels and for Business Area Consultative Committees that deal with change initiatives. The Group Council is a high level collaborative body that raises strategic issues to collect feedback from employee representatives.

Unionisation is low in the Baltic countries and Russia hence we don't have a party to negotiate/ co-operate with. Being domiciled in Sweden, the group is subject to Swedish corporate governance standards and we share common values, policies and processes.

In 2012 we initiated training for all employees in the Baltics and Russia to refresh awareness and confirm our commitment to the ILO standards on Labour and Human Rights. We also included the information in the introduction programmes for new recruits. Our employment policy reflects differences in collective agreements and national legislation. Terms of notice vary from 1-6 months, also in cases of operational changes, subsequent to set collaboration procedures and local legal requirements.

## RESPONSIBLE RESTRUCTURING

The financial turbulence and new global requirements regarding capital, liquidity and cost have resulted in a need to continue on-going cost and capital efficiency measures in the whole financial industry. In 2011, Nordea announced a restructuring programme in the Nordic countries. It was not a step we took lightly, but it was critical for the bank's future. This has led to approximately 2.700 people on group level being reduced since the second quarter in 2011. Reductions made so far have come about mainly from natural turnover and internal mobility, combined with very careful external recruitment and not extending temporary employment contracts. In the Nordics more than 300 people made career moves within the bank due to our internal People Matching Process. Equally, people chose to leave Nordea with mutually agreed redundancy packages with possibilities for outplacement support. ■

## Growing in Nordea – My journey

**Tanja Bache** works in Copenhagen in Group Compliance. She is Russian, born and raised in Estonia. Her working languages are Russian, English, Finnish or Danish depending on the situation. "My career is formed by hard work com-

bined with moving towards new opportunities. Looking back I have never taken a safe path but always new challenges and chances. Through my entire career in Nordea I have worked and studied. Supported by the bank I earned a MBA, CIA

and international Diploma in Compliance. My motto is to be open and honest with managers – this is valid for all situations regardless of whether you are happy or sad, motivated or would like to experience new challenges."

# RUNNING A RESPONSIBLE BUSINESS

**Financial institutions today** face a complex regulatory environment. Banks also play an important role in combatting international criminal activities such as terrorism. New laws and norms are appearing all the time. Nordea's comprehensive governance and management systems aim to ensure that we remain compliant with all these requirements. Legal compliance is just the minimum. We aspire to build a compliance culture in which every employee lives out our values of integrity and responsibility in all our operations. This approach is especially evident in our corporate governance and risk management approach.

“ Compliance is a key priority as one of the main guardians of the regulatory risks and the conscience and ethics of the bank.

Sonja Lohse, Head of Group Compliance

## IDENTIFYING RISK

Nordea puts the highest priority on ensuring that our business activities meet the rules that govern our industry. This is critical to us maintaining the trust of our customers and the wider public. It also protects our shareholders against fines and other financial costs related to non-compliance.

The Board of Directors of Nordea Bank AB bears ultimate responsibility for the Group's compliance with laws and regulations and the Board Risk Committee oversees the management and control of these risks. The Committee regularly reviews the bank's overall risk management approach including risk profiles, control framework and assessment of material risk issues.

Managers in Nordea are responsible for day-to-day management of compliance risks. Supported by the Group's Operational Risk and Compliance function they identify, assess and mitigate compliance risks. The most significant risks reported from all parts of the Group are consolidated into a Group Risk Map represented to Group Executive Management, the Board Risk Committee and the Board of Directors. Nordea recently initiated a scenario-based approach to our compliance risk assessment process. This provides a valuable analytical tool to help anticipate future risks that could threaten the bank or its customers.

## PREVENTING FINANCIAL CRIME

Financial services represent one of the key pillars of a well-functioning, stable society. Banks facilitate trade, saving and investment – the basic engines of a modern economy. The vast majority of bank customers are lawabiding citizens and businesses. Yet banks can be the target of criminal individuals and networks.

Regulators, authorities and various organisations are globally investing considerable energy and resources in combatting money laundering and money transfers to terrorist organisations. Many of the new regulations in our sector relate to these endeavours. Nordea welcomes this. As a responsible international bank, we are committed to supporting all efforts to combat organised crime and terrorism.

In 2012, Nordea set up dedicated Anti-Money Laundering (AML) teams in markets where we operate. An appointed country AML Executive Manager has the overall responsibility for the Anti-Money Laundering and Counter Terrorist Financing risk management i.e. for the internal control routines, instructions, training and the compliance with requirements in respective country and represents Nordea in these issues towards the local FSAs. This year our Board of Directors agreed a company-wide standard for our internal compliance processes in these two areas. Nordea's Group Compliance function coordinates and monitors the work of our country-based Anti-Money Laundering teams.

Compliance systems are vital, but it is Nordea's employees who are ultimately the eyes and ears of the bank. We therefore place great emphasis on compliance training. In 2012 we introduced mandatory e-learning in modules. The first was Information Security which 30,904 employees completed. The second was Preventing Bribery and Corruption which will be completed end of February 2013. As of 2012 it is also mandatory for all new employees to complete e-learning on different risk topics. Nordea's Risk and Compliance Officers supplement this overall awareness training with business-specific training. All employees and managers receive training through these two awareness programmes. In 2012 we continued the

Compliance Awareness Training which was introduced in 2011 for Senior Management. It included external board members, Group Executive Management members and their own management groups.

International crime is a global phenomenon and it demands a global response. International frameworks are set up and led by both global and European regulators to stop enabling laundering of money made by criminal activities or the financing of terrorism. Aside from all our internal measures, Nordea cooperates with other banks and authorities around the world to crack down on the use of the banking system for criminal purposes.

## THE COMPLIANCE OFFICERS

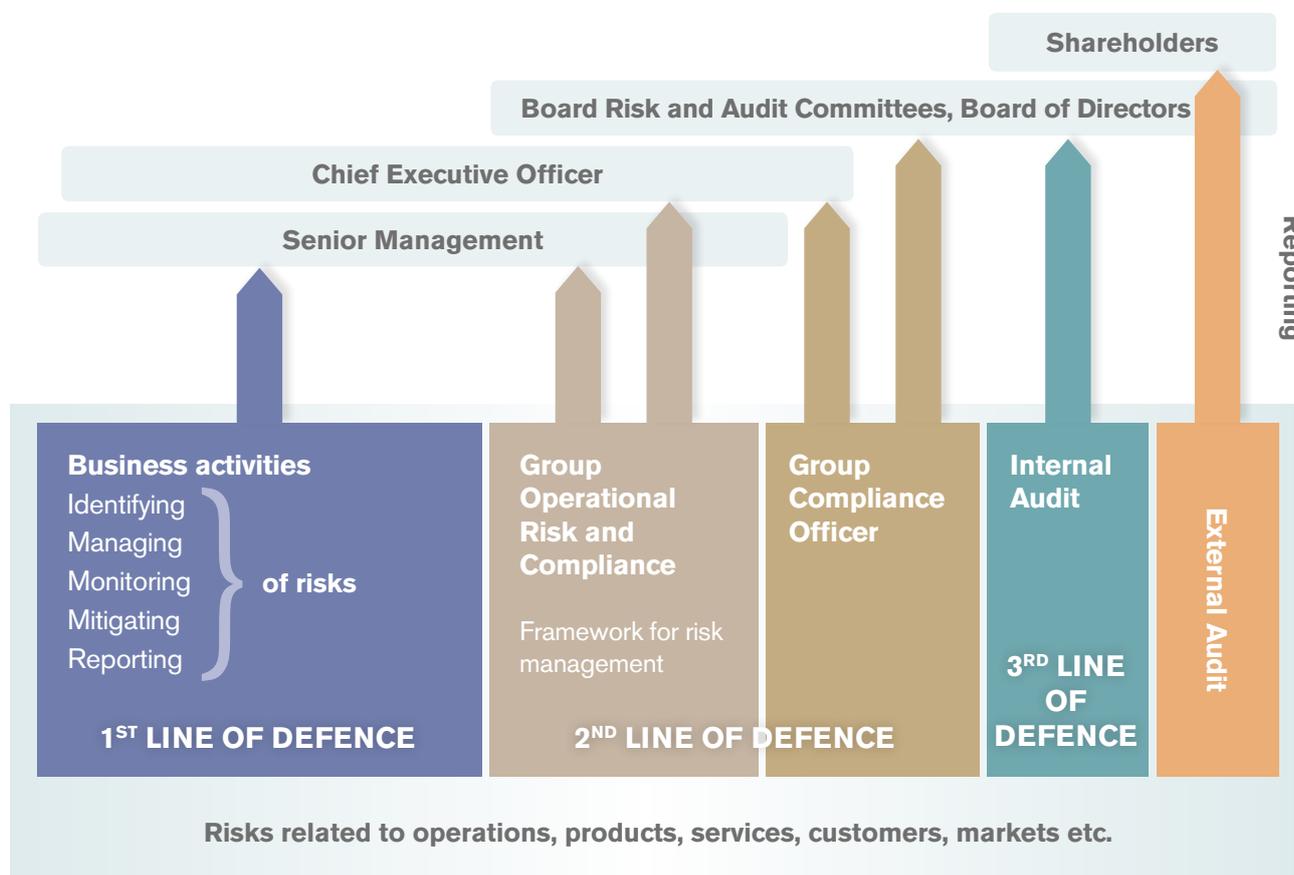
Nordea operates a decentralised network of Risk and Compliance Officers ensuring better understanding and follow up on compliance risks. These specialists operate in conjunction

with, but independent from, the bank's business units. Their main task is to help our employees better understand, manage and mitigate compliance risks. They also independently report on progress and make recommendations for improvement where appropriate.

The remit of our Risk and Compliance Officers encompasses the full spectrum of relevant laws and regulations. They pay particular attention to rules concerning the relationship between us and our customers and other stakeholders. In a sense, they act as Nordea's public custodians.

The main tasks of Risk and Compliance Officers include: identifying and managing compliance risks, establishing necessary controls, such as employee awareness, training and instructions, ensuring that information about products and services is correct and comprehensible, conducting quality and risk assessments for new products and services

## COMPLIANCE RISKS - THREE LINES OF DEFENCE



## WHISTLEBLOWING

As a Nordic company, Nordea's culture is marked by a tradition of openness and trust. While this is an essential foundation for any compliance system, we need standardised processes too. For this reason, we introduced a formal whistle blowing system in 2012. The decision reflects our status as a Global Systemically Important Bank. It also ensures our compliance with the standards set out in the UK Bribery Act and European Banking Authority Guidelines.

Nordea's whistle blowing system offers employees a range of different avenues for reporting their ethical concerns. The first port of call is generally their manager or, if they prefer, another manager. If this is not appropriate, they can voice their concerns directly to a Risk and Compliance Officer. It may be that an employee would rather keep his or her identity private. In this case, they can print off a form from the bank's intranet and send it anonymously to Group Security.

Employees have the facility to submit their concerns in their local language. Where relevant, the instructions accompanying the whistle blowing service reflect country-specific legal requirements and restrictions. Employees need to know that we take each and every report very seriously. Group Security will investigate all cases and Group Compliance will monitor the process. Furthermore, those using the whistle blowing service must be confident in the knowledge that no personal repercussions will follow. In all our instructions to employees, Nordea stresses our commitment to confidentiality and points out our safeguards against retaliation. By the same token, we emphasise that whistle blowing should never be misused for personal gain or to make false accusations.

## ENSURING QUALITY

Every manufacturer checks and double checks its new products before they leave the factory gates. A bank is no different. All new or changed products go through an extensive Quality and Risk Analysis process. This covers the product's marketing materials as well as the product itself. Nordea's Risk and Compliance Officers have a key role in risk assessment and product approval processes.

## WORKING WITH OTHER ORGANISATIONS

To achieve our CSR ambitions Nordea has established formal and informal relationships with a wide range of government and non-governmental organisations. Many of these, such as PRI (pages 12, 13, 22-25, 37) and the Equator Principles (pages 20, 21, 37) are discussed in other sections of this report. ■

“ The possibility to raise one's concern is a vital part of our risk culture.”

**Anders Meinert Jørgensen,**  
Head of Group Operational Risk and Compliance

# CORPORATE GOVERNANCE

**Nordea's governance** is strict with a clear framework. Although strict it provides means by which stakeholders can voice their opinions and influence. Whether you are a shareholder, an employee or a customer, there are ways to share your opinions in a formalised way.

## AVOIDING CONFLICT OF INTEREST

### The Board of Directors

Nordea complies with applicable rules regarding the independence of the Board. The Nomination Committee considers all members elected by the shareholders to be independent of the Company and its executive management. All Board members elected by the shareholders, apart from Björn Wahlroos and Kari Stadigh, are independent in relation to the Company's major shareholders. Björn Wahlroos is board chairman of Sampo plc and Kari Stadigh is managing director and CEO of Sampo plc, which owns more than 10%\* of all shares and votes in Nordea Bank AB (publ). Thus, the number of Board members who are independent in relation to the Company and its executive management as well as independent in relation to the Company's major shareholders well exceeds the minimum requirement. No Board member elected by the General Meeting is employed by or works in an operative capacity in the Company. All Board members and the deputy Board members appointed by the employees are employed by the Group and therefore not independent of the Company. The Board adopts rules and procedures for its work (the Charter) annually. The Charter is an internal document which among other things contains rules pertaining to the areas of responsibilities of the

Board and the Chairman, the number of meetings, documentation of meetings and rules regarding conflicts of interest. For further details please see the Annual Report pages 69-75 and 208-209.

### All employees

The Board adopts directives for the operations of the Group such as the Code of Conduct and the Nordea Sustainability Policy. All employees and business activities need to comply with the standards of integrity and fair business ethics as stated in the Code of Conduct including those regarding conflicts of interest:

Conflicts of interest between Nordea and its customers are identified and prevented or managed so that customers are justly treated.

Employees do not participate in business transactions where a conflict of interest could arise with their own economic standing or with a third party where a close relationship exists.

\* According to the Swedish Corporate Governance Code a member of the board, who is employed by or a board member of a company which is a major shareholder, is not to be regarded as independent. In this context, a major shareholder is defined as controlling at least 10% of the shares or votes in the company. As of end 2012, Sampo Plc. represented 21.4% of the shares and voting rights in Nordea.

## CSR FRAMEWORK – POLICIES & COMMITMENTS

International commitments and internal policies govern our Corporate Social Responsibility

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

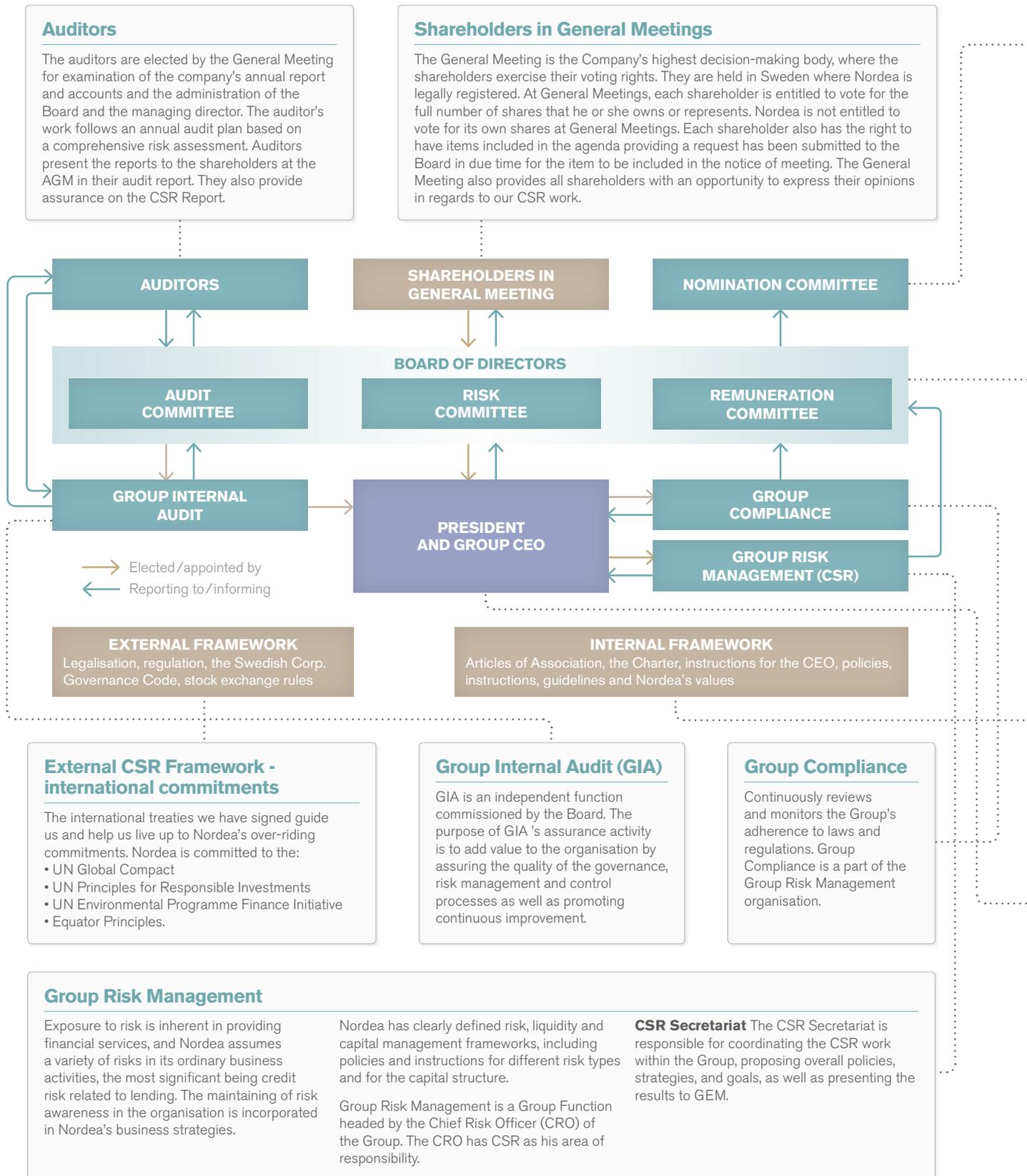
and international commitments are supported by specific and concrete policies to ensure compliance in everyday business. Examples are the human resources policies, the anti-corruption policies, and several investment and credit policies.

Please see [www.nordea.com/csr](http://www.nordea.com/csr) for further details.

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

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

# OVERVIEW OF CORPORATE GOVERNANCE STRUCTURE



### Nomination Committee

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

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

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

### Board of Directors

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

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

the Nomination Committee is informed of the result of the evaluation.

**Board Committees.** In accordance with the external framework and in order to increase the effectiveness of the board work, the Board has established separate working committees. The duties of the Board Committees, as well as working procedures, are defined in specific instructions adopted by the Board annually. Each Committee regularly reports on its work to the Board. The minutes are communicated to the Board.

**The Board Audit Committee (BAC).** Assists the Board in fulfilling its supervisory responsibilities by, among other things, monitoring the Nordea Group's financial reporting process, and in relation to this the effectiveness of the internal control and risk management systems, established by the Board, the CEO and GE M, as well as the effectiveness of GIA.

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

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

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

**Evaluation of the Board.** The Board of Directors annually carries out a self-evaluation process, through which the performance and the work of the Board is thoroughly evaluated and discussed by the Board. The evaluation is based on a methodology which includes questionnaires evaluating the Board as a whole and individual Board members.

### President and Group CEO

Nordea's President and CEO is charged with the day-to-day management of Nordea Bank and the Nordea Group's affairs in accordance with laws and regulations, the Code, as well as instructions provided by the Board of Directors. The instructions regulate the division of responsibilities and the interaction between the CEO and the Board. The CEO works closely with the Chairman of the Board, for instance with planning of Board meetings.

The CEO is accountable to the Board for the management of the Nordea Group's operations and is also responsible for developing and maintaining effective systems for internal control within the Group. The CEO works together with senior officers within the Group in Group Executive Management (GEM). Presently GEM consists of six members and the CEO. GEM has recorded weekly meetings. These meetings are chaired by the CEO, who

reaches decisions after consulting with the other members of GEM.

GEM is the highest operational body responsible for the Group's CSR work. The CRO is a member of GEM, hence ensuring continuous communication between GE M and the CSR Secretariat.

### Internal CSR framework - Internal policies

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

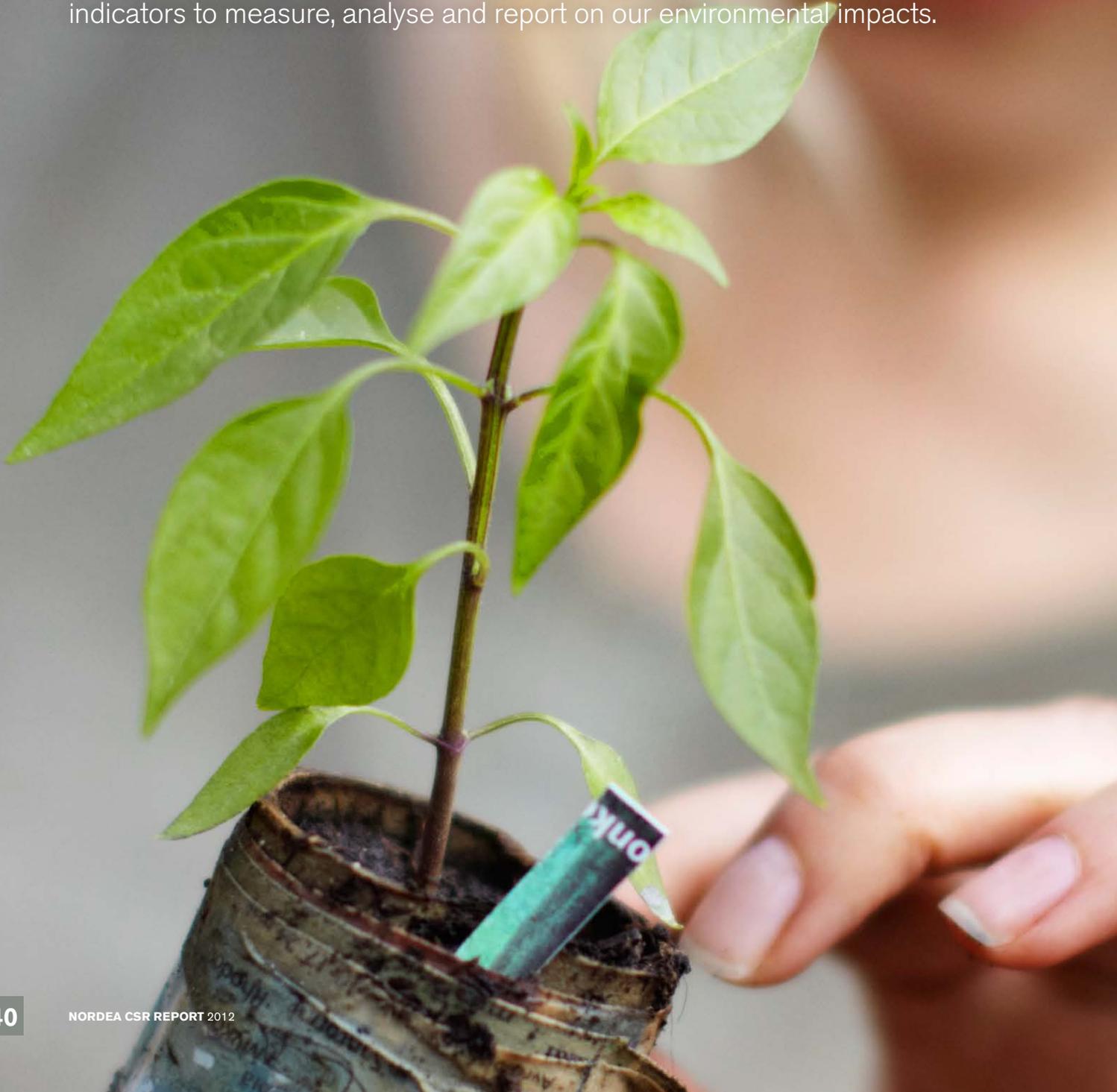
The Nordea Sustainability Policy serves as the main standard of our role in society.

Policies we have developed are e.g.:

- Nordea Sustainability Policy
- Code of Conduct
- Anti-Bribery and Corruption Policy

# REDUCING OUR ECO FOOTPRINT

**We approach our environmental responsibilities** as an integral aspect of our day-to-day operations across all our business units. Nordea's Ecological Footprint programme gives direction and stimulus to our environment activities. It is the basis for our environmental management process which was formalised in 2009. This process includes the use of key indicators to measure, analyse and report on our environmental impacts.



## PROGRESS AND ACTIVITIES

Our ecological footprint is decreasing year-on-year as a result of our environmental programme. Over the last 12 months, we continued to make good progress in managing our impacts effectively. Our total greenhouse gas emissions in 2012 amounted to 51,297 tonnes, down 5.8% from the previous year.

## TARGETS AND STATUS

Measuring our environmental performance is important as this pushes us to continuously improve. We now have monitoring processes in all our nine home markets. Nordea has specific targets to reduce the environmental impacts that we generate in our Nordic operations. These targets cover four separate areas: consumption of energy, air travel, the use of paper by our employees and paper sent to our customers. The first three targets are expressed as consumption per full-time equivalent (FTE). Since 2008 the number of FTEs has decreased by over 2000 which means our targets are now harder to achieve.

“ Our work covers all of our nine home markets; Denmark, Finland, Norway, Sweden, Estonia, Latvia, Lithuania, Poland and Russia, which represent 98% of our employees. In order to succeed we have set up dedicated teams to manage the core environmental areas and actions where our impact is highest and most material to our business.”

**Tone Lauritzen,**  
Ecological Footprint Programme Manager

INDICATOR	TARGET 2008-2016	STATUS 31.12.2012
<p><b>Energy</b></p> <p>The energy consumed in Nordea's offices and retail branches are responsible for 61.5% of our CO<sub>2</sub> emissions. As a result of our efficiency measures, fourteen of our principal office buildings in the Nordic region are now LEED certified. Nordea's head office in Latvia was recently rated the country's most energy-efficient and sustainable building. Our new head offices in Stockholm and Copenhagen, which will be ready in 2015 and 2016 respectively, will meet the highest possible LEED standards too.</p>	<p><b>Reduce consumption by 15% (kWh/full-time equivalent)</b></p>	<p><b>Behind schedule:</b> kWh/FTE reduced by 0.5% from 2008. 2.6% increase in 2012 compared to 2011. Total energy consumption (MWh) down 9.1% from 2008, but falling FTE numbers negatively impact kWh/FTE.</p>
<p><b>Air travel</b></p> <p>Air travel represents our second most significant impact area. We recently introduced the Lync audio conference call system. This is resulting in a gradual change in employee behaviour with respect to travel.</p>	<p><b>Reduce air travel for internal purposes by 30% (#trips/full-time equivalent)</b></p>	<p><b>Behind schedule:</b> Trips/FTE 11.4% above 2008 level. Positive progress in 2012, with 24,562 fewer flights (16.7%) compared to 2011.</p>
<p><b>Internal paper</b></p> <p>In late 2012, Nordea installed new printers in several head offices and branches in the Nordic countries. This will continue in 2013 and will include all Nordic locations. This has started to provide better insights into printing behaviour and will enable us to increase the use of duplex and follow-me printing. As a result, we expect to see our paper consumption fall significantly in 2013.</p>	<p><b>Reduce consumption by 50% (kg/full-time equivalent)</b></p>	<p><b>Behind schedule:</b> Total paper consumption has decreased by only 6.3% since 2008 and due to fewer FTEs, consumption per FTE has increased by 2.6% in that period. There is a 10.2% increase in kg/FTE in 2012 from 2011.</p>
<p><b>Customer paper</b></p> <p>Nordea tries to communicate with customers electronically rather than by letter. Numerous projects to communicate via e-mail and Netbank are showing good results.</p>	<p><b>Reduce consumption by 50% (g/customer)</b></p>	<p><b>Ahead of schedule:</b> 1,367 tonnes of paper (42%) less than in 2008 and a 45.8% decrease in g/customer. 14.9% reduction in g/customer from 2011 to 2012.</p>

## MONITORING & REPORTING

We believe that real progress is only possible when data-driven management targets and regular monitoring is in place. Nordea regularly reports against our key environmental performance indicators in our nine home markets. In our Nordic operations, we issue performance updates on a quarterly basis. At present, we do not report on our international offices because they constitute such a small part of operations (less than 3% of our FTEs). Nordea's environmental disclosure is in accordance with the Global Reporting Initiative, the benchmark standard for non-financial reporting. This means that the data is consistent, reliable and comparable with that of other companies. Our participation in the Carbon Disclosure Project provides further evidence of Nordea's commitment to transparency. CDP provides a database of carbon emissions from a range of leading businesses.

## NORDEA TAKES RESPONSIBILITY FOR SUPPLY CHAIN

Nordea expects suppliers to meet the same standards that we set for ourselves. The end goal is that our suppliers are contractually obliged to act in accordance with the treaties to which Nordea is a signatory and

that the entire supply chain conforms to the ten principles contained in the UN Global Compact.

In 2012 we introduced a new CSR Supplier Management approach including Nordea Supplier Guidelines that describe our requirements. We successfully piloted this approach with three current suppliers in the first half of 2012. While the pilots did not reveal non-compliance with Nordea's Supplier Guidelines, they did identify a number of improvement areas both for the three suppliers and also within our own sourcing process.

The new approach includes a policy of annual CSR reviews. We intend to undertake 6-10 separate checks per year. We will select vendors for CSR reviews based on their risk profile, but will initially concentrate on our largest suppliers, of which we have around 50. These collectively comprise over half our procurement spend.

Nordea's Ecological Footprint programme includes a set of policies and metrics related to the responsible procurement of products and services. Through our supplier relationships, we look to encourage better environmental performance through our supply chain. Our approach will be more carrot than stick. ■

## More virtual meetings



**Nordea sees** new technological advances as an ideal opportunity to reduce the carbon footprint caused by air travel. As an international bank, we conduct business across national borders all the time. In 2010, this required our employees to take 150 000 one-way flights. With the introduction of conference call technology, this figure has since dropped by 18.5%.

The Lync system is changing attitudes as well. Opting for a conference call is becoming the 'new normal' and during 2012, the number of virtual meetings held by Nordea em-

ployees increased drastically. Every one of these meetings leads to fewer travel-related carbon emissions. Less travel time also saves costs and improves our employees' work-life balance. So teleconferencing is good for our shareholders and employees as well as for the environment.

We send a regular report summarising Nordea's travel footprint to the bank's top 300 managers. This facilitates ongoing target setting and monitoring. It also reinforces the message internally that teleconferencing is not just acceptable, but expected.

# ABOUT THIS REPORT

■ Nordea based the materiality of this report on the dialogues held with stakeholders as well as on our own knowledge of the areas where Nordea can make a difference within CSR. Our strategy to embed CSR into business is based on the views of stakeholders. The business sections therefore have top priority.

We start by giving an overview of Nordea, how we work with CSR and how we impact the society. Next we present all business areas deemed important by our stakeholders, by the CSR community based on practice and by our own organisation. More in-depth information is available on the web.

This is the fifth edition of the Nordea CSR Report and covers the calendar year of 2012. Our latest CSR Report was published in February, 2012. During the period 2002-2007 Nordea produced an annual environmental report, the Nordea Environmental Footprint. This report is produced according to the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and the Financial Services Sector Supplement (FSSS) Final Version (2008). Information is gathered from our reporting systems as well as manually. In accordance with Nordea's CSR strategy, business areas and group functions provide the content related to their areas. We are reporting on a B+ level. The GRI indicator index is shown on pages 44-45.

The content of the report is guided by our materiality analysis and the dialogues that we have conducted with customers, employees, shareholders, analysts, suppliers, NGOs and governmental

authorities. This report covers CSR initiatives and activities in 2012 concerning the Nordea Group in the Nordic region (Denmark, Finland, Norway, Sweden), Estonia, Latvia, Lithuania, Poland, Russia and in our international locations. Nordea's CSR reporting cycle is annual. Some positions and initiatives described in the report may only apply to selected units or parts of the organisation, and where relevant, the units concerned are identified. Our employment-related indicators cover Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Poland, Russia and Sweden, unless otherwise stated.

Our environmental indicators cover operations in Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Poland, Russia and Sweden, unless otherwise stated. Our international network is excluded from the environmental indicators as it is not material in this respect. When indicators are related to our premises we cover only the ones that are occupied by Nordea. In some cases environmental data also includes consultants working for Nordea.

The environmental data is calculated in accordance with the GHG Protocol's guidelines for emissions calculation, a corporate accounting and reporting standard by the World Resources Institute and the World Business Council for Sustainable Development.

This CSR report has been reviewed by external auditors, and the review report performed by Nordea auditors, KPMG, is shown on page 51. Nordea is a signatory to the UN Global Compact (UNGC), and this report serves as

Nordea's annual Communication on Progress (COP) report to the UNGC for the operating year 2012. Nordea has adopted the Equator Principles (EP). This report fulfills partly the annual reporting requirements of the EP and serves as Nordea's EP status report for the operating year 2012. Detailed EP statistical information is available on [www.nordea.com/csr](http://www.nordea.com/csr).

## ABBREVIATIONS:

<b>AGM</b>	Annual General Meeting
<b>AML</b>	Anti-Moneyden Laundering
<b>B, P&amp;R</b>	Baltics (Estonia, Latvia and Lithuania), Poland and Russia
<b>CEO</b>	Chief Executive Officer
<b>CDP</b>	Carbon Disclosure Project
<b>CO<sub>2</sub></b>	Carbon Dioxide
<b>CRO</b>	Chief Risk Officer
<b>CSI</b>	Customer Satisfaction Index
<b>CSR</b>	Corporate Social Responsibility
<b>DM</b>	Deal Manager
<b>EP</b>	Equator Principles
<b>EPF</b>	Export and Project Finance
<b>ERAT</b>	Environmental Risk Assessment Tool
<b>ESG</b>	Environmental, Social and Governance
<b>ESI</b>	Employee Satisfaction Index
<b>EUR</b>	Euro
<b>FTE</b>	Full Time Equivalent Employee
<b>GIA</b>	Group Internal Audit
<b>GRI</b>	Global Reporting Initiative
<b>GEM</b>	Group Executive Management
<b>GHG</b>	Greenhouse Gases
<b>HR</b>	Human Resources
<b>IFC</b>	The World Bank Group's International Finance Corporation
<b>ILO</b>	International Labour Organisation
<b>LEED</b>	Leadership in Energy and Environmental Design
<b>NGO</b>	Non Governmental Organization
<b>OECD</b>	Organisation for Economic Do-operation and Development
<b>PDD</b>	Personal Development Discussion
<b>ROE</b>	Return on Equity
<b>RI</b>	Responsible Investment
<b>UNEP FI</b>	The United Nation's Environmental Programme Finance Initiative
<b>UNGC</b>	The United Nation's Global Compact
<b>UNPRI</b>	The United Nation's Process for Responsible Investment

# GRI INDEX

■ We have self-declared our reporting to be Application Level B+ (Self-declared). Our auditors have checked our reporting and have confirmed it to be Application Level B+ (Third-party-checked).

The index below includes degree of reporting and page reference to the relevant indicators in this report. In some instances reference is made to the Nordea Annual Report 2012 (AR). All core indicators are included in the table, together with the additional indicators Nordea has found relevant, and a selected number of indicators from the GRI Financial Services Sector.

■ Fully reported ■ Partly reported

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The economic performance of Nordea is managed by the CEO and the CFO and their related organisations and due care is taken to secure that sustainability aspects are integrated where necessary. This is for example governed in the Nordea Sustainability Policy and the Nordea CoC and followed up as part of our risk management processes.		
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7. SOCIAL PERFORMANCE INDICATORS			
DISCLOSURE ON MANAGEMENT APPROACH			
<b>Goals, performance and policy</b>		26-31, 36-37, 46-47	■
<b>Organisational responsibility</b>		AR 211	■
<b>Training and awareness</b>		11, 26-31	■
<b>Monitoring and follow-up</b>		26-31, AR 38-39	■

A group level HR unit is responsible for Nordea's HR policies and processes. These are implemented by (and when necessary adapted to the local regulatory framework) and followed up by local HR units in all countries where Nordea is operating.

<b>EMPLOYMENT</b>			
LA1	Total workforce by employment type, contract and region	46-47	■
LA2	Rate of employee turnover by age group, gender and region	46-47	■
LA4	Percentage of employees covered by collective bargaining agreements	46-47	■
LA5	Minimum notice period(s) regarding operational changes	31	■
LA7	Rates of injury, occupational diseases, lost days, work related fatalities	46-47	■
LA8	Education, training, prevention and risk-control programs in place	26-31	■
LA9	Health and safety topics covered in formal agreements with trade unions	29	■
LA10	Average hours of training per year per employee	27	■
LA12	Employees receiving regular performance and career development reviews	28	■
LA13	Composition of governance bodies and employees according to diversity indicators	AR 38, 208-211	■

<b>HUMAN RIGHTS</b>			
DISCLOSURE ON MANAGEMENT APPROACH			
Human Right issues can be direct and indirect for Nordea. In the direct case these issues are governed by the UN Global Compact, the Nordea Sustainability Policy and the Nordea CoC, and are the responsibility of the Human Resource organisation. The compliance function (second line of defence) and IA functions (third line of defence) are also available to secure compliance but the overarching principle is a decentralised responsibility for the operating organisation, see 11, 36. In the indirect case this is mainly a responsibility for the credit organisation and the investment organisation, see 18-25.			

HR1	Investment agreements that include human rights clauses	18-25	■
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<b>SOCIETY</b>			
DISCLOSURE ON MANAGEMENT APPROACH			
<b>Goals and performance</b>		32-35	■
<b>Policy</b>		32-35, 36	■
<b>Organisational responsibility</b>		32-35	■
<b>Training and awareness</b>		11, 32-35	■
SO3	Employees trained in the organisation's anticorruption policies and procedures	33-34	■

GRI content index		Pages	
SO4	Actions taken in response to incidents of corruption	33-34	■
SO5	Public policy development and lobbying	7	■
<b>PRODUCT RESPONSIBILITY</b>			
<b>DISCLOSURE ON MANAGEMENT APPROACH</b>			
<b>Goals and performance</b>		14-17	■
<b>Policy</b>		10-13, 36-37	■
<b>Organisational responsibility</b>		14-17	■
<b>Training and awareness</b>		11, 27	■
PR3	Type of products and service information required by procedures, and percentage of products subject to such information requirements	22-25	■
PR5	Results related to customer satisfaction, including results of surveys	17	■
PR6	Programs for adherence to laws, standards and voluntary codes for marketing communications	14-15	■
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	16	■
<b>FINANCIAL SERVICES SECTOR SUPPLEMENT INDICATORS</b>			
FS1	Policies with specific environmental and social components applied to business lines	14-25	■
FS2	Procedures for assessing and screening environmental and social risks in business lines	14-25	■
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	14-25	■
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to the business lines	18-25	■
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	18-25	■
FS6	Percentage of the portfolio for business lines by specific region, size and by sector	4-5, AR 52-54	■
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	25	■
FS11	Percentage of assets subject to positive and negative environmental or social screening	22-25	■
FS15	Policies for the fair design and sale of financial products and service	35	■
FS16	Initiative to enhance financial literacy by type of beneficiary	16-17	■

### Report Application Levels

		2011	C	C+	B	B+	A	A+
Mandatory	Self declared			Report Externally Assured		Report Externally Assured		Report Externally Assured
	Third party checked			Report Externally Assured		Report Externally Assured		Report Externally Assured
Optional	GRI checked							

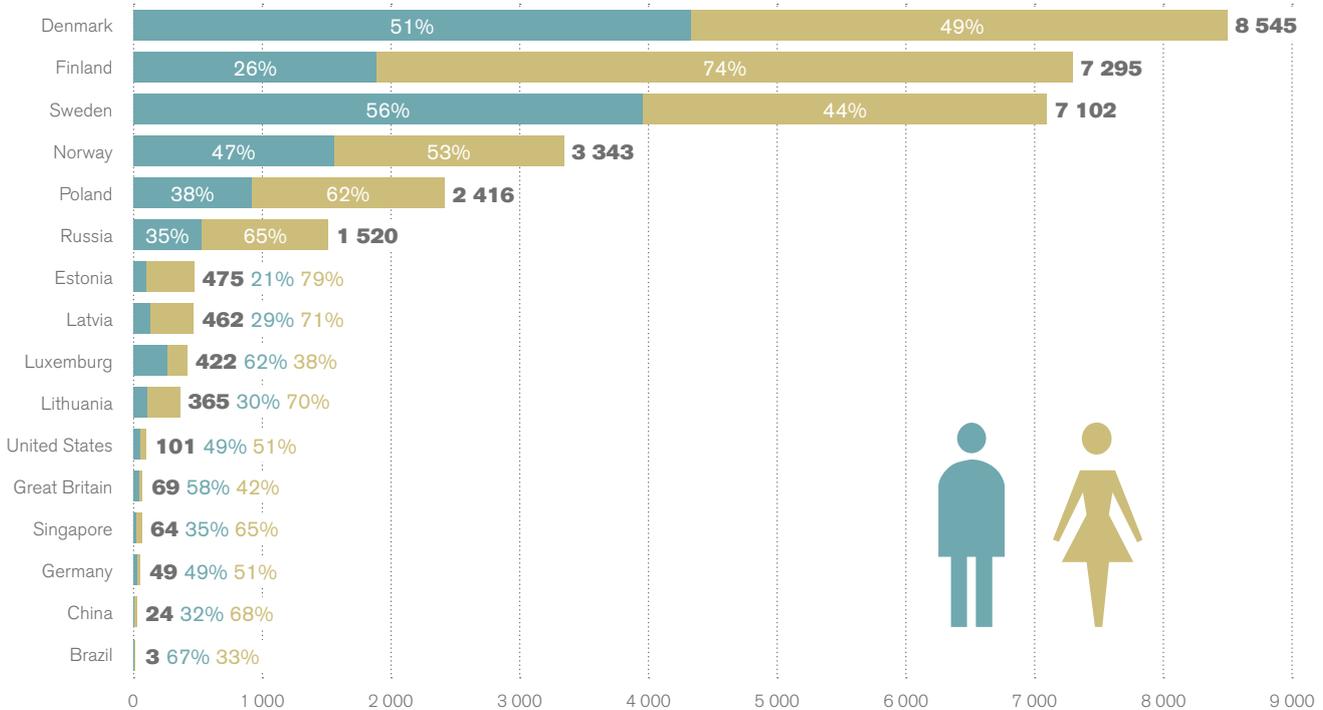
# SOCIAL DATA

Data including excel tables also on [www.nordea.com/csr](http://www.nordea.com/csr)

## Total workforce in Nordea Group by region & gender

LA 1

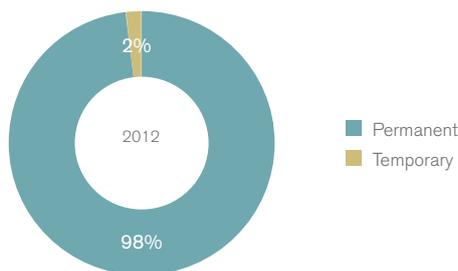
Nordea Group's workforce consists of 58 per cent women and 42 per cent men, a decrease of 2 per cent women compared to 2011. The data is based on average FTE for 2012.



## Total workforce by employment type: Permanent/temporary employees

LA 1

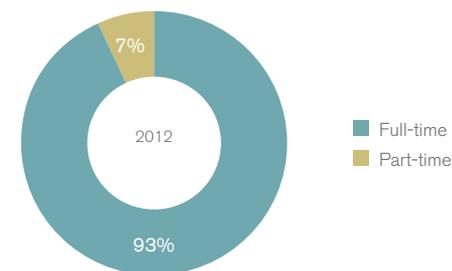
Figures based on FTE numbers in a Nordic countries.



## Total workforce by employment type: Full-time/part-time employees

LA 1

Figures based on FTE numbers in a Nordic countries.



## Percentage of employees covered by collective bargaining agreements

LA 4

Managers and specialist having individual contracts in Denmark (11%), Finland (15%) and Norway (28%) are always, at a minimum, covered by terms in the local collective agreements and additionally holding, to various extent, more favourable terms.

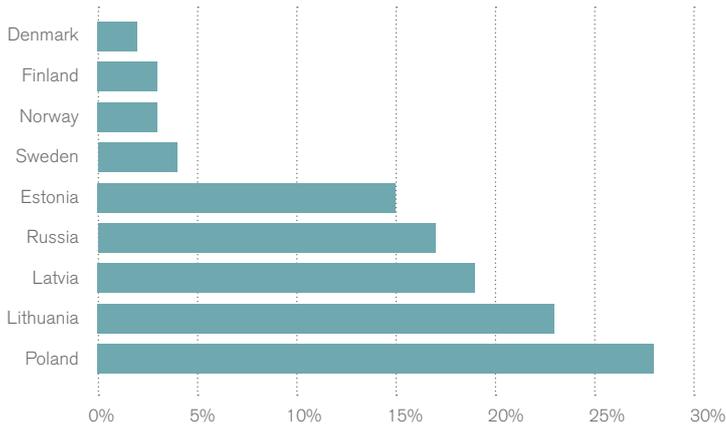


## Rate of employee turnover

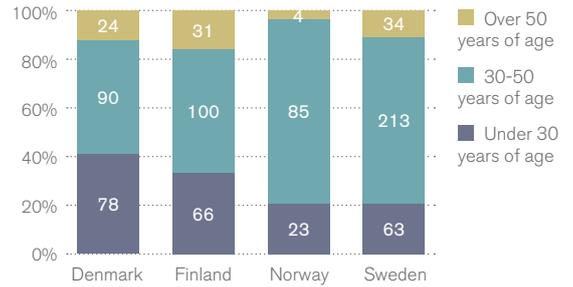
LA 2

Employee turnover as a percentage of total number of employees was 6.4%. In 2011 this figure was 5.8%.

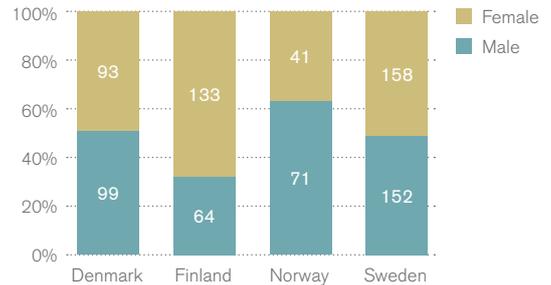
### Employee turnover by region in Nordea Group



### Employee turnover by age in Nordic countries



### Employee turnover by gender in Nordic countries



## Work related injuries and illnesses, robberies, fatalities and accidents while commuting to work in Nordea Group by region

LA 7

Information in this table refer to the number of employees affected. In Finland and Sweden also injuries that occur when commuting to/from work are seen as work related injuries. Work related illness is not registered in Denmark.

Country	Work related Injuries	Robbery cases	Accidents while commuting	Fatalities	Work related illnesses
Denmark	38	100	-	0	-
Finland	63	3	94	0	1
Norway	4	0	-	0	0
Sweden	11	3	18	0	2
Estonia	0	1	-	0	0
Latvia	0	0	-	0	0
Lithuania	0	0	1	0	0
Poland	7	0	8	0	0
Russia	0	0	-	0	0
<b>TOTAL</b>	<b>123</b>	<b>107</b>	<b>121</b>	<b>0</b>	<b>3</b>

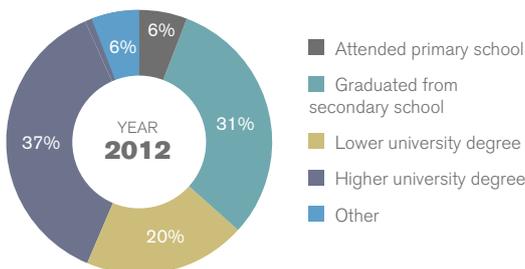
## Absenteeism because of sick leave in Nordea Group by region

LA 7

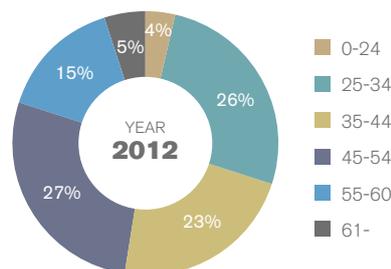
The average sick leave per employee in 2012 was 8 days, compared to 9 days in 2011 and 2010.

Country	Sickdays per employee
Denmark	7
Finland	11
Norway	13
Sweden	9
Estonia	4
Latvia	5
Lithuania	2
Poland	10
Russia	9
<b>AVERAGE</b>	<b>8</b>

## Educational background of employees in Nordea Group



## Age structure in Nordic countries and B, P&R



**44.3**  
AVERAGE AGE YEARS

**15.6**  
AVERAGE LENGTH OF SERVICE YEARS

# ENVIRONMENTAL DATA

■ The full-time equivalent (FTE) employee figures used in the environmental data refer to full-time equivalents at year end including temporary staff and external consultants working in Nordea's premises. The reporting for the Baltics, Poland and Russia (B, P&R) include the Nordea Operations Centre in Lodz, Poland, for the first time. All trendlines include total consumption, both Nordic and B, P&R. In previous reports the trendlines have only included Nordic data, as data for B, P&R has been unavailable for the 3 previous years.



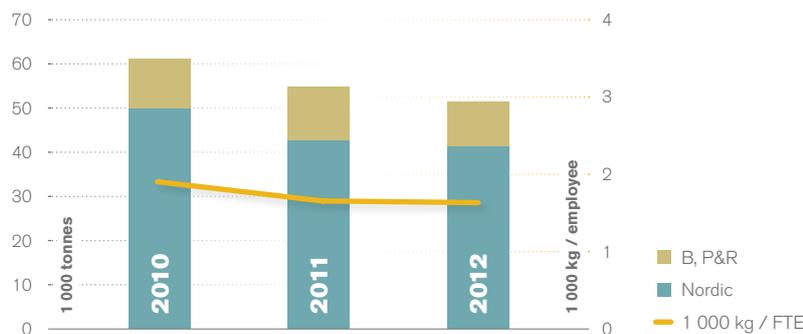
During 2012, we have conducted a thorough review of the space data used for the Nordic energy and water reporting and found that a small amount of square meters that should have been included in the reporting starting in 2008 was not included. We have therefore restated the consumption figures for Nordic energy and water for previous years in this report, however, the effect is insignificant.

Data including excel tables also on [www.nordea.com/csr](http://www.nordea.com/csr)

- Data covering the Nordic countries and B, P&R
- ★ Data covering the Nordic countries

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

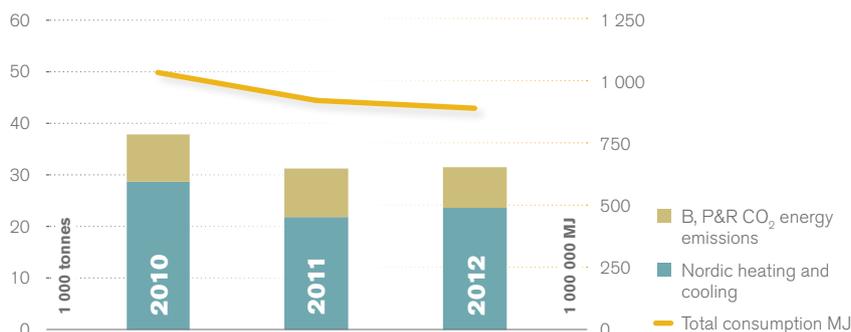
EN16



**Total CO<sub>2</sub> emissions** is the sum of our energy and travel emissions. 61.5% of our total emissions in 2012 derived from energy consumption. Total emissions decreased by 5.8% from 2011.

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

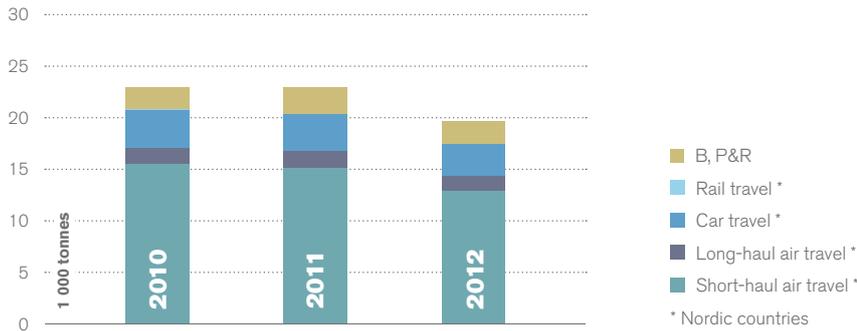
EN04



**Nordea has** purchased renewable energy certificates to offset the electricity consumption in the Nordic premises since 1.7.2009. Total CO<sub>2</sub> emissions from energy include emissions from estimated energy consumption for premises where actual data is unavailable. Estimates are based on average consumption in that country or region or on energy cost information. Nordea is restating the Nordic energy consumption for previous years in this year's reporting due to more accurate space information (m<sup>2</sup>) being available. This has no significant impact on the consumption reported.

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

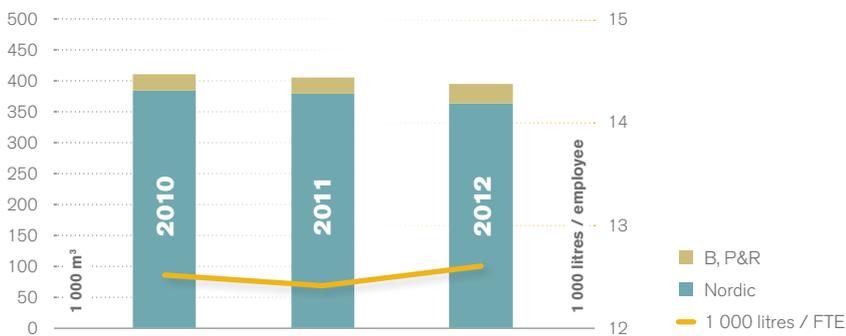
EN17 EN29



**Short-haul flights** are within Europe. Long-haul are inter-continental flights. Nordic train travel only includes data from Sweden. Train travel in other Nordic countries is insignificant. The factor used for car travel has been updated for 2012. Some extrapolations have been made for Estonia to adjust figures to actual number of staff.

## Water consumption

EN8

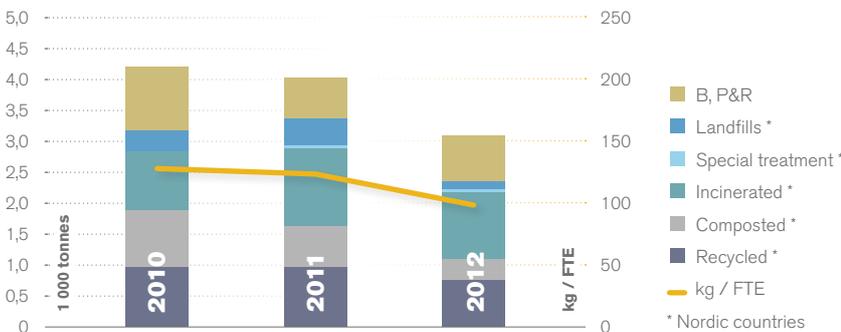


**Nordea is** restating the Nordic water consumption for previous years in this year's reporting due to more accurate space information (m<sup>2</sup>) being available. This has no significant impact on the consumption reported. Consumption has been estimated for offices where actual water consumption is unavailable.

All water is withdrawn from municipal water supplies.

## Waste management

EN02 EN22

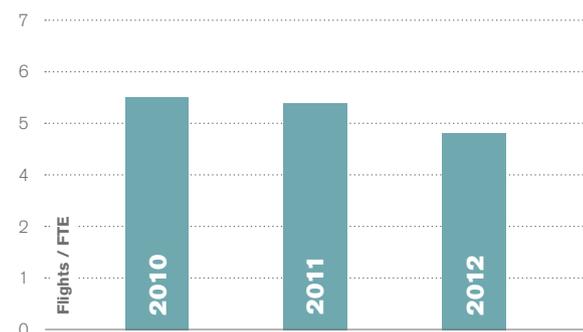


**Fewer rebuilding** projects and internal moves are contributing factors to the drop in Nordic waste. Some extrapolations have been made to the B, P&R data to adjust figures to actual number of staff.

Waste disposal contractors are used for waste disposal.

## Flight travel

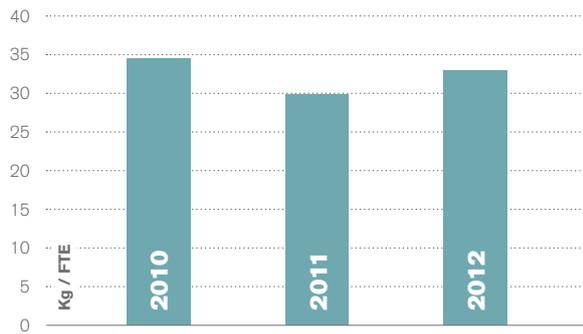
EN29



**Strong focus** and numerous initiatives to reduce air travel has resulted in a significant drop in Nordic travel activity in 2012.

## Internal paper consumption

\* EN01

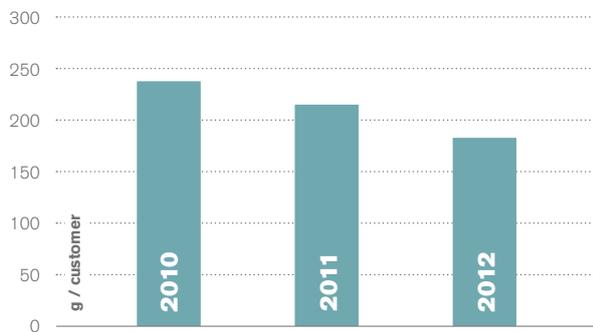


**Internal printing** covers printing in Nordea's Nordic head-offices and branches.

Copy paper used in the Nordic region is 100% virgin fibre and FSC certified.

## External paper consumption

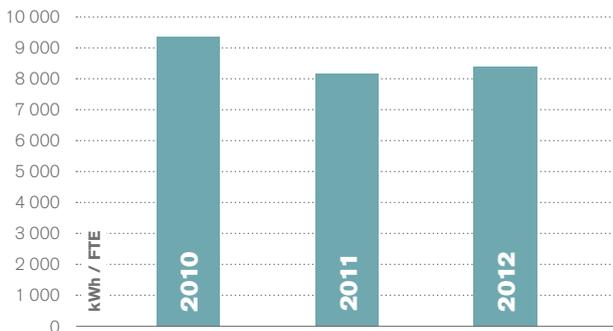
\* EN01



**External paper** is print produced by industrial printing partners and sent to our customers. The customer number used for this indicator includes inactive retail customers as these also receive mail.

## Energy consumption

\* EN04

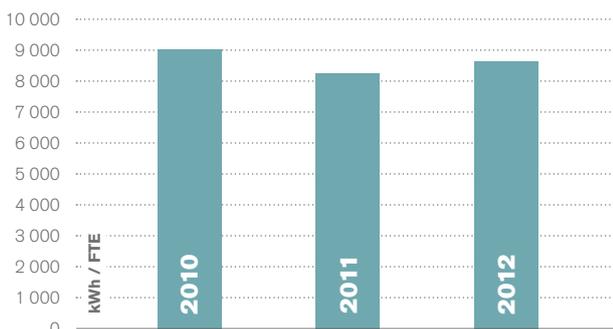


**Total Nordic** energy consumption is down. However, due to fewer FTEs, the kWh/FTE has increased in 2012. Energy consumption has been estimated for premises where actual data is unavailable, primarily branch offices. Estimates are made based on actual kWh/m<sup>2</sup> data in that country.

Nordea is restating the Nordic energy consumption for previous years in this year's reporting due to more accurate space information (m<sup>2</sup>) being available. This has no significant impact on the consumption reported.

## Weather corrected energy consumption

\*



**The weather** corrected energy consumption is meant to show the effect of our efforts to reduce consumption by taking away the weather as a variable. It is the Nordic heating consumption which is weather corrected. The weather corrected total energy consumption has decreased slightly in 2012. However, due to falling FTE numbers, kWh/FTE is up.

Nordea is restating the Nordic energy consumption for previous years in this year's reporting due to more accurate space information (m<sup>2</sup>) being available. This has no significant impact on the consumption reported.

# AUDITOR'S REVIEW REPORT

## ON NORDEA CSR REPORT 2012

### To the readers of Nordea CSR Report 2012:

#### Introduction

We have been engaged by Nordea's Group Executive Management to review the Nordea CSR Report 2012. The Board of Directors and Group Executive Management are responsible for ongoing CSR activities, and for the preparation and presentation of the CSR Report in accordance with the applicable criteria. Our responsibility is to express a conclusion on the CSR Report based on our review.

#### Scope of review

We have performed our review in accordance with RevR 6 Assurance of sustainability reports issued by FAR (the institute for the accountancy profession in Sweden). A review consists of making inquiries, primarily of persons responsible for CSR matters and for preparing the CSR Report, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Our assurance does not comprise the assumptions used by Nordea or whether or not it is possible for Nordea to reach certain future targets described in the report (e.g. goals, expectations and ambitions).

The criteria on which our review are based are the parts of the "Sustainability Reporting Guidelines, G3" published by the Global Reporting Initiative (GRI), which are applicable to the CSR Report. We consider these

criteria suitable for the preparation of the CSR Report.

Our review has, based on an assessment of materiality and risk, among other things included the following main procedures:

- Assessment of suitability and application of criteria in respect to stakeholders' need of information.
- An update of our knowledge and understanding of Nordea's organisation and activities.
- Interviews with responsible management and reading of internal documents, on a test basis, with the aim to assess if the qualitative and quantitative information stated in the CSR Report is complete, correct and sufficient.
- Review of qualitative information and statements in the CSR Report.
- An update of our knowledge of routines used for the collection and reporting of CSR information and data.
- Analytical review of reported information.
- Review of the calculation of CO<sub>2</sub>-emissions.
- Review of underlying documentation, on a test basis, to assess whether the information and data in the CSR Report is based on that documentation.
- Assessment of Nordea's self-declared application level according to GRI's guidelines.
- Reconciliation of the reviewed information with the CSR information in the Nordea Annual Report 2012.
- Overall impression of the CSR Report, and its format, considering the information's mutual conformity with the applicable criteria.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that Nordea CSR Report 2012 has not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, February 7, 2013  
KPMG AB

Carl Lindgren  
Authorized Public Accountant

Åse Bäckström  
Expert Member of FAR

