

Sustainability Report 2015

Nordea 



Sustainability at Nordea sources

All information of sustainability at Nordea can be found in our annual Sustainability Report, Fact Book, GRI index document and Annual Report. In addition to the reports, nordea.com has a comprehensive overview with download centre. For any feedback, contact us at sustainability@nordea.com.

Annual Report

Our Annual Report is a comprehensive guide to Nordea's business performance during 2015. It includes an overview of Nordea's sustainability work to add context as one of the building blocks of the financial performance of the bank. The Annual Report can be downloaded from nordea.com/ir

Responsible Investments Annual Report

Nordea Asset Management's sixth Annual Report focuses on our commitment to being a responsible asset manager. This year we again highlight companies in our Stars funds' portfolio and present cases from 2015.

Fact Book

Our Sustainability Fact Book offers users all the key data from within the Sustainability Report collected in one place and accessible in excel format.

Sustainability Report

This is Nordea's eighth annual sustainability report. The goal of the report is to provide a holistic understanding of Nordea's sustainability work. This year we're proud to introduce our new sustainability strategy and showcase the ongoing progress made by the bank during 2015.



Website

Visit our section on nordea.com to get an overview of Nordea's sustainability work, download documentation and gain a more in-depth understanding through our regularly updated stories and case studies. Visit the site at nordea.com

GRI index

The Global Reporting Initiative (GRI) index provides reference to compliance with GRI G4. It includes the general and Specific Standard Disclosures and describes the boundaries for our reporting. Download the report from nordea.com

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20,4 BNE
Other household lending

686,474
Number of financial plans created

137,2 BNE
Mortgages

12.1 million
Number of branch transactions

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Building skills in personal finances

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CEO statement



Any company has to be centred on the needs of its customers. As our customers increasingly engage with us online or by phone, we are now in a transition period to becoming a truly digital bank.

We have launched new digital services such as our updated mobile bank and further changes will demand we invest in our competences and IT. The outcome of this transformational agenda will be a more efficient and straightforward structure with benefits to our customers, employees and investors and enable us to become truly "One Nordea".

As well as taking action because of digitalisation, we have also reflected on how other megatrends such as climate change and ageing demographics affect our business.

We have concluded that our sustainability programme should address the societal challenges where we have relevant skills and expertise. We must take responsibility for social and environmental issues in our business but we should do more. Banks have an important role to play as enablers of economic success in society. We have therefore identified three key focus areas for our new sustainability ambitions: promoting sustainable economic progress, building skills in personal finance and ensuring a diverse workforce.

In addition, in 2015 we have focused on compliance, which is an essential building block in our customer journey and digital transformation. We are strengthening our

compliance culture and bolstering our efforts to combat financial crime. We have established a Business Ethics and Values Committee to instil a strong group-wide culture that fosters high ethical and professional standards and ensures policies clearly guide decision-making and conduct in daily business. We see this as crucial to our business sustainability and long-term value.

When we reflect on 2015 it is impossible to ignore the issue of climate change and the historic commitments made in Paris. In step with this, we made our own climate change pledge. This includes the commitment to be carbon neutral in our own operations, which we achieved this year.

Our pledge goes further. We know that decisions about how we invest, who we fund and what we spend our money on have a significant impact. We will therefore raise concerns about our clients' impacts on society with them, preferring engagement to exclusion. That said, the need for concerted action on climate change and the risk that some sources of fossil fuels will become 'stranded assets' cannot be ignored, and we will not begin new client relationships with companies that primarily depend on coal.

Ensuring people can benefit from economic opportunities and be productive and responsible members of society is another area where we can play a role. Nordea employees make a difference by sharing their expertise and teaching financial skills. Throughout the Nordic

countries we have great partnerships in place that allow us to reach large numbers of young people.

Helping others in turn helps our employees develop their own skills. In a time of demographic changes with increased competition for skilled people, this is something we value highly. We believe that by attracting and developing a competent workforce we will be well positioned to face this challenge. We have some way to go in achieving gender diversity, and we have combined targets with training for managers to help recognize unconscious bias in our recruitment decisions. Seeing more women in senior management positions is our medium-term goal. It will make us a stronger company, better able to serve our diverse customer base.

Committing to actions that drive forward our new sustainability strategy is a priority. If we do it well, the prize is great. Not only will it help us be 'One Nordea', it will also deepen our engagement with stakeholders – above all our customers – and address the need to rebuild trust in the financial sector. This aligns with our business goal of creating the future relationship bank, and helps us realise the company's vision of providing great customer experiences in today's increasingly challenging world.

Casper von Koskull,
Group Chief Executive Officer

Nordea at a glance



Key figures

9,964 m*

Total operating income, EUR

4,791 m*

Operating profit, EUR

16.5%*

Common Equity Tier 1 capital ratio

12.3%

Return on equity

14 b.p.s.

Loan loss ratio

0.64

Proposed dividend, EUR per share

A Nordic bank with a global reach

Nordea is the largest financial services group in Northern Europe.

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

Formal name: Nordea Bank AB (publ.)

Legally registered in Sweden with head offices in Stockholm.

We operate in:

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

- Operations Centre (NOC) in Poland with 1,466 employees
- International branches in Frankfurt, London, New York, Shanghai & Singapore and representative offices in Beijing and Sao Paulo. A total of 300 employees who are a mix of locals and expatriates (40 in 2015).
- The largest Nordic private bank in Luxembourg and Switzerland.

>10,500,000

Total number of customers

32,610

Total number of employees



57%



43%

% of women as managers:



* Excluding non-recurring items. For further explanation please see the Fourth Quarter and Full Year Results 2015 or Annual Report 2015 at nordea.com/ir.

The Nordea share is listed on NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen

Sustainability at Nordea

Thinking broader, looking farther

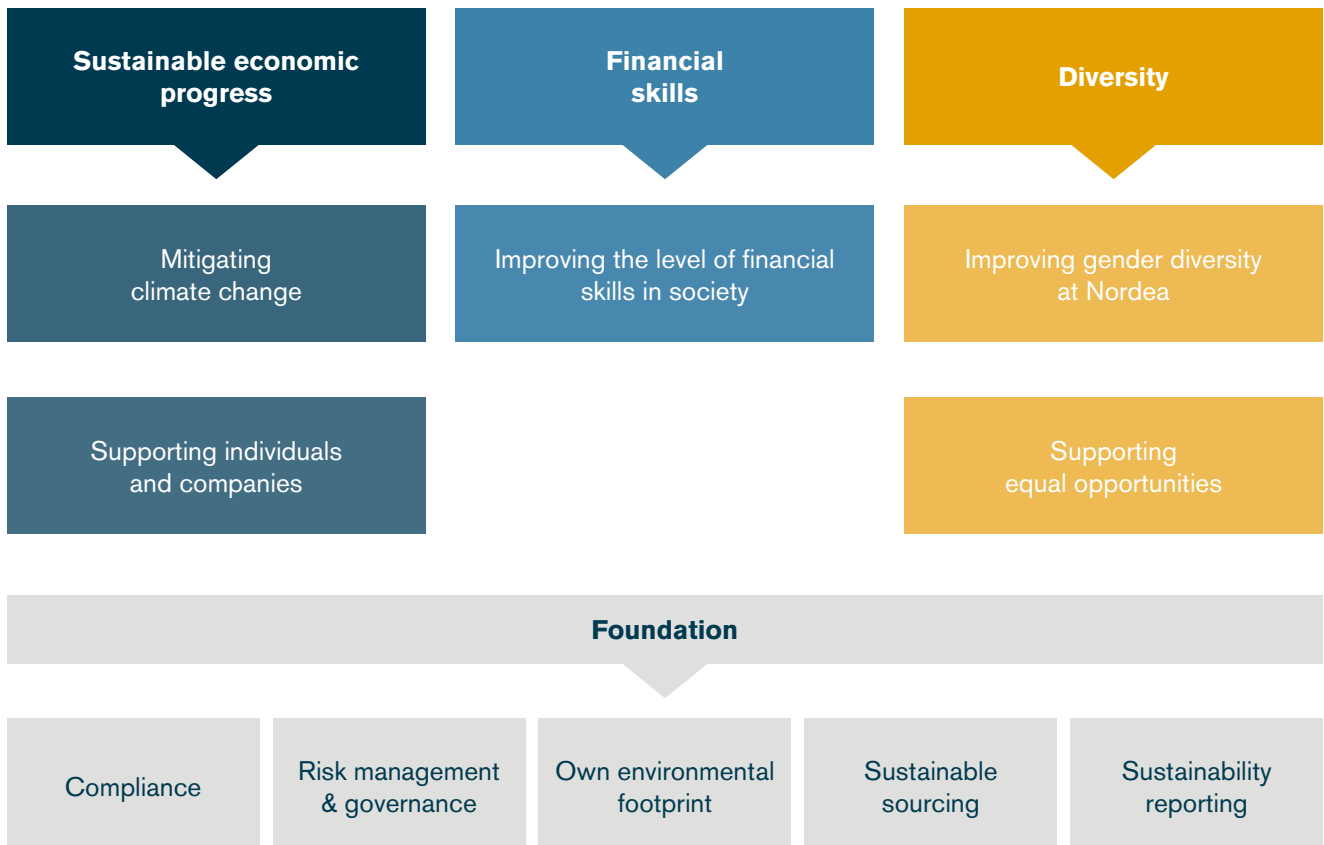
In 2015 we launched Nordea's new sustainability strategy, which represents a significant milestone in our journey. With many years' experience of managing and reporting on our operational sustainability impact, and a growing appreciation of our broader impact on society, we believe it is time to expand our horizons, raise our ambition and embed sustainability even more deeply within our business strategy.

It will always be important for us to act responsibly and ethically and to minimise our negative impacts. However, our analysis is that the world is changing and facing unprecedented challenges, and expectations on business are higher than ever. Our new strategy reflects our belief that we have an important role

in building the future of the societies where we operate, and our desire to be a significant force for good in these societies.

Our strategy is framed around the societal challenges for which we have relevant expertise and competence, and we have identified three specific areas where we feel we have the best opportunity to make a positive difference (see below in Illustration 1). These three priority areas each form a chapter in this report. In each area we have defined the key challenges, clarified the role we can play and our main goals, and made exacting commitments. Our focus is now on working together across the whole business – taking actions that will turn our commitments into reality.

Illustration 1: **Sustainability strategy**



Gunn Wærsted,
Head of Wealth Management,
Chairman of the Sustainability
Committee



Letter from Gunn Wærsted



Our new sustainability strategy is based on the relevant societal challenges where we can apply our skills and experience to make positive change.

In 2015 we committed to being more ambitious with our sustainability work. Having worked with sustainability actively since our Sustainability unit was established in 2008, we have created a solid foundation for our programme. Our 2013 stakeholder dialogue – which gave rise to over 5,000 suggestions for actions we could take to be more sustainable – and the great appetite of our staff to do more, led us to form Sustainability focus areas grouped according to key stakeholders.

We want to gain a clearer understanding of the impact of our business on society, and as a part of this process we continue to analyse fundamental changes in the financial industry and in customer demands for our services. We aim to be ahead of these developments and be part of shaping the future of the financial industry.

Nordea is a value-based organisation guided by our three values: Great Customer Experiences, It's all about people and One Nordea Team. Our business fundamentals need a solid foundation, composed of sound ethical principles. This foundation is our licence to operate. It includes risk management and compliance, our own environmental footprint, our supply chain, and our sustainability

reporting. This work continues to underpin our broader ambitions.

New sustainability strategy based on societal challenges

Throughout the year, we have worked closely with key business areas and group functions, first to appreciate societal trends that affect us and then to agree on our next steps. This work successfully led to the Sustainability Committee approving the new sustainability strategy in November 2015.

Our new sustainability strategy is based on the relevant societal challenges where we can apply our skills and experience to make a positive change. We have articulated our beliefs about our role in tackling these societal challenges, and have made specific commitments in each area. An overview of our sustainability strategy is provided in Illustration 2.

It has been an exciting and inclusive process that is good for Nordea and, we believe, good for society too. More remains to be done and in 2016 we will work further with the business areas to define action plans and measurable goals. With those in place society can hold us to account and we will be able to tangibly demonstrate the contribution we make to a more sustainable society.

Developing our new sustainability strategy

Our strategy and materiality analysis were developed concurrently in 2015. We considered external and internal perspectives to find the most material issues for our business and the cornerstones for our sustainability strategy. See Illustration 2 for an overview of our process to define the most material issues.

External perspective

We began by analysing global megatrends and considering which were particularly relevant to the financial industry. From there, we identified the ones that most affect our business and shape customer demands.

How did we 'Identify challenges in society'?

Global megatrends identified were:

- Demographic and social changes: These lead to heightened requirements for a diverse workforce with the right areas of competence and the need to provide equal opportunities so all people can become full members of society
- Climate change and resource scarcity: This leads to demands to mitigate environmental damage, develop sustainable business, assess exposure to climate risk and grow economies without increasing emissions

- Technological breakthroughs: These require us to radically rethink how to innovate in order to keep pace with agile competitors and develop online services. We have also observed the United Nation's 17 Sustainable Development Goals (SDGs) to understand both the positive and negative impact of our operations and activity. Our sustainability strategy is totally aligned with the SDGs most relevant to the financial industry.

Internal perspective

Our Sustainability Committee is the governing body on sustainability matters and decided in spring 2015 to set more ambitious sustainability goals. We set up a task force with representatives from all three business areas and Group HR. Members of the Sustainability team and the task force held numerous individual and joint meetings to discuss the new ambition level together. We also conducted a stakeholder survey among the top 40 senior managers at Nordea to ensure alignment and obtain input to the strategy work ahead. The outcome was that the future priorities identified were supported.

How did we 'Define commitment and direction'?

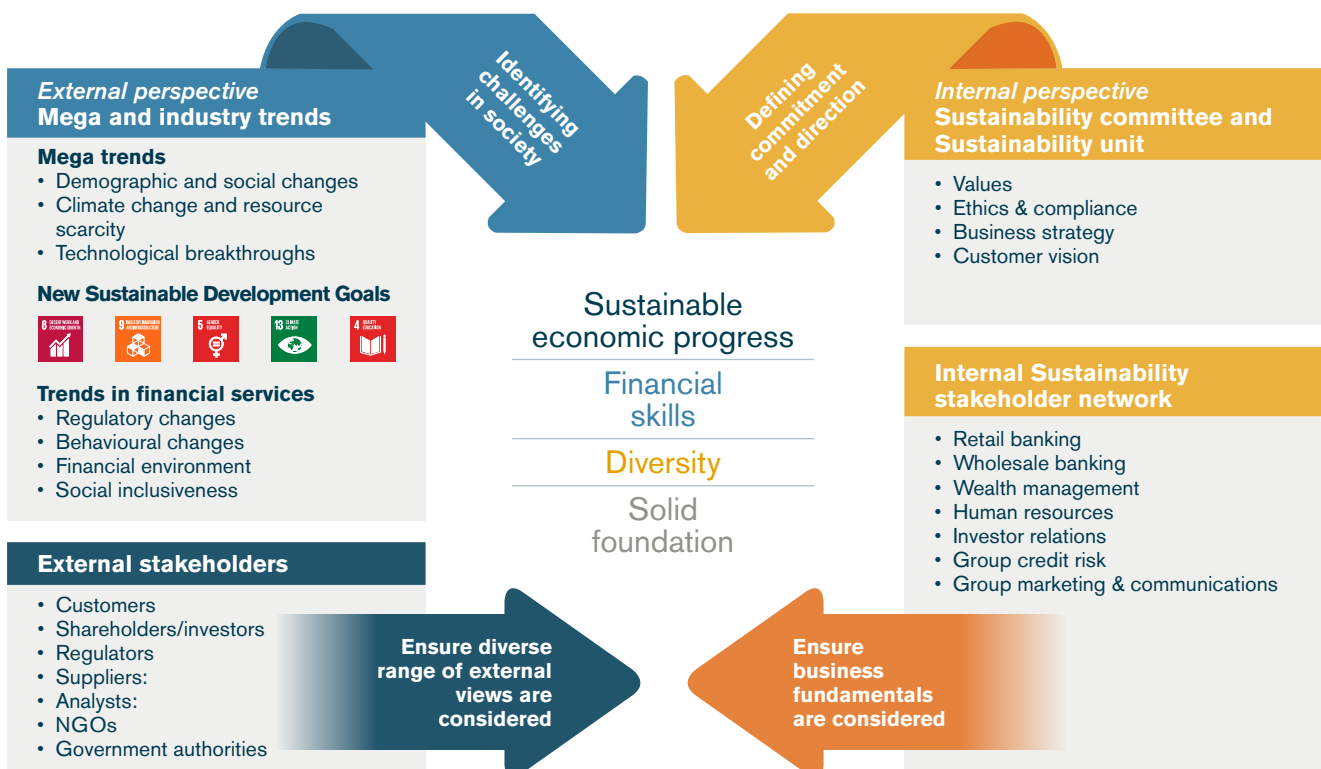
Our values are the foundation for all our

business: 'Great Customer Experiences', 'It's All About People' and 'One Nordea Team' guide all decisions we make. As these values suggest, people, be they employees or other stakeholders, are at the core of both our business strategy and our approach to sustainability. We engage our employees by working with a group-wide network and aim to retain and further build the trust of our stakeholders in general by further emphasising the role of compliance and risk management in our strategy.

The new business strategy and customer vision launched in spring 2015 were further internal perspectives that shaped the sustainability ambition. The new customer vision is based on meeting the changing demands of customers and being easy to deal with, relevant and competent, anywhere anytime and making Nordea the safe and trusted partner for a personal and digital relationship. The main elements of the new business priorities for 2016-2018 are:

- Simplify for scale and a forceful digital response
- Expand on core strengths and drive cost and capital efficiency
- Maintain a low risk profile.

Illustration 2: How we developed our new strategy



Determining our material issues

Through bringing together the various external and internal perspectives, we have defined three societal challenges in which Nordea can make the most significant contribution. These are challenges

where, left unaddressed, our business may have a potentially negative impact on society. By investing time and effort in the actions associated with each challenge area, we manage that risk and identify

opportunities to add value to society, support our stakeholders and develop opportunities for our business.

1) Sustainable economic progress		Corresponding GRI aspects
<p>We believe that our business decisions affect the future and are therefore committed to taking environmental and social issues into account in business selection and in investment decisions. Furthermore, we believe that the success of businesses and individuals are the key to economic growth and social wellbeing</p>	<p>and we are therefore committed to enabling businesses to prosper and supporting individuals so that they can enjoy a good quality of life. Our core commitments on this area relate to:</p> <ul style="list-style-type: none"> • Climate change • Sustainable finance • Responsible investments • Responsible procurement. 	<p>Economic performance Indirect economic impact Procurement practices & Supplier assessment Investments Product Portfolio Active Ownership</p>
2) Building skills in personal finances		Corresponding GRI aspects
<p>We believe people need to understand their finances to be a responsible member of society. We therefore support selected groups in society to help them achieve a good level of skills in personal finances so they can</p>	<p>have a good quality of life. Our core commitments on this area relate to:</p> <ul style="list-style-type: none"> • Improving the level of financial skills in society. 	<p>Local communities Product & services labeling</p>
3) Promoting diversity		Corresponding GRI aspects
<p>We believe that attracting and retaining the best, diverse expertise in the industry is crucial for successful business and we are committed to attracting a diverse workforce and continuously developing our staff. Companies as employers play a role in providing the platform for people to achieve a good quality of life and fulfil their aspirations.</p>	<p>There is a vital role for leaders in the business in motivating and developing their people. We are committed to increasing our understanding of our potential role in this area. Our core commitments on this area relate to:</p> <ul style="list-style-type: none"> • Improving gender diversity at Nordea • Strengthening leadership competences • Developing our people. 	<p>Employment Diversity & Equal opportunity Training & Education</p>
4) Developing our solid foundation		Corresponding GRI aspects
<p>We have long understood that ethical conduct and sound business practices are necessary as a foundation to ensure we continue to enjoy our 'licence to operate'. Our core commitments on this area relate to:</p> <ul style="list-style-type: none"> ▪ Compliance 	<ul style="list-style-type: none"> • Risk management and governance • Developing our sustainable procurement • Minimising our own environmental footprint • Increasing transparency in sustainability. 	<p>Anti-Corruption Compliance Grievance mechanisms Energy & Emissions</p>

For our commitments & policies, see nordea.com

Engaging with stakeholders

Every three years, we carry out a large-scale dialogue with all our stakeholder groups. In spring 2013, participation in the stakeholder dialogue proved to be very fruitful with the number of responses far in excess of our expectation. Based on that dialogue, in 2013 we introduced a new, more comprehensive sustainability strategy.

This has since been amended to include

a series of further stakeholder engagements. First, we reflected internally and included some more fundamental aspects of our core business. Second we incorporated some of the insights gained from one-on-one dialogues with international finance sector analysts that we held in 2014. Third, our regular feedback mechanism for customer and employee feedback and satisfaction also proved useful. And fourth, in December

2014, we conducted another survey to understand what proportion of Nordea's shareholders can be defined as responsible investors, who they are and what the changes had been since the end of 2013. Based on these external expectations, we are committed to meeting the heightened demands on transparency to keep and build the trust of our stakeholders.

Customers Over 10.5 million



How we engage

- Customer satisfaction survey
- Immediate automated feedback
- Customer Ombudsmen
- Greenwich Large Corporates Survey

Topics raised

- Service availability
- Service quality
- Quality of advice
- Netbank Cards
- Relationship quality
- Strategic thinking

Employees 32,610



How we engage

- Employee satisfaction survey
- Performance and Development Dialogue

Topics raised

- Relevant advice
- Knowing our customers

Regulators



How we engage

- Regular interactions to support good cooperation

Topics raised

- Various relevant strategic, supervisory and advocacy topics

Shareholders 466,901

41% of shares owned by responsible investors (representing approx. 75% of institutional free-float)



How we engage

- Roadshows with Investor Relations
- Answering questionnaires

Topics raised

- Engagement with customers
- Transparency, openness and reliability
- Trustworthiness
- Society and community relations

NGO's 50

How we engage

- Facilitated discussion with NGO's



Topics raised

- Important for Nordea to have a view on emerging ESG issues both regarding investments and lending.

Analysts 53

How we engage

- One-on-one dialogues
- Roadshows with Investor Relations
- Answering questionnaires



Topics raised

- Responsible lending
- Business ethics, compliance
- Tax transparency
- Equal opportunities
- Responsible sales & marketing

Suppliers 700

How we engage

- Sustainability questionnaire
- On-spot reviews
- Dialogues during RFP processes

Topics raised

- Supply chain transparency
- Corporate policies and procedures at local levels
- Set targets and continuous follow-up in the UNGC areas
- Environmental performance



Managing sustainability

From 1 January 2016 a new Executive Committee for Business Ethics and Values oversees the company's efforts to ensure all staff conduct their daily business in accordance with the company's values and ethical and professional standards.

The Committee will decide Nordea's values, set policies and review relevant documents such as the Code of Conduct, the Sustainability policy and the

Sustainability strategy. The Committee comprises senior personnel from business areas including the Heads of Retail and Wholesale Banking, as well as group functions such as the Head of Sustainability and representatives from Group HR and Group Risk Management. The Committee minutes are submitted to Group Executive Management and a report will be submitted annually to the Group Board on the committee's findings and insights.

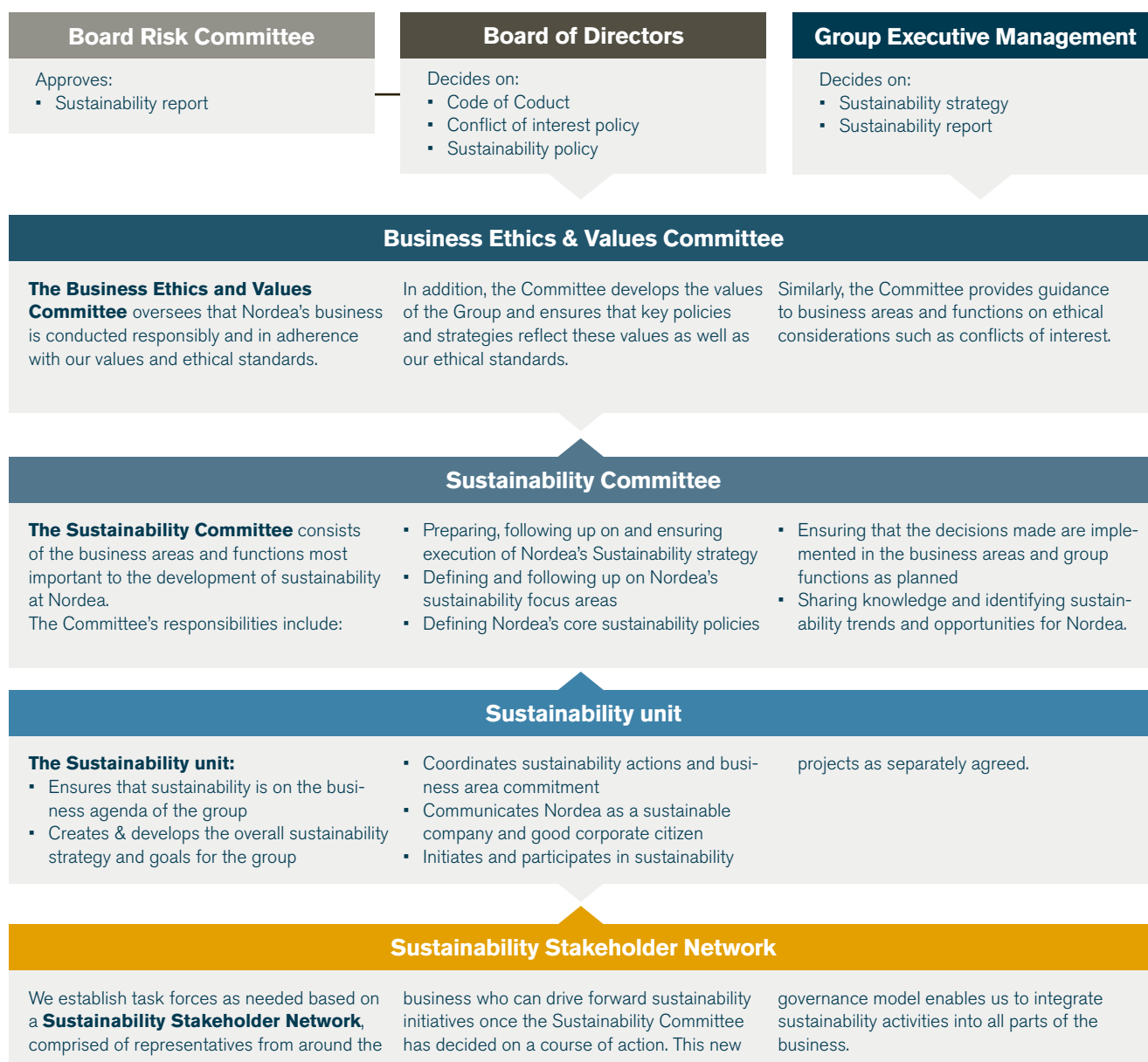
The Sustainability Committee prepares and executes the Sustainability strategy and acts as a coordinating body in relation to the business areas and group functions. The Head of Sustainability reports to the Head of Group Marketing and Communications. See the illustration below for an overview of the governance framework.

For more on our governance, see nordea.com

A governance structure to support integration of sustainability into our core business

At Nordea, business areas are responsible for managing and executing the implementation of our sustainability work. The Responsible Investment unit in Asset Management and the Sustainable Finance unit in Wholesale Banking work to make responsibility for environmental, social and governance (ESG) issues an integral part of our business.

The sustainability governance model has been built to support the business areas in achieving this. The Committees include representatives from business areas and group functions as does the Sustainability Stakeholder Network which acts as a task force to prepare and implement the decisions carried out.



Re-thinking our approach to compliance

Building trust is key to Nordea's success, and being a safe and trusted partner to our customers and other stakeholders is thus an essential part of our customer vision. The importance we place on developing relationships of trust is a main reason why compliance matters, and must have top priority. We see an increasing number of important regulations with the aim of protecting our customers and supporting efficient and effective financial markets, and we need to be sophisticated and involve all our employees in our efforts to secure that these objectives are achieved.

Facing escalating risks

Banks are now subject to an unprecedented degree of regulatory scrutiny. Compliance is thus increasingly complex and costly, but the consequences of non-compliance are also increasingly severe including regulatory fines, greater precedents for legal action, C-Suite personal liability, scarcity of financial support and, ultimately, risks to a bank's licence to operate.

One area of particular importance is the prevention of financial crime. This is an escalating challenge all over the world, driven by factors such as political instability and terrorism. Consequently, authorities are imposing more stringent regula-

tions, and we have a crucial role in protecting our customers, our bank and society from these illegal activities.

Rebuilding after a disappointing fine

In the spring of 2015 we received a SEK 50 million fine from the Swedish Financial Supervisory Authority (SFSA) for insufficient processes to counteract money laundering and terrorist financing. Nordea has taken the fine and warning from the SFSA extremely seriously. Although we had taken thorough measures in recent years to strengthen this area, the fine proved that we had underestimated the complexity and the resources needed to meet all requirements. We acknowledged that we have to change the way we operate, and need to become more sophisticated in our efforts to prevent financial crime.

The fine made us realise that it is neither efficient nor sustainable to have different processes in different countries and business areas, and that we need a more holistic approach to managing our compliance risks across the organisation.

While we were very disappointed to have incurred a fine, this experience has catalysed the development of a new approach that we believe will strengthen our capacity to meet future challenges.

AMBITION: to raise the level of compliance at Nordea and to create a compliance framework and culture that lives up to best-in-class standards over time

GOAL: to develop a holistic, systematic approach, supported by a common strategy, policies and way of working throughout Nordea

ACTIONS

1. Strengthening the overall compliance framework

- Establish common, sustainable compliance processes across Nordea
- Strengthen implementation capabilities
- Strengthen the oversight function Group Compliance

2. Establishing a Financial Crime Change Programme (FCCP)

- Develop a group-wide sustainable model for the prevention of financial crime
- Implement common processes, supported by core IT solutions and communication and training

3. Equipping our people to meet the challenges

- Increase compliance awareness and competence through training

OUTCOME

- Ensure consistency and quality
- Meet regulatory expectations
- Be more rigorous, efficient and competent in serving our customers

Compliance Q&A with CEO

Q Today banks are highly regulated and compliance with those regulations is very important for banks. What's your view, in general, on compliance?

Compliance is vital for a bank, because we cannot operate without the confidence of our stakeholders. It's actually quite straightforward: banks enjoy a special place in society as enablers of economic progress and we see compliance as a natural part of our role and responsibility in society. As an industry, we suffer from a trust deficit and one way we can collectively address that is by showing consumers, regulators and others that we comply with the regulations.

When it comes to anti-money laundering (AML) for example, of course we want to ensure the bank is not used for illegal activities. So we have made a concerted effort to address the deficiencies highlighted by the Swedish Financial Supervisory Authority (SFSA) last spring. Our new Financial Crime Change Programme is a group-wide and sustainable standard that will help us prevent financial crime across the business.

Q What are your overall ambitions for the new compliance programme?

Well, we have set ourselves a very high ambition – we want to run a best-in-class compliance programme here at Nordea. We see that as being consistent with our values and what our customers rightly want and expect from us.

That will take time, but we have made a good start – the key focus in 2015 has been to stabilize and lay the foundation for the future. Now we are working hard to implement our more holistic and robust programme that is flexible enough to adapt to developing regulations while at the same time being rigorously and consistently applied across the whole business.

Q You have talked about the 'digital transformation' Nordea is going through. How does this compliance effort contribute to that?

Our compliance work is a great example of both the challenge and the opportunity of our digital transformation programme. It's a challenge on many levels: updating old processes and ensuring we have the systems to transfer, store and share the right information with the right people in the most efficient way possible.

Then, of course there is the human side of this. Our frontline people implement compliance work every day, and sometimes this is face-to-face with customers. Important, valuable work that contributes to our compliance goals. How do we bring the best of that into our digital future? These are not straightforward questions. So, compliance is a great touchstone of the challenges. But also the opportunities: when we get this right, we will have a more robust, effective system and deliver it more efficiently.

Q With this work on compliance, what's in it for customers?

Banking is built on relationships. If our customers trust us to serve them well, and meet their needs, then we can enjoy mutually beneficial relationships. And our compliance efforts are at the heart of that. Our Know Your Customer programme is the bridge that takes us from what we need to do to be compliant to what our customers want us to do for them. So I believe getting our new compliance programme right is fundamental also to seeing an upturn in our customer satisfaction numbers. And of course that in turn builds enduring business success.



”

A more holistic and robust programme that is flexible enough to adapt to developing regulations while at the same time being rigorously and consistently applied across the whole business.”

Casper von Koskull,
Group Chief
Executive Officer

Towards a more structured compliance framework

Financial crime

A financial crime is an offence by or against an individual or corporation that results in a financial loss. The two main types of financial crime that affect our business are money laundering and bribery and corruption.

Money laundering

This is the process by which criminals attempt to conceal the true origin and/or ownership of the proceeds of criminal activities. If successful, the money can lose its criminal identity and appear legitimate. Criminals do this by disguising the source, changing the form or moving the funds so they are less likely to attract attention.

Bribery and corruption

Bribery is a specific offence which concerns the practice of offering something, usually money, to gain an illicit advantage. Corruption is an abuse of a position of trust in order to gain an undue advantage.

Strengthening the overall compliance framework at Nordea

At Nordea, we are currently executing an extensive Simplification programme, with the aim to install a new core banking platform, and establish sustainable common processes across the bank. To support this, we established this year a Chief Operating Officer (COO) organisation, with the embedded Business Risk Implementation and Support (BRIS) units, which will have an important role in developing and implementing sustainable processes in business to ensure regulatory compliance.

Furthermore, we are strengthening the Group Compliance unit, to be able to meet the increasing regulatory demands on this oversight function. The unit has existed as a centralised function since 1 September 2014, and has embarked on a considerable change journey.

We currently have several initiatives in progress to strengthen the core processes and infrastructure in the unit, and we will in the next few years implement a fundamentally new operating model enhancing common processes. As part of this process, staffing is considerably strengthened to increase competence and capacity.

Establishing a Financial Crime Change Programme (FCCP)

To specifically address the deficiencies highlighted by the Swedish Financial Supervisory Authority (SFSA), we have established a Financial Crime Change Programme, which is a holistic approach to developing a group-wide and sustainable standard for the prevention of financial crime.

The programme has been mobilised and a comprehensive plan has been approved by the Board. The objective is twofold: to remedy the outstanding specific issues addressed by the SFSA, but also to work more broadly to ensure a robust platform that can handle the continuously changing regulatory requirements. This work will be performed in stages and is prioritised based on risk.

The plan is executed by six different work streams:

- Governance
- Know Your Customer (KYC)
- Sanctions
- Transaction Monitoring
- Investigating and Reporting, and
- Financial Crime Intelligence.

Within the Governance work stream, the first activity is to design a new financial crime operating model which will be implemented in 2016.

Recognising the complexity within financial crime, our expertise has been strengthened. A global head of Financial Crime with international experience, including extensive experience as a UK regulatory executive, has been recruited. Besides hiring in-house resources, Nordea has engaged consultants with experience from working with large international banks' financial crime programmes. We therefore capitalise on other large institutions' experience in this complex field.

The daily processing activities have also been addressed to ensure the right focus and resources. A new central shared services unit "Group Anti-Money Laundering & Sanctions", was formed in November 2015 and is responsible for transaction monitoring, sanction screening and substantial parts of KYC processing.

The FCCP is sponsored by the head of Group Compliance and senior executives from each business area and relevant group functions form the Steering Committee. The committee's main role is to focus dedicated and disciplined efforts on developing a new model to prevent financial crime – one that will ensure a global approach with collaboration across the organisation.

Ultimately, we aim to create a financial crime compliance culture that becomes a natural and embedded part of how the company operates, and equips us to provide the highest level of protection to our customers, our bank and society.

Ensuring awareness

At Nordea, we run two group-wide risk and compliance awareness programmes. The aim is to ensure high awareness among our people about risk and compliance requirements and expectations both in the financial industry in general and at Nordea specifically.

Compliance awareness programme for senior management

The objective of this programme is to outline the responsibilities of a senior manager. The programme enables the senior managers to understand relevant requirements and expectations so that they may identify the actions needed within their area of responsibility.

Our target is to launch two new modules a year. In 2015, we updated 13 out of 20 modules in the programme and launched a new module on data governance in December 2015.

Operational risk and compliance awareness programme for all employees

The objective of this programme is to make all employees understand their responsibilities in connection with operational risk and compliance.

The programme enables the participants through e-learning to:

- 1) Understand external and internal regulatory requirements
- 2) Gain awareness of a range of operational and compliance-related risks, threats and challenges
- 3) Be able to identify the need to act accordingly.

Our target is a participation rate above 90%. In 2015, we closed one module, 'Acting with integrity builds trust' on 20 February with a participation rate of approximately 95% of Nordea's employees. Furthermore, another module was launched in December 2015, called "Prevent manipulation caused by social engineering". This module will be closed in Q1 2016.

Whistle-blowing

Nordea's group-wide whistle blowing system Raising Your Concern encourages employees to speak up if they have a serious concern about any misconduct or irregularities, including any action that constitutes a violation of laws or regulations, or of Nordea's internal policies, instructions or guidelines.

It also includes actions that could cause harm to Nordea's business or reputation, or to the health or security of our employees or customers. It aims to ensure our compliance with the standards set out in the UK Bribery Act and European Banking Authority Guidelines.

There were three known anonymously reported whistleblowing cases which all are still considered open and are under investigation. The reported cases relate to Code of Conduct, anti-bribery and corruption and credit instructions. The two open cases from 2014 have been investigated and closed during 2015.

Group Compliance has decided to, during 2016, review the Raising Your Concern process in order to find further improvement opportunities.



Making sustainable economic progress

Addressing our business impact

Most stable bank in the Nordic region:

- Strong capital generation
- Lowest volatility in net profit
- AA credit rating

Through investing, lending, and purchasing we aspire to place money in a way that produces the greatest value. As the leading financial services provider in Northern Europe, Nordea has an important role in these societies. We acknowledge this role and aim to run a successful business that has a positive impact on society.

For Nordea, making sustainable economic progress means thinking past a narrow approach to value creation, to one that considers the wellbeing of our customers, communities, and the ecosystems that support us. We have reconceived the context of our work to take into account global “megatrends” such as climate change and resource

depletion, an ageing population and the pace of technological change.

Any responsible business needs to analyse how it will run its business in line with society’s expectations of ethical and responsible business practices. The greater challenge – our sustainability context – is not only a question for our company, but for all of society. For us, sustainability has crystallised into a set of choices about addressing the environmental and social impact of our business decisions: who we lend money to, how we invest and spend money and how we engage with the communities where we operate to understand how we contribute to societal progress.

Highlights in 2015

Focus area	Activities	Plans ahead
Promoting entrepreneurship	<ul style="list-style-type: none"> • Supporting networks and organisations that foster entrepreneurship • Utilising opportunities to mentor business owners 	<ul style="list-style-type: none"> • Continue developing advisory services and investing heavily in digital offering to businesses • Continue working with networks and organisations to support SME’s
Supporting individuals	<ul style="list-style-type: none"> • Providing advice and services based on knowing our customers and understanding their needs & preferences • Developing services and products to meet customer expectations in the digital era 	<ul style="list-style-type: none"> • Executing our transformational change agenda to become a truly digital bank
Enhancing awareness and capabilities in sustainable finance	<ul style="list-style-type: none"> • Enhancing tools and competences to evaluate ESG performance of our customers • Arranging green bonds 	<ul style="list-style-type: none"> • Integrating ESG tool into the credit assessment of large corporate customers • Continuing to promote green bonds
Responsible investments	<ul style="list-style-type: none"> • Increase focus on ESG integration into all investments • Driving change in our focus areas: Climate change, Corruption, Water waste management, Human rights • Climate change: Montreal Pledge and carbon footprint as part of the ESG footprint of our investments 	<ul style="list-style-type: none"> • Continuing ESG integration • Continuing to develop the work with our focus areas and engage in new initiatives • Continuing to work with the commitments of the Montreal Pledge
Responsible procurement	<ul style="list-style-type: none"> • Developing a more structured approach to responsible procurement • Engaging with our stakeholders • Increasing data availability 	<ul style="list-style-type: none"> • Continuing to work with risk assessment of existing and new supplies • Continue conducting on-spot reviews and training • Further improve business data analysis

Helping customers and communities to prosper

Achieving a truly sustainable economy is a long-term commitment

The challenges that affect the lives of our stakeholders in the Nordic markets are universal and complex. As we cannot know now what solutions will be most needed in twenty, or even ten years, we commit to proceeding step by step, closely following developments in society, and adjusting our plans accordingly.

Markets are not a sufficient mechanism to value non-financial goods. Financial markets, investments and related services have structural shortcomings that may have the unintended consequence of distorting or externalising significant social and environmental costs.

We can offer financial solutions with sustainability in mind, but we cannot hope to solve these problems without collaboration and leadership from partners in our own and other sectors. We commit to listening to, and supporting, a range of community and sector partners so we can recognise and respond to challenges with the tools, skills and experience that we have to offer.

Our aim is to be the best bank for each customer

The success of businesses and individuals are the key to economic growth and social well-being. We are committed to helping businesses to prosper and supporting individuals in enjoying a good quality of life. We aim to do this in a way that does not sacrifice the ability of future generations to also achieve these goals because we acknowledge that our decisions today will affect the future state of the larger economy and ecosystem that sustains us. This has led us to developing a company-wide position on climate change that increasingly influences our lending, investing and spending decisions.

We know we make our biggest impact by offering our expertise and capacity in finance so our aim is to be the best bank for each customer, whether an individual, small business, or large corporation. By finding mutually beneficial and complementary relationships with our customers we can help create a better future.

Nordea's long-term ambition is to be number one in all of the four Nordic markets in terms of customer satisfaction, profitability and employee satisfaction. We have two strategic focus areas for 2016-2018: the first is in advisory, where we will strive to be available "anywhere and anytime", and this is facilitated by the second focus area of digital experience, where we will tailor our services to individual customer needs and preferences. We will achieve efficiency and scale by unifying our services under one Nordic banking model.

We want to be **#1** in customer satisfaction, profitability and employee satisfaction.

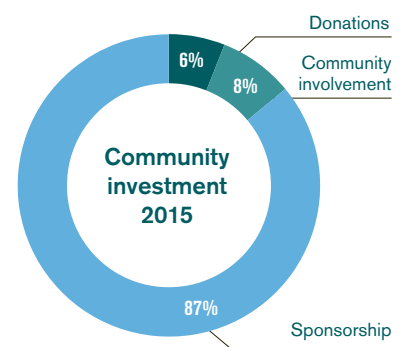
Direct economic impact	EURm
Total income, ex. non-recurring items	9,964
Salaries and benefits, ex. non-recurring items	-3,058
Supplier spend	-2,275
Payments to governments	-1,523
Payments to capital providers	-2,501
Community investment	-7
Economic value retained	600

Community investment 2015*	EURt
Sponsorship	5,870
Sports	5,302
Culture (art, music, etc)	568
Community investment	524
Donations	384
Total	6,778

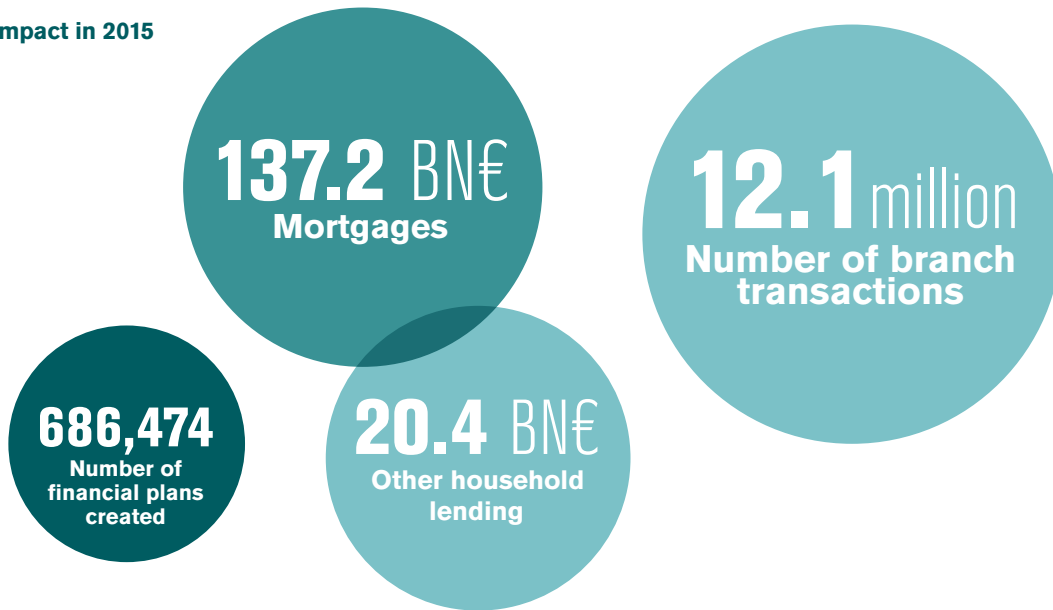
*The figures are based on group- and country-level community investment in the Nordic countries. Regional sponsorships are not included.

Promoting entrepreneurship in society

Businesses provide value to society in many ways. They provide direct benefits to individuals in the form of employment and wages. They are a hotbed for technical advancement and innovation that yields improvements to an array of aspects of our daily lives, from energy to food to communication and healthcare. Businesses provide opportunities for self-fulfillment and creativity to the entrepreneurs who invest in achieving their personal vision. Businesses



Customer impact in 2015



247,875,365

Number of netbank transactions



In 2015 we invested heavily in our digital and advisory offering to SMEs."

drive prosperity in the market economy; they are the conduit for the trade relationships that are the source of wealth. Businesses contribute to financing the welfare state.

How does Nordea help businesses create value?

We have a strategic focus on businesses and now have over 500,000 corporate customers. Every day, every time we are in contact with them, we strive to be part of making it possible for those companies to manage their everyday business, face their risks and challenges. We do this by advising companies, lending to them, offering infrastructure and financial products, and facilitating partnerships. In turn, we also help them invest the proceeds of their commercial activities.

We actively support business owners, growth companies, and young people with entrepreneurial dreams by offering mentorship, facilitating collaboration within the industry, and helping build networks for new entrants to the market.

We have defined our offering based on customer needs and in 2015 we invested heavily in our offering to SMEs, both in modern digital services and in meeting the needs for advisory services that businesses have. To better serve

entrepreneurs we also extended our working hours for business banking, and introduced mobile banking for corporate customers.

Supporting individuals and households in realising their plans

The landscape for financial planning is constantly evolving. We work with individuals and families to help them navigate the obstacles in this turbulent financial landscape and find solutions where they can grow their savings and investments into long-term value. We offer competitive lending, savings and financial planning services that help our customers turn their ambitions into reality.

Responsible advice in the digital era

We firmly believe that we need to understand our customers' financial situation and ambitions in order to offer them the best possible advice and services. That is why our advisers meet with customers to discuss their finances and future plans.

But customers' preferences about how they interact with Nordea are changing. There is demand for increased accessibility to suit customers' diverse schedules. Remote interaction is helpful for customers who live far from a branch, who live abroad or who find it hard to fit in a traditional meeting with the bank during standard working hours.

We've responded by developing a portfolio of services and solutions that suits their wishes and modern-day habits.

For example, in 2015 we piloted an online branch offering with increased accessibility. Meetings are held face to face via

video camera to enhance communication, improve the connection between bank and customer and increase trust. We've also updated our mobile bank to allow customers to easily chat or place calls to Nordea with the app, improving the speed and quality of customer service.

Increasing security

We cannot compromise security and "Know Your Customer" processes in the pursuit of convenience and accessibility so we have implemented digital authentication solutions across the Nordic region. In Finland, we've launched a log-in app to further increase security, which pre-authenticates customers when they contact Nordea.

Online onboarding (opening new accounts) is now available to corporate customers in Norway and Sweden, as well as to household customers in Sweden and Finland. Customers can onboard at their own convenience, while ensuring that the required information is submitted.

Administration security has also been improved. In Denmark, customers can now sign and send documents electronically through the Netbank offering peace of mind, and similar solutions are scheduled for launch in other countries.



Nordea is more than just a bank, and we want to support our customers and society."

Masood Arai, senior Project Manager in Digital Banking.

Accelerating prosperity: Nordea start-up accelerator programme

Case Nordea's three-month accelerator programme, run in partnership with Nestholma Venture Accelerator in Helsinki, is aimed at supporting small businesses with pioneering ideas and, in so doing, advancing innovations for providing great customer experiences. We are the first bank in the Nordics to run this type of initiative.

Out of 170 applicants, 12 start-ups were invited to join the first programme, representing a range of potential new services aligned with three themes – 'payments', 'digital touchpoints' and 'achieving your dreams'.

One of these is B2B Pay, which provides a simple, low cost payment solution for non-European exporters

to Europe. Its founder, Neil Ambikar, was attracted by the opportunity to collaborate with a bank and gain input from experts in payments, trade, FX and compliance.

Neil said of his experience: "We have been able to validate our service and business proposition by spending time with real experts. We've also been able to initiate a pilot project, and have the potential to partner with Nordea in the future. In return, we have shared ideas with Nordea and hopefully inspired some creative solutions."

Indeed, for Nordea, supporting B2B Pay and other start-ups may lead to professional partnerships and opportunities to provide innovative

products and services – which in turn is good for society.

The 70 employees who volunteer their time and skills – 12 as permanent mentors – also benefit from exposure to fresh perspectives and exercising their skills in a different context. Masood Arai, Senior Project Manager in Digital Banking, supports B2B pay by helping Neil to refine his business model and connecting him to individuals with relevant expertise.

Masood commented, "This is a brilliant opportunity to demonstrate that Nordea is more than just a bank, and that we want to support our customers and society. It is also a great way for Nordea to gain a genuine insight into how a start-up can make a difference."



Left: Nordea volunteers spend time with representatives from the start-ups. Above: Senior Project Manager, Masood Arai, shares his skills with his mentee, entrepreneur Neil Ambikar

Aiming for customer satisfaction

The customer decides what an excellent customer experience is

In 2009 Pirjo Kuusela was appointed as customer ombudsman for Nordea Finland, charged with working with employees to implement faster and higher-quality processing of customer feedback. Today, Nordea's market share of customer complaints to external regulatory bodies is 22%, half of what it was in 2006.

"Our work in recent years has had positive results in three areas – a change in organisational culture, fewer complaints and greater customer satisfaction in the processing of complaints," says Kuusela. "All customer feedback is now passed to the relevant line management and up to 90% is handled within 24 hours. The remaining 10% goes for further processing, and customers are informed that they will receive a response within 14 days.

"Today, customers are often amazed at how quickly Nordea contacts them. Even when the decision is negative, the way the issue is handled improves customer satisfaction.

"Nordea has learned as an organisation, and the biggest change has been in the organisational culture. Nordea is not there yet, but the organisation is being led by a culture of constant development."



When a customer gives feedback, you know that it is the truth. It is the customer who decides what an excellent customer experience is."

Pirjo Kuusela,
Customer
Ombudsman
for Finland



The banking industry is facing unprecedented challenges, not least in terms of meeting customers' rapidly evolving demands for new ways of banking, accessing information and protecting themselves, while at the same time enhancing traditional services such as in-branch banking. In addition, banks are increasingly expected to take an active role in society and to act positively in areas such as anti-money laundering and identity fraud – and it is vital that we meet these expectations if we are to position Nordea as a trusted financial partner.

Inviting feedback

Feedback from customers is an important indicator of how we are doing, enabling us to learn more about their needs and our performance and to make appropriate changes. We obtain this through an annual customer satisfaction survey, communications with our Customer Ombudsman and social media channels, as well as through seeking immediate automated feedback following customer interactions.

In order to promote best practice, in 2015 we focused on creating alignment between countries and business areas to establish common definitions of different types of complaint, agreed ways of working with these complaints and consensus on what data should be collected.

Results of the Customer Satisfaction Index

After an encouraging increase in our 2014 Customer Satisfaction Index (CSI), we were disappointed that our overall satisfaction score declined by 1.7 index points in 2015 compared with the previ-

ous year. While we saw positive progress in some areas, the overall score highlights the need to strengthen our focus on being a close and trusted partner for our customers and giving more attention to meeting their everyday needs.

Each business area is looking closely at the results and taking the appropriate actions in each country to address the main issues our customers highlighted.

Role of the Ombudsman

A Customer Ombudsman in each Nordic country serves as liaison between the consumer authorities, our customers and our employees. This ensures that we have a consistent process for handling feedback, and helps our employees to handle customer complaints appropriately.

About 14% of customer feedback to the ombudsmen in 2015 was positive. Availability is the most important topic of our customer feedback and complaints. Availability is connected to all services and products, examples being cards and the Contact Centre. During the year we had a total of 16 substantiated complaints regarding breaches of customer privacy and losses of customer data. Nordea has not been subjected to any fines in relation to our products or services during the past year.

Next steps

We are planning some changes in our approach to obtaining feedback that we believe will deliver greater insight and allow us to respond to our customers' concerns. We look forward to having a closer dialogue with our customers through more frequent customer satisfaction surveys and customer panels.

Our customer feedback results and topics in 2015

Channel	Amount of feedback in 2015 (2014)	Most frequent topics related to:
Customer Satisfaction Index survey (CSI)*	52,273 (20,285)	<ul style="list-style-type: none"> • Availability • Loans • Cards • Transactions
Immediate automated feedback*	269,668 (265,518)	
Customer Ombudsmen**	155,078 (160,417)	

*Nordic countries **Nordic and Baltic countries

Focus on climate change

Climate change is one of the biggest challenges facing humanity today. Doing nothing incurs high costs and increases the likelihood of hitting the ‘tipping point’, after which the consequences will be unpredictable, irreversible and severe. As a responsible business we need to take account of the climate risks in the decisions we make about lending, investing and spending money.

In 2015 we agreed on a position that underpins our approach to climate change across our whole company. Nordea’s own operations have a net zero carbon footprint, which is achieved by continuing to reduce our own emissions, purchasing renewable energy and purchasing carbon offsets equal to the amount of CO2 emitted. See p 42-44.

The impact of our core business:

- **LENDING:** We continue the work to enhance our tools and competences in evaluating the ESG performance of our customers and engage with those to whom climate change and carbon are relevant. We will not start new client relationships with companies that primarily depend on coal. See p 22-23.
- **INVESTMENTS:** We continue to drive change by engaging in new initiatives and developing our work with existing commitments. We continue the integration of ESG factors into all our investments. See p 24-25.
- **PROCUREMENT:** We continue to develop a more structured approach to engaging with our suppliers, increasing awareness among our stakeholderes and improving availability of information. See p 26-27.

Financing the Green Shift – Interview with Thina Saltvedt Chief Analyst Macro/Oil (Ph.D.)

Q How can Nordea contribute to solving the climate change challenge? We can contribute both on the lending and the investment side. We can provide capital to greener solutions and include climate risk in our lending assessment. And we can include environmental criteria when we decide which companies to include in funds in which our customers invest. We have also arranged some green bonds, which raise capital for purposes with a positive environmental impact. And finally, as a major bank we can join the global demand for more transparency into companies’ carbon footprint.

Q Why do you feel it is important that carbon and the risk of ‘stranded assets’ are included in the analysis of companies in the fossil fuel sectors? We are starting to feel the effects of climate change and it is vital that we speed up the effort to combat it. Climate change will affect all of us going forward – both individuals and companies. For us, the increased demand for green energy – to meet the target for carbon emission reductions – is affecting the profitability of our investments in traditional energy companies.

Q What are your thoughts on the future of carbon trading and the pricing of carbon? The EU ETS

(Emissions Trading Scheme) prices have been too low. Companies were able to save up emission rights when productivity decreased during the financial crisis, and there are now too many emission rights on the market so prices have not increased as intended.

There are solutions: emissions rights could be removed to increase the price and new sectors could be included in the ETS. Also there could be a carbon tax. It’s not either or – it’s possible to have both trading of emission rights and a carbon tax.

Q You have spoken at climate change events in the past year about financing the ‘green shift’. What is this and how would you describe the developing interest in it? There is no single definition. In my daily work it means a shift from fossil fuel to green energy sources, but it also means resource efficiency, the sharing economy, and reducing consumption.

Companies and individuals are seeing opportunities in the green shift. For example, the loss of jobs in the oil and gas sector in Norway is spurring creativity and new technical solutions such as bioenergy based on seaweed. The green shift has hit us quite fast and hard. It is tough right now, but it definitely brings opportunities.



Thina Saltvedt is a chief oil analyst with Global Research at Nordea Markets, a member of the Research Council of Norway’s board for the Social Science Petroleum Research programme and a member of the Ministry of Climate and Environment’s Climate Council.

Supporting large corporations for sustainable growth

Being a responsible bank means understanding the broader implications of providing financial capital to businesses and projects. Climate change, loss of biodiversity and environmental pollution already pose critical risks to the planet and its people. Scientific research demonstrating the complex interactions between ecosystems and climate highlights the need for aligned action within and between societies. An example of such cooperation took place in December 2015, when the business community and civil society contributed to the climate agreement in Paris. Nordea signed the Paris Pledge for non-state actors to support the COP21 agreement.

One cornerstone of the agreement is increased transparency on the part of all countries, which we believe will be expanded to include institutional investors and companies, either as a voluntary or regulatory requirement. We need to get better at recognising the positive and negative impact on the environment and society embedded in different business models, and at evaluating the related risks and opportunities.

Our approach to sustainable finance

Our approach to sustainable finance involves four steps:

1. Supporting low-carbon businesses and transactions
2. Understanding our customers' environmental, social and governance (ESG) performance and impact on the environment
3. Upgrading our tools to assess and report ESG risks

Corporate			
	Total corporate	Wholesale Banking	Retail, Large corporate
Lending, EURbn	176.8	97.5	79.1
Bonds arranged, EURbn Total	18.3		

4. Deepening customer engagement and transparency.

In 2015 we continued the development of a sophisticated tool to evaluate the ESG risks on a scale and allow deeper analysis of our corporate customer portfolio. Project finance transactions – a very small part of our portfolio – are covered by the Equator Principles, which we have followed since 2007. See reporting for EP 2015 on nordea.com.

Our focus in 2016 will be on building skills in this area among analysts and relationship managers, and sustainability and climate approach will be on the agenda in a number of strategic customer meetings in 2016.

Supporting a low-carbon economy

New business models that will encourage sustainable economic development and so-called 'circular economy' (where manufacturing processes deliberately aim to produce no waste or pollution) are emerging. Our new IT platforms will make our services fully digital and simpler to use, reducing both Nordea's and our customers' environmental footprint.

Green bonds support the shift to a low-

carbon economy. In 2015 we arranged several renewable energy green bonds, including the first unrated benchmark size Eurobond in green format for Vestas Wind Systems. Demand for these bonds remains strong and we continue to educate issuers in the municipal and corporate sectors about the benefits of servicing this growing investor group.

We have also made public our policy of not starting new relationships with companies that primarily depend on coal. We continue to do business with existing customers and, when possible, we favour investments that improve energy efficiency and conversion to low-emission energy sources.

ESG as part of regular evaluation

Our business strategy is to build long-term relationships that are based on a good understanding of our customers' business and the environment in which they operate. As financial and environmental sustainability increasingly merge, it is important to consider both elements in business and risk evaluation. We need to understand all aspects of our customers' operations and be clear about our expectations as lenders and intermediaries.

Illustration 1: ESG as part of regular evaluation



From when it is ready in early 2016, we will begin to use the new tool to evaluate the majority of the customer groups in Corporate and Institutional Banking (CIB) during their regular credit review. For corporate customers of Retail, ESG prescreening questions will be integrated into the KYC evaluation, and selected customers will proceed to evaluation with the ESG tool. All customers deemed high risk with the tool will be more closely reviewed by experts. If unacceptable practices or incidents (such as severe violation of human rights) are identified,

we will meet with the customer to discuss their willingness and capacity to change.

For our industry specific guidelines, see nordea.com

Once a full cycle of credit reviews has been completed using the tool, we will have an improved platform to analyse ESG data at a portfolio level. The industry-specific questions in the tool will also serve to increase understanding of ESG issues among our staff, and this will be further strengthened by a training programme. See Illustration 1 for an overview of the ESG evaluation process.

Sustainability in business: Interview with Stora-Enso

Q We believe that the way a company handles sustainability issues can show how prudently it is run, and makes it a more successful company over time. What ESG-related risks does Stora Enso face and how are you dealing with them? Over the past decade, sustainability has moved from being a set of operational and technical issues focused on day-to-day matters often underpinned by compliance and reporting requirements, to a long-term strategic matter for the entire company. Sustainability today is at the heart of our daily business and business planning processes. We have identified four material risks facing our company – ethics and compliance, global warming, occupational health and safety (OHS), and community relations. We have policies and programmes in place to address each of them.

For example, global warming might affect our fibre sourcing negatively or positively. Mild winters in the north can increase biomass yields per hectare, while potential storms in the southern hemisphere might damage our forests. We address these risks through improving harvesting methods, and investing in R&D to develop more storm-resistant seedlings.

Q Why is community relations important to Stora Enso? It is really important in the countries where land and resource ownership rights are unclear and disputes can arise that might disrupt operations. For example in China the state owns the land but local communities administer it. So we have designed processes to help our



Ulla Paajanen-Sainio, Head of Investor Relations and Seppo Parvi, Chief Financial Officer of Stora Enso discussed the importance of ESG issues with Petteri Änkilä, Nordea's Head of Corporate and Institutional Banking in Finland.

business units actively engage with those communities in a structured way.

Q At Nordea we have developed tools to evaluate the ESG and reputational risks our customers face. This helps us make prudent lending decisions, and to better understand our customers' needs so we can work together more effectively. What support is Stora Enso looking for from a bank? We expect our relationship banks to lead the way in the tightening regulatory framework of the financial sector, and to uphold our values and sustainability agenda. They must act in accordance with our principles and sign our

Supplier Code of Conduct. We want our banks to show a genuine willingness to understand our business and help us develop it more sustainably.

Q Recently we have seen demand-driven product growth in the bond market, i.e. green bonds. To date, corporations have been slow to enter this market. What's your position? While we have yet to see strong demand for these products, we do expect bond investors in the medium term to have a preference for investing in companies with a solid, transparent and strong integrated responsibility agenda.

Investing responsibly

AT THE FOREFRONT

Best ESG investment process in Europe 'Capital Finance International':

Nordea has consistently been at the forefront of responsible investment, using ESG as a means to mitigate risk and maximise opportunity.

Best user of responsible investment research IRR (Extel & SRI connect):

Nordea is the biggest contributor to the debate about these subjects.

For our industry specific guidelines, see nordea.com



Nordea Asset Management's (Nordea AM) mission is to invest responsibly and generate risk-adjusted returns by integrating environmental, social and governance (ESG) issues into our investment processes and product development.

Nordea applies internationally recognised principles of responsible investment and active ownership. In 2007 we were among the first Nordic institutions to sign the Principles for Responsible Investment (PRI). By endorsing the PRI we commit to integrating ESG factors into our investment analysis, decision-making processes and ownership policies and practices. The guidelines for our work are set out in our Policy for Responsible Investment.

ESG integration

ESG issues are increasingly a source of risk and opportunity, and we therefore seek to integrate them as one factor into Nordea AM's investment analysis methodology. This will improve risk management and risk-adjusted returns. We continuously assess and evaluate company and industry sector specific information, and transformative themes and areas which we believe shape the future landscape of investments. Social and technology change as well as climate change impact business models. We underpin our approach with external ESG research and ratings covering over 4,000 companies globally.

All Nordea's equity holdings are screened annually for verified violations of international norms surrounding environmental protection, human rights, labour standards and business ethics. We engage directly with the companies identified, encouraging them to improve their ways.

Nordea Asset Management, end of 2015

Assets under Management	189 EURbn
Number of investors	1.7m
Number of institutional clients and 3rd party distributors	~ 775

If a company does not change its behaviour, we may decide to divest or exclude the company from our funds.

Nordea does not invest in:

- companies involved in producing nuclear weapons, or illegal weapons such as cluster munitions and anti-personnel mines
- sovereign bonds issued by governments subject to broad sanctions or failing to respect human rights.

Corporate governance activities

We have attended numerous annual general meetings and voted by proxy in more than 300 companies on thousands of motions, which is an increase of over 50% compared to 2014. We also engaged with companies on a range of topics, including ESG issues, remuneration programmes and capital structure.

In 2015, we joined 35 nomination committees, up by around 50%, accepting almost all requests. In the companies where Nordea Funds is represented on the nomination committee, the number of women on boards increased by more than 7 percentage points in 2015, to 37%. Nearly half of these companies improved the gender balance of their boards.

Our Stars funds invest in high-quality ESG companies

While we integrate ESG into all investment decisions and products, for our Stars funds we also apply positive ESG screening, i.e. proactively select high-quality ESG companies, rather than negatively screening out poor ESG industries. Only the companies that receive a high enough ESG-based rating are included. Our ambition is to create shareholder value through identifying companies that integrate environmental, social and governance metrics, as well as financial metrics, into their business model and strategic decisions. Our ESG research and ESG company ratings are made avail-

able to the investment team through our internal database.

We actively engage with companies when we see material risks that may not be adequately managed or opportunities that may not be fully capitalised. When assessing companies for our Stars funds, we do so on behalf of all Nordea AM's funds, which supports our ongoing ESG integration activities.

Stars funds are about actively selecting companies that are financially solid and excel in the way they manage risks and opportunities related to environmental

protection, human rights, labour standards and business ethics.

- Emerging Stars invests solely in emerging market equities in countries such as Brazil, India and China.

- Nordic Stars consists of companies with the most sustainable business models in the Nordic countries.

- Swedish Stars was the first investment fund based on positive selection and is an equity fund focused on Swedish companies.

For more information on our Stars funds, see nordea.com

Acting on key issues

We decide where to focus our engagement efforts by considering underperformance on ESG, high ESG risk exposure to a particular issue, materiality, relevance to our clients, and our ability to influence. We engage at both company and industry level, with stakeholders and standard-setters.

We have **four focus areas** for our ESG stewardship and active ownership activities. In 2015 our efforts to drive change in these areas involved:

1 Climate change

- We included carbon footprint on our Stars funds' ESG scorecards. As signatories to the Montreal Carbon Pledge (supported by the PRI and UNEP FI), we believe increased transparency of the carbon footprint of funds helps tackle climate change.
- We decided to exclude 28 companies who derived at least 75% of their revenues from sales of coal products and did not have a meaningful opportunity to diversify away from coal. ([See the exclusion list on nordea.com](#).)
- We are members of The Institutional Investors Group on Climate Change (IIGCC) – a forum for investors to collaborate on climate change. It encourages policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change.
- We were among the 120 investors that sent a letter to G-7 Finance Ministers, urging support for a long-term global emissions reduction goal in the COP 21 Paris agreement, short- to medium-term national emissions pledges and country-level action plans.
- We participate in a collaborative investor engagement coordinated by the PRI targeting Australian, Canadian and US companies and trade organisations.
- We are a member of the Carbon Disclosure Project (CDP), which encourages companies to measure and self-report climate change, water and forest risk data. We use this information in our ESG analysis and investment decision-making. In 2015 we joined the water advisory board of CDP Water.

2 Corruption

- We launched an engagement project on corruption management involving 20 companies and some of our largest holdings.
- We have conducted seven in-depth engagements on norms violations.

3 Water waste management

- We began an engagement project on how pharmaceutical companies manage water waste in their supply chain in India involving 28 companies.
- We co-chaired the United Nations Environment Programme Finance Initiative's (UNEP FI) Water and Finance Work Stream (WFWS) in Tokyo.

4 Human rights

- We are part of a collaborative engagement in the extractive sector. Extractive companies can face significant operational and reputational risks if they do not take adequate steps to manage human rights issues. Such risks include boycotts, project delays and cancellations, lawsuits and negative press coverage. The engagement targets 50 global large cap mining and oil and gas companies with high exposure to human rights risks.

Field trips in 2015

As part of our engagement and ESG analysis we regularly visit company sites to improve our understanding of relevant issues and to observe how they manage social and environmental challenges.

Country	Sites visited	Purpose
India	Bank, water sanitation plant, coal mine, environmental NGOs in Mumbai, Delhi and Calcutta.	Deeper understanding of environmental management, practice and governance in India.
India	Pharmaceutical companies in Hyderabad.	Deeper understanding of supply chain management in the global pharmaceutical industry. Produced a video, which we shared with pharmaceutical companies.
Singapore Philippines Indonesia	Emerging Star companies in Singapore, Manila and Jakarta.	Investigated health & safety, labour issues, supply chain management, corruption, and governance. Now satisfied that they are implementing policies and procedures.
Ethiopia	Garment companies	Investigated how companies mitigate risks and handle environmental and labour issues.
Croatia	ICT companies	Assessed how companies implement sustainability policies, and identify risks and opportunities in an area where corruption is endemic.
Ukraine	Kyiv and Lviv	Gathered data for a report on corporate responsibility in times of conflict.



Sasja Beslik, Head of Responsible Investments at Nordea on a field trip. Visiting companies often together with our customers gives us valuable insight into relevant issues for our key stakeholders.

Spending wisely: Responsible Procurement

As a company with 32,000 employees and spending in excess of €2 billion a year, how and where we choose to spend our money has a significant impact on society. Responsible procurement is an important lever for delivering sustainable development and ensuring that the impact of our buying choices is as positive as possible.

Our approach

To achieve our goal of a positive impact Nordea has developed its own guidelines for suppliers, based on the UN Global Compact, which are an integral part of supplier agreements signed after 2011.

We also assess the risks involved in purchasing products and services from different suppliers so that we can focus on those that pose the highest risk to sustainability issues. Factors considered include country of operation, industry sector, size of contract, criticality to Nordea business and reputation as a sustainable company.

Assessing risks and planning next steps

Since 2014 it has been mandatory for all new suppliers to complete a self-assessment questionnaire, indicating potential sustainability risk, and in 2015 we extended this to existing suppliers. In 2016, we will create individual action plans for all suppliers assessed to be high risk. For suppliers who chose not to complete a self-assessment in 2015, we will conduct desk-top evaluations based on information from reputed business intelligence sources.

Engaging with our existing suppliers to complete the questionnaire provided a good opportunity to explain our strategy regarding responsible procurement. It led some suppliers to reflect on how they may need to adapt their working practices to face sustainability challenges and the likelihood of heightened requirements from other sources.

Verifying with on-spot reviews

Each year, Nordea conducts on-spot reviews of selected first-tier suppliers, to fulfil our responsibility and ensure that our guidelines for suppliers are understood and implemented. Suppliers are selected through a combination of individual risk assessment and random selection.

In 2015, for the first time, we engaged an external consultancy to bring third-party independence and expertise into the process. Together with The CSR Company International, we reviewed three of our larger suppliers, focusing on understanding their progress in implementing effective management systems. All three co-operated fully with our request for a review, arranged audit-meetings, and involved management and subject matter experts where needed.

Results of on-spot reviews

While international standards were used to benchmark the assessments, we followed up with individually targeted recommendations rather than 'pass or fail' verdicts. This aligns with our view – endorsed by the UN Global Compact – that there is no 'one size fits all' approach to sustainability, and allows us to focus

Our supplier base

Number of contracted suppliers:	700
Primary locations of contracted suppliers:	Nordic region
Industries:	<ul style="list-style-type: none"> IT services (software and hardware) Travel Facility management Furniture Marketing

on encouraging on-going improvement and high ambitions.

The reviews showed that all three suppliers have well-established management systems in the most significant areas. Company-specific recommendations were given in all four areas of the UN Global Compact (Human Rights, Labour Rights, Environment and Anti-Corruption), relating to the scope and resilience of the management systems and focusing on both the letter and spirit of the UN Global Compact. Recommendations included working towards job security where use of temporary workers is high; increasing transparency on policies, procedures and performance; expanding stakeholder engagement to include NGOs and communities; working with peers on industry issues; and taking an ambitious approach to environmental improvements.

Each supplier is asked to propose an action plan for the next six months and to have reconciled all identified issues by that time, or provide a reasonable explanation as to why this has not been achieved.

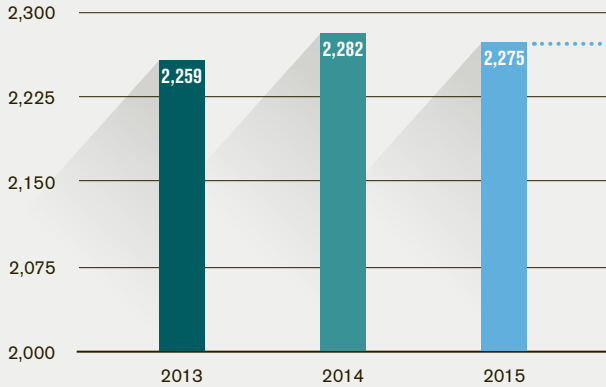
Focus areas 2015

Focus areas	Achievements 2015	Targets 2016
Develop a more structured approach to responsible procurement Implement a CSR segmentation and engagement model	<ul style="list-style-type: none"> Applied segmentation and engagement model to all new and existing suppliers Requested all contracted suppliers complete sustainability risk questionnaires Appointed responsible procurement manager 	<ul style="list-style-type: none"> Engage with high-risk suppliers Continue work to cover supplier base by our segmentation and engagement model
Engaging with our stakeholders Communicating and increasing awareness among our stakeholders	<ul style="list-style-type: none"> Conducted three on-spot reviews, supported by a third-party auditor Delivered awareness training for all employees working in sourcing and procurement Published sustainability requirements on nordea.com for all existing and potential suppliers 	<ul style="list-style-type: none"> Conduct three to six on-spot reviews, supported by third-party auditor Incorporate sustainable awareness training into general supply chain management training Analyse best practice in sustainable supply chain management
Increase data availability Create data foundation for sustainability analytics and compliance reporting	<ul style="list-style-type: none"> Created sustainability data records in supplier database 	<ul style="list-style-type: none"> Analyse business data to better assess impact of procurement decisions Complete data records in supplier database

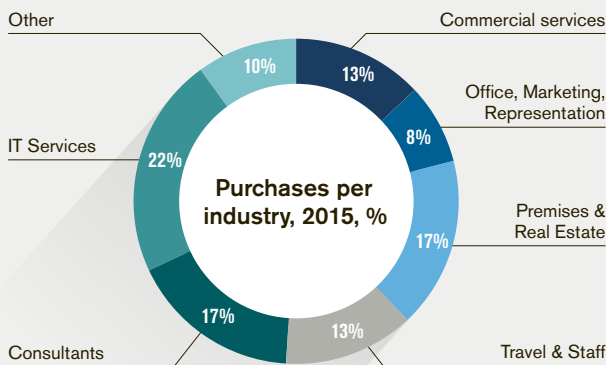
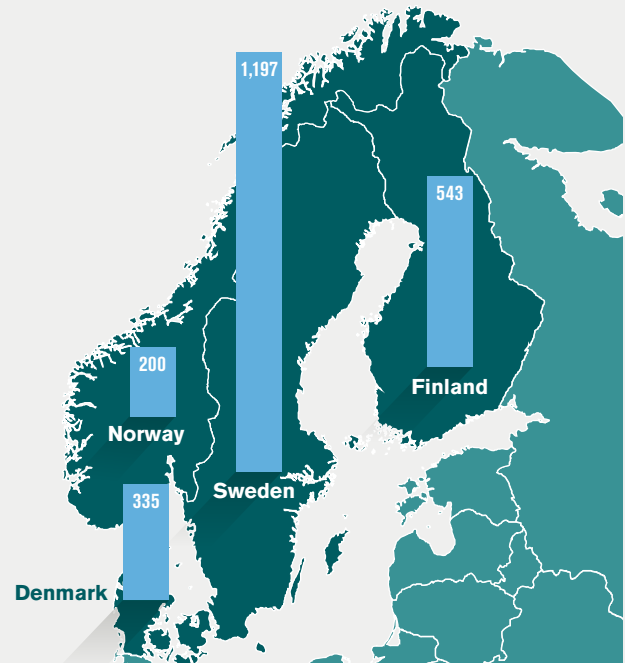
Supplier data

Nordea spent
2,275,000,000
EUR in 2015

Total purchases by Nordea Group, 2013-2015, EURm



Purchases per country, 2015, EURm



Summary of the main findings from on spot reviews in 2015

Industry	Focal points	Findings	Actions
IT services	Human Rights	Insufficient adoption of the UN Guiding principles on Business & Human Rights.	Perform Human Rights Impact assessments and introduce non-judicial external human rights grievance mechanisms.
	Labour Rights	No material issues were found. Weaknesses in industry code on monitoring overtime above 48 hrs, guaranteeing living wages and 14 weeks of maternity leave in the supply chain.	Engage further in improving industry code or go beyond the code to ensure alignment with international standards on overtime, living wages, and leave.
	Environment	Well-developed environmental management systems. Monitoring environmental issues in the supply chain limited to reliance on environmental certificates. Potential to improve circular economy approaches, and use of energy from renewables.	Engage with suppliers on an ambitious approach to environmental goals and targets. Develop initiatives to support a circular economy and consider increasing the use of energy from renewable sources.
	Anti-Corruption	No material issues were found. Audited companies had or are in the process of establishing resilient anti-corruption programmes.	Continued focus on strengthening anti-corruption programmes.
	Cross-cutting management	Lack of an integrated strategy. Need for improvements in tracking and reporting to include more relevant and meaningful data. Lack of transparency on central documents.	Development of a sustainability strategy and improvements in reporting and transparency.
Production	Human Rights	Insufficient adoption of the UN Guiding principles on Business & Human Rights.	Perform Human Rights Impact assessments and introduce non-judicial external human rights grievance mechanisms.
	Labour Rights	Extensive use of temporary workers.	Work towards job-security where use of temporary workers is very high.
	Environment	Reliance on environmental certificates. Local targets could be further developed.	Go beyond reliance on environmental management certification and ensure that an ambitious environmental approach is taken.
	Anti-Corruption	No material issues were found.	Continue focus on anti-corruption.
	Cross-cutting management	Percolation of corporate policies and practices to local levels can be improved. Lack of transparency on policies including relevant and meaningful reporting to the public and availability of central documents. Limited engagement with communities and NGO's besides charity.	Improve local understanding and knowledge of global policies. Improve stakeholder engagement to include community voices, NGOs, and working with peers to solve critical industry issues. Increase transparency on policies.

Please note: No material non-compliances were found in the on-spot reviews in 2015

Paying taxes responsibly

We generate value for the societies in which we operate both through the taxes we pay in relation to our business and by withholding taxes on dividends and interests for customers on behalf of the government. We are committed to meeting the heightened expectations on transparency in respect of our tax management, and for this reason we have worked to gradually improve the scope and quality of our communication of our tax position in the Sustainability report in recent years.

Contributing to society through our taxes

Nordea's policy is to pay taxes in accordance with local regulations in all countries where we operate, and in so doing to make an appropriate contribution to each society. We manage tax costs and risks carefully, and by paying and reporting taxes in due time, we aim to maintain a good local tax reputation.

Nordea is a substantial corporate income tax payer in its main countries of operation – Denmark, Finland, Norway and Sweden – and we also pay social security contributions and bank levies in the countries where we operate. Statutory tax rates, contributions and levies vary in our countries of operation, as does the size of Nordea's business operations in each country. The total amount of tax paid in each country is determined by a combination of these variables.

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

Balancing our stakeholders' expectations

When managing our tax costs, we need to consider and balance our stakeholders' expectations. As well as the

government being a recipient of our taxes, many other stakeholders have an interest in what taxes we pay and where. For example, some of our owners are pension fund holders, meaning that our customers not only directly but also indirectly have expectations on how we manage our taxes.

Informing and advising our customers

At Nordea we strive to deliver great customer experiences, and to build trust through acting with integrity. This includes upholding the ethical standards outlined in Nordea's Code of Conduct, Tax Policy and Sustainability Policy when advising customers about the tax implications of different products. We also take care to comply with external regulations regarding the provision of proper information and not misleading customers in their decisions.

Overview of 2015 tax payments

Banks can, unlike non-financial services companies, only recover a small amount of the VAT incurred on the products and services they buy, with the rest remaining with the government.

In 2014 Nordea paid EUR 956m (EUR 908m in 2014) in tax relating to our profits. Furthermore, Nordea paid EUR 420m (EUR 406m in 2014) in payroll taxes (social security fees) to the governments of the countries where we operate. Nordea also pays bank taxes and stability fees in various jurisdictions.

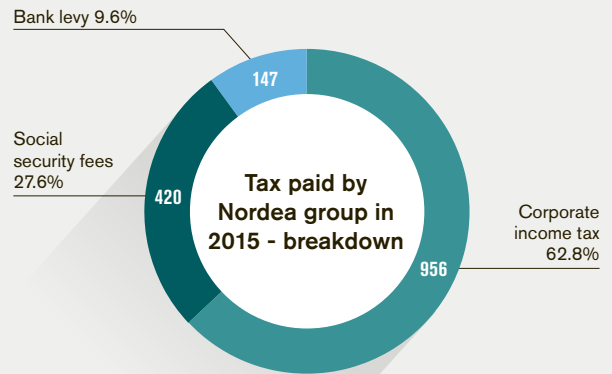
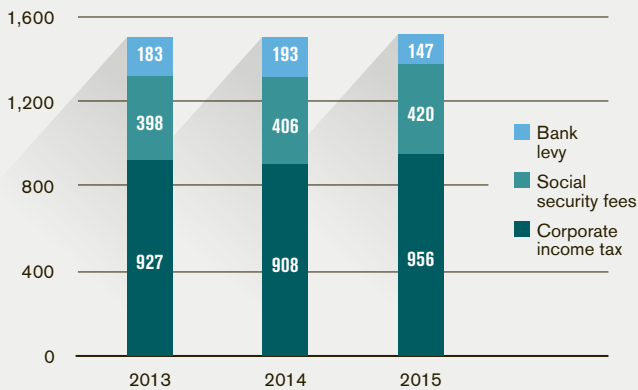
Taxation data

Breakdown of tax payments

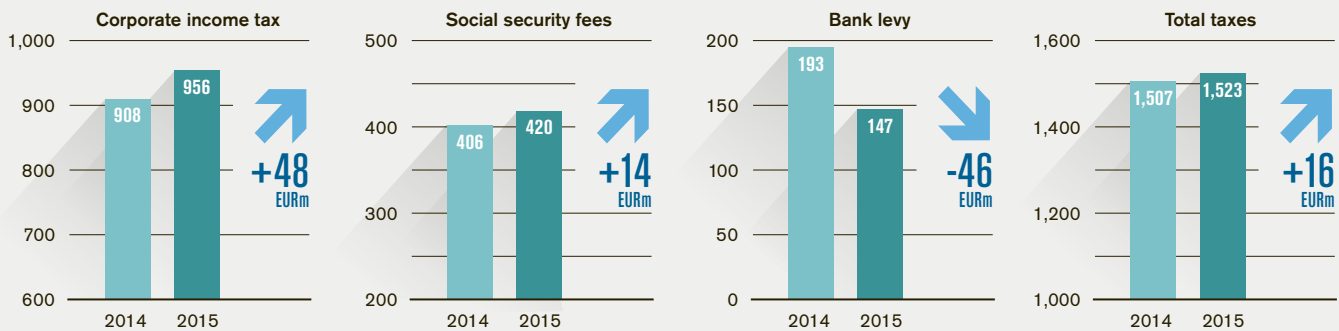
To meet the increased demands globally on transparency regarding tax, we provide a breakdown of tax payments for our main markets. More detailed figures are available on nordea.com.

Nordea paid
1,523,000,000
EUR in taxes in 2015

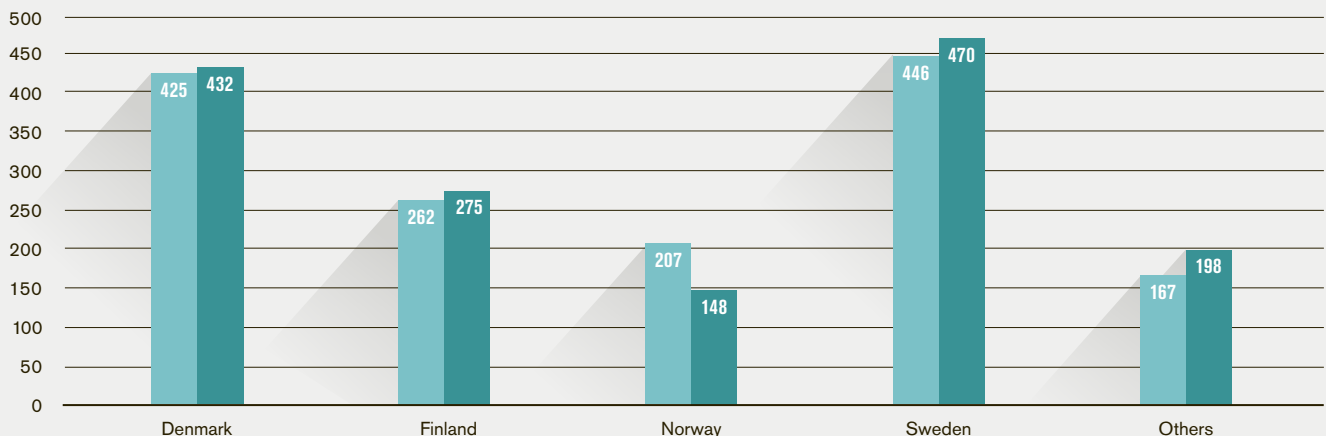
Taxes paid by Nordea Group in 2013-2015 by tax type, EURm



Taxes paid by Nordea Group, by tax type, 2014 vs 2015, EURm



Tax paid by Nordea Group per country, 2014 vs 2015, EURm



Building skills in personal finances

Working together to teach money management

Nordea employees volunteered for over
5,200
 hours combined in 2015

Financial literacy – understanding how money works – is a key life skill that enables people not only to meet their personal ambitions, but also to be responsible members of society. As a financial services company, it is clearly an area in which we have considerable expertise and one in which we believe we can make a positive change for society.

We see it as part of our responsibility to use and share our skills and knowledge for the good of society, and to give our employees opportunities to contribute to society by sharing theirs. It is also in our interest to ensure that individuals in the societies where we operate – many of whom are, or may become, our customers – are as financially literate as possible.

Creating a financial future
 Recent studies demonstrate that there are disturbing gaps in many people's understanding of financial matters. At worst, this may lead to financial and social exclusion, which harms individuals, disrupts families and burdens societies.

Conversely, having a good understanding of financial matters enables people to

manage their own finances, understand risks and opportunities and achieve a good quality of life. We also believe that when people are knowledgeable about their personal finances they can make a positive contribution as responsible members of society.

We are committed to teaching young people in particular to take responsibility for their financial future, and to giving our employees opportunities to play their part by sharing their skills and expertise. We believe that, in so doing, our people not only make an important social contribution but also enhance their personal skills and development.

How we are enhancing financial skills

We provide many opportunities for our employees to share their financial skills and expertise, both through our own schools-based financial education programmes and by entering into partnerships with other organisations with the same goals. In 2015, Nordea's employees volunteered for over 5,200 hours and we continued to work with our selected partners in the Nordic countries.

Main partnerships and programmes in Nordic countries		
Partner organisation or programme	Goal	Involvement
Group-wide, in all countries		
Financial education programme	Nordea Advisors visit class rooms and give teens (13-18 year olds) hands on lessons in private economics	364 employees 1,247 hours
Denmark		
Young Enterprise Denmark	Financial advice and guidance to students testing entrepreneurial ideas	28 employees 275 hours
'Gældsrådgivning'	Advising citizens who need to get their private economy back on track	8 employees 600 hours
Finland		
Me&MyCity	Teach 6th graders how society works and inspire to entrepreneurship via class room learning and a one day visit to a mini-society.	Me&MyCity reaches 80% of Finland's 6th graders
Economic Skills programme	Major banks' employees give advice on personal finances and discuss future dreams with 16-29 year-old young people without a job or a place to study.	174 employees 1,384 hours
Norway		
Young Enterprise Norway, annual 'Nordea Day'	Financial advice and guidance to students testing entrepreneurial ideas	85 employees 1,000 hours
Sweden		
Teach for Sweden	Engage top students to become teachers in schools located in lower socio-economic areas to give children there a better chance to reach goals	35 employees 480 hours

The revolutionary power of compassion

What is the effect of compassion on a company's productivity and competitiveness? Nordea is taking part in a ground-breaking study by the University of Helsinki to explore this question.

Based in the Sata-Häme region, the project will look at two groups of employees – those enrolled in the Economic Skills project to teach personal finance to young people, and managers receiving emotional skills training. Researchers will seek to measure the impact of these activities on employee satisfaction and motivation, commitment to the company, as well as customer experience and sales.

Elina Lampinen-Kinnari, Head of the Sata-Häme region, worked closely with the university to launch the project: "It's a big shift to examine the link between the emotional skills of employees and our financial performance. Up to now, success has been measured mainly with financial indicators."

Savings specialist Mikko Särkiniemi is one of the Nordea employees taking part in the study. He is certainly positive about his experience of volunteering on the Economic Skills project helping young people: "It was very rewarding hearing from young people about their

dreams and plans, and it has made it easier for me to now have those conversations with my customers."

The research project is also looking at emotional skills training for managers, which begins by considering how important feelings and compassion are to people's health and happiness. It aims to equip managers with the tools to manage positive and negative feelings they might encounter in the workplace such as a colleague who is frustrated about their workload. The managers' trainer Miia Paakkanen says the Nordea employees were receptive and enthusiastic: "Right from the first session people showed proactivity and motivation to open their hearts and minds to new ways of approaching work and leadership." Following the training, the managers have made plans to incorporate emotional skills into the personal development discussions they have with their direct reports.

Elina is delighted with the employee response: "We believe this project will provide us with new perspectives and practical skills to improve our customer services in the changing financial services environment."



“Our employee satisfaction survey shows a correlation between voluntary work and staff commitment and motivation. We can't wait to see if the study demonstrates wider scientific proof for this.”
Elina Lampinen-Kinnari
 Head of Sata-Häme branch region, Nordea



“I find it easier now to talk to customers about their plans and dreams.”
Mikko Särkiniemi,
 Savings specialist

“Emotional skills training helps us understand the significance of compassion and our emotions to our performance and well-being.”
Miia Paakkanen,
 M.Sc., Ph.D Candidate,
 Faculty of Theology,
 University of Helsinki,
 founding member of
 CoPassion project.

About the research

Anne Birgitta Pessi is professor in church and social studies at the University of Helsinki and is leading the CoPassion project.

“Our project asks what compassion means in the everyday life of an organisation and in its interactions with partners. How is it generated, maintained and strengthened, and how can it improve profitability?”

“While there is a body of international research that suggests links between compassion and business productivity, the Finnish data is all but non-existent. This project will address that gap.

“But it is practical too. We intent to conclude after three years with tools to measure the strength of compassion within a particular business and to assess the impact of compassion on business performance.

“Ultimately we hope to help make workplaces better – and ultimately – to contribute to developing attractive and sustainable cities that serve contemporary values.”



Partnerships and volunteer work in the Nordic countries

Helping people in debt

In Denmark Nordea works alongside other financial institutions to deliver the 'Gældsrådgivning' (debt advice) programme. Organised by the association of banks, the programme helps individuals and families struggling with debt to come up with a structured and achievable plan to pay it off. This includes assisting people in drawing up a budget and giving financial advice. Employees, mainly personal banking advisors, receive time off in lieu for 50% of the work time they devote to the programme.

Annmari Bæk Henriksen, a senior debt collection advisor at Nordea Finance in Denmark, volunteers with Gældsrådgivning one evening each week. She comments, "I meet all sorts of people in this role. Even though many of them have homes and jobs, some are living in financial chaos. As well as financial problems, many are struggling with substance abuse or mental health challenges. Whatever their personal circumstances, the important thing is to treat them with compassion and respect."



"I might write to creditors asking them to stop adding any more interest or to reduce the monthly payment for the debt. I find the work incredibly rewarding – it's a great opportunity to make a difference in people's lives."

“ Often people just need very practical advice from a compassionate person. Many different kinds of people need debt advice, also those with a home and job. **Annmari Bæk Henriksen**

More focus from schools expected in Finland



Olli Kärkkäinen is Nordea's Private Economist in Finland

A survey on financial literacy in Finland, commissioned by Nordea and conducted by TNS Gallup, found that while half of all Finns follow financial news on a regular basis, just 10% of 18-25 year olds follow financial news daily. Meanwhile, around twice as many men as women watch or read financial news daily, and a fifth of Finns rarely follow any financial news because they do not feel sufficiently acquainted with the issues.

The survey was conducted as an internet panel in June 2015, with 1,004 respondents between 18 and 65. The responses have been weight-

ed taking into account the respondent's age, sex and place of residence.

The survey also showed that Finns believe the management of personal finances should primarily be taught at home and at school. Respondents voiced their hope that schools would focus more on the day-to-day management of personal finances, such as saving, loans and the use of credit cards.

We believe that to increase interest in financial matters, the media, experts, teachers and banks need to be able to talk about financial issues in a clear and understandable way.

“ An interesting finding which raises concern in my view was that 40% of the young people themselves don't think that young people in general are able to take care of their personal finances”

Olli Kärkkäinen

Nordea receives financial education award

 **In 2015**, Finance Norway, the organisation that represents the financial industry in Norway, awarded Nordea its 'Finansstafetten' – Finance Norway's award to commend the country's leading corporate engagement with schools.

The award was for our efforts in the previous year but it is an ongoing commitment we have to helping young people to realise their potential. Continuing our collaboration with Ungt Entreprenørskap (Junior Achievement –Young Enterprise Norway), in 2015, we had more than 80 of our employees going into schools as counsellors on a special 'Nordea Day'. Altogether they were able to teach 2,200 secondary school pupils in Oslo and Akershus about personal finance and career options.

This is an important and relevant issue. Research shows that young people in Norway feel that they have insufficient knowledge about the economy and – with little focus given to personal finances in schools or at home – young people are ill-equipped to become

critical consumers. Mathematical skills among Norwegian youth are also low and declining. Meanwhile, the evidence is also that young people are the most vulnerable consumers. In 2015, 18,000 young people between 18 and 24 had a bad credit rating – a sharp increase of 12% on the previous year.

Nordea will continue to play its part in addressing this issue. John Sætre, head of Banking in Nordea Norge, took part as a counsellor at last year's Nordea Day. He is looking forward to doing it again. "As a bank, we have a substantial social responsibility, and this is part of it. I have children in school myself and will, of course, participate as a counsellor again next year."


John Sætre says that this award belongs to each and every one of the employees who participated as counsellors last year – and those who are participating next year. "The fact that we can contribute like this in schools is thanks to all the passionate souls working here. This award is something we can all be proud of," he says.



John Sætre, head of Banking at Nordea Norway, took part as a counsellor at last year's Nordea Day.



The Economy Game: Interview with Sandra Frank

 **Office manager** Sandra Frank volunteers with Ekonomipejl, Nordea's programme to enhance the financial skills of young people. She is one of our employees who visit schools around the country delivering lessons in personal finance to 13-18 year-olds. In 2015 we met more than 17,000 pupils.

What have you gained personally from Ekonomipejl? I love being able to share my knowledge – it gives me a feeling of fulfillment. I'm proud that Nordea chooses to give back to our community this way.



How do the young people respond? Most are eager to ask questions – some have whole pages of them prepared. Teachers also appreciate it. Even if they have covered the subject, it seems more valid when someone from 'The Bank' says it.

Why is this work important for Nordea? As one of the largest banks we have a responsibility to help build a sustainable economic future for young people. It's a small thing for us with our enormous resources, and it can make a huge difference to youngsters.

What will happen if this matter is not taken seriously? In Sweden there is a growing trend for young people to get into financial difficulty. More of them are taking out SMS (text) loans, which are easy to get without a credit rating. According to the latest government report a total of approximately 1.2 billion SEK has been forwarded to the Enforcement Agency for seizure.

A visit from Ekonomipejl won't reverse the trend, but I'm convinced that we give students a better chance. With the right knowledge young people can make well-informed decisions – or at least understand the consequences of a wrong one.

” I enjoy answering students' questions – some trickier than others – knowing I might have given them something to think about when they are faced with a financial decision.”

Sandra Frank

Creating opportunities for our people

Equipping our people for a changing world

57%

of Nordea employees are female

The average age of a Nordea employee is

42

63%

of employees have a degree

Our people are key to our ability to run our business well and achieve our goals for the company and society at large. Creating opportunities is about ensuring that we employ the right people, with the right blend of skills and expertise, and that we develop them in the right way, in order to achieve our goals. In seeking to do this we must also take into account the broader social and demographic context, such as an ageing population and the rapid pace of technological change.

Creating opportunities for our employees to flourish is also part of being a responsible employer. We care deeply about realising the potential of our people and enabling them to enjoy a fulfilling career with Nordea, and helping them to adjust and continue to thrive in times of change.

An industry in transition

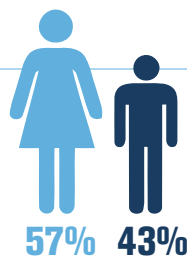
Increasingly, customers are looking for authenticity and connection with the companies they deal with. Our challenge – and priority – is to position Nordea as a trusted financial partner. We can only do this if we have the best people in our workforce.

The banking industry is undergoing the biggest transformation in its history, necessitating changes in the way we work, the positions we recruit for and the skills and expertise we need. Relationship banking is rapidly turning digital, with traditional in-branch banking being replaced by online and mobile transactions. This means we need to meet our customers' evolving behaviour, needs and expectations by strengthening our digital capabilities and providing more flexibility in how our customers can interact with us.

Alongside the challenges of competing for the best employees and developing the right mix of skills is the need to develop strong, insightful leaders who are not only able to manage transitions but also keep our employees engaged, motivated and focused on implementing the necessary changes while still providing great customer experiences.

32,610

Total number of employees



% of women as managers:



In focus in 2015			
Focus area	Goal	Action & progress	Plans ahead
Leadership	<ul style="list-style-type: none"> Develop leadership competences 	<ul style="list-style-type: none"> Incentives adjusted to focus more on leadership skills and personal development Executive leadership programme for externally hired leaders 	<ul style="list-style-type: none"> Further strengthen leadership skills
Improving gender diversity	<ul style="list-style-type: none"> Increase number of women in leadership positions 	<ul style="list-style-type: none"> 39% of all managers have participated in Gender Diversity training as part of our Leadership Pipeline Programmes. 73% of final three shortlists for management positions included both genders 	<ul style="list-style-type: none"> Continue support, raise awareness and train managers Continue to follow up and develop the recruitment process. Consider to extend the policy to also cover appointments/organisational changes
Developing our people	<ul style="list-style-type: none"> Improve employee satisfaction Support career development and retention of key people 	<ul style="list-style-type: none"> Employee Satisfaction Index 2 points above industry average. Develop career counselling for all employees 	<ul style="list-style-type: none"> Encourage managers and teams to engage in dialogue and developing the transformation of the industry.

Leadership is vital

Good leadership is a key driver of strong performance, and is particularly critical in times of uncertainty and change. This is why developing and training our leaders and potential leaders, equipping them to develop their own employees and helping them to reach their potential is a high priority at Nordea.

A key 2015 initiative was around how we measure and incentivise our leaders. We have adjusted our incentives to put more emphasis on good leadership skills, in particular by supplementing the functional targets (what is achieved) with targets that focus on how it is achieved. These include how a leader translates strategy into actions, puts the right team in place, and motivates them to achieve their goals. There is also a focus on leaders' personal development – how they live the Nordea values and develop their own competence. Alongside this we have developed a target-setting guide for leaders, aimed at providing inspiration and guidance for setting targets in the two key areas of great leadership and personal development.

To further improve leadership, a new programme targeting executive leaders piloted in 2015 will now be part of our leadership pipeline portfolio. This two-day Executive Leadership Programme mainly targets externally hired leaders, deepening their knowledge of Nordea's values, culture and leadership requirements.

The launch of this programme represents the final step in implementing a full portfolio of leadership pipeline training, available to leaders at all levels of the company. This enables us to secure leadership alignment throughout the organisation – something we believe is especially important during this time of transition.

In 2015, we are delighted that our employees' satisfaction with their immediate managers improved by a further index point to 81, increasing the gap between Nordea and the industry average to 9 points.

Focus on strengths: Interview with Erik Gripler Head of Customer Service, Point of Sales, Nordea Finance, Sweden

Q As a leader, you must get the best from your team. What works for you? My approach is to focus on strengths. I find it works well if we use our individual strengths for the team's benefit, either directly or by helping others. To make this work you must be able to delegate – not just the responsibility, but also authority to make decisions. Follow-up is important – both to know how they are performing and to ensure their efforts are acknowledged.

Q Leaders must turn strategy into actions. How do you approach that? You must show the link between individual goals, team goals and how they relate to the overall strategy. Involving the team in goal-setting helps a lot in terms of commitment, and ongoing, transparent communication is essential. Everybody in the team needs to understand the way forward, and how their goals and daily work relates to the bigger picture.

Q Describe your communication style. If I have a style, it is to be myself and talk my own language. However, I do change my communication based on the receiver. Different people hear and understand things differently. Leaders can't

presume they can say the same thing in the same way and get the same result with everybody. For a leader, communication is often more about listening than talking.

Q How do you help the team come together? A strong sense of ownership is essential. Employees grow when given responsibility, and they come together more when responsibility is delegated – cooperating with one another instead of bringing questions to me. Another important aspect is celebrating successes, which is vital for maintaining a positive atmosphere.

Q Leadership involves helping your people to develop. How do you handle this? At individual meetings, I focus on their development in the role. How do they evaluate their performance? What is working and why? What steps are they taking to improve? If I get questions about priorities or decisions, I first listen to their opinion. What do they see as the best way forward? I also involve them as much as possible in decision-making. I believe I contribute most to their professional development when I approach it as a coach instead of an expert.



For a leader, communication is often more about listening than talking.”
Erik Gripler

Spotlight on gender diversity

It is crucial for Nordea that we offer equal opportunities to all current and potential employees both in the hiring process and when it comes to career advancement. This is part of what it means to act responsibly, but it also makes sense for us as a business. The more diverse we are, and the more closely we mirror the societies we are part of, the greater our insight into our customers' circumstances and the better we can understand and serve their needs. We firmly believe that an increasingly diverse workforce benefits our business, which is why we are focused on breaking down barriers and biases so that we can achieve a truly diverse and inclusive organisation. We believe that gender-balanced leadership teams make better and more innovative business decisions, leading to improved business performance. Ensuring that we offer equal opportunities to both men and women will also result in greater employee satisfaction and make us a more attractive workplace.

Since 2013, we have had a specific focus on improving our gender balance and, in particular, increasing the number of women in senior positions. Currently, women constitute 57% of Nordea's workforce and 41% of all management positions, but are still significantly under-represented in senior leadership positions – a challenge that is also common in the financial services industry.

Driving ongoing improvement

To turn our ambitions into reality, we have put in place some solid foundations, systems and processes. Our Gender Diversity Initiative, launched in 2013, is aimed at helping us increase the number of women who are appointed as managers today, while also building the 'pipeline' that will deliver the female managers of tomorrow. The initiative comprises four main focus areas, reflecting what we believe are the main steps in the journey towards a gender-balanced workforce:

- Sending the signal that gender diversity is a priority for Nordea
- Setting requirements for the improvement of gender balance
- Supporting leaders to make the change happen in practice
- Supporting dual career families.

The initiative is supported by two key performance indicators:

- When we recruit for management positions, both genders must be represented among the final three candidates. Progress in 2015: 73% of final three shortlists for management positions included at least one woman, improving 15% compared to 2014.

We are delighted with the high level of compliance with this policy, and proud of the gender-balanced hires to which the policy leads. When this policy was

followed, a woman was chosen as often as a man. This way we hope to increase the pool of women eligible for executive management positions in the future.

- When we hire graduates, no gender shall make up more than 60% of the new recruits. Progress in 2015: Women made up 36% of new graduate recruits. This target was not achieved in 2015 and it is a decrease from 2014, when 41% of graduates were women.

We have identified and documented a set of significant barriers to women's advancement, which include attitudes among senior male managers and a gender gap in the assessment of individuals' potential. We recognise that we need to be better at attracting, promoting and retaining senior female executives, and we are committed to making continuous progress in tackling this challenge. Our long-term ambition is to lead our industry in building a diverse and inclusive culture to ensure full access to talent pools, an agile organisation and support an even stronger performance culture.

Tackling unconscious bias

To help address the gender diversity challenge, we support our leaders in making change happen in practice. One aspect of this is the inclusion in all leadership pipeline programmes of modules on gender diversity – which 1,300 managers have completed to date – and on making



"We will keep supporting managers in making change happen in practice and send a strong signal that this is a priority for Nordea. We have made a lot of positive progress and increased awareness in the organisation, and we can be proud of the efforts made, although we still have a long way to go".
Marianne Egelund Siig,
Head of Diversity at Nordea.

Both genders represented in
73%
of manager recruitments

1,300
managers have completed
diversity training

Unconscious bias: Interview with Tiina Käsi and Erik Feldt

Q How does Nordea benefit from training managers in unconscious bias awareness?

TK: It's well known that diverse teams and executive groups perform better. Making managers aware of their biases helps change behaviour around recruiting and developing employees.

The initial focus is on avoiding gender bias. Improving gender balance among managers will help us attract and retain the best female talent. Our goal is to increase all aspects of diversity and inclusion (gender, ethnicity, impairment and age) to attract people from the entire talent pool, ensure the strongest possible leadership succession pipeline, and enhance customer satisfaction and business performance.

EF: It enables us to make better decisions – based on facts rather than bias – when we recruit, develop and promote our people.

Q Why is it important to recognise when others are “trapped” in their unconscious bias?

EF: The challenge of unconscious bias is inherent in the name – if we aren't conscious of it, it can be difficult to detect. But we can help each other increase our awareness by talking about it and by challenging decisions and actions.

TK: I agree. Being an attractive employer and getting the benefit of high-performing, diverse teams doesn't just happen – it takes shared effort and responsibility. It requires ongoing attention to behaviour and communication, even in things like setting requirements and drafting job advertisements.

Q As managers, what did the training teach you about yourself?

TK: For me, there are two important aspects. As a manager I'm responsible for attracting and developing the best people, and as Head of HR I support other leaders at Nordea to do the same. It's surprisingly easy to fall into the trap of judging and stereotyping – avoiding it takes constant, conscious effort.

EF: Awareness is important because I realise my behaviour is heavily influenced by my bias. The more I understand that, the better I become at disregarding my bias when making decisions. What was alarming about the training was how prone I was to making judgements based on a person's appearance, without knowing anything about them.



Tiina Käsi (TK) is Head of Human Resources for Group Functions and Erik Feldt (EF) is Head of Human Resources for Wealth Management.



managers aware of unconscious bias in their recruitment decisions. The unconscious bias awareness training module specifically addresses the issue that 'it is easy to hire someone like you', and will be mandatory for all new leaders from 2016. Results so far suggest that it is helping to challenge mindsets and shift practices.

We have also developed practical suggestions for how managers can better promote the development of their female employees, and guidelines on how to conduct gender-neutral Performance Development Dialogues (PDDs). Research shows that fewer women than men are encouraged to take on more complex tasks. Moreover, results from our own PDDs in 2015 show that men are assessed as having higher potential than women, despite the scores for performance and competence being virtually equal between the genders. Managers are now being advised and supported in taking this bias into account both when reviewing performance and when set-

ting assignments, and continuing to address this specific gender disparity will be a focus area in 2016.

Equal remuneration

According to the local remuneration practices, men and women should be paid the same for doing the same job, and we are taking steps to close identified gaps. For legislative reasons this issue is managed at country level and, in the Nordic countries, promoting and making progress towards equal pay has been an on-going area of focus.

In Finland, we have an equality committee comprising representatives from both employers and employees, the purpose of which is to improve all aspects of gender equality. The committee undertakes regular salary monitoring to ensure there are no unjustified salary differences between men and women with equal roles. In Norway, we have focused strongly on equal pay in recent years, with a proportion of the 2015

salary increase marked as an equality raise, and a policy not to differ on salary when hiring. A similar initiative with targeted salary increase earmarked for equality raise has been carried out in Sweden yearly since 2012. The Danish salary model, in which each job has a salary span based on the job's complexity and market value, contributes significantly to equal pay for employees with the same job, regardless whether it is man or a woman.

Next steps for 2016

Our ongoing efforts to promote gender diversity include continuously reinforcing the requirements for improving gender balance, for instance by creating a policy that both genders should be represented in the final three-shortlist also when it comes to appointments.

We also want to continue to support leaders to make the change happen in practice and to ensure sending the signal that gender diversity is a priority for Nordea.

Engaging with staff

For several years we have conducted an annual employee satisfaction (ESI) survey to encourage our employees to tell us how they feel about working at Nordea. In 2015 over 29,000 employees gave us their feedback – a participation rate of 94% – and the results were encouraging.

Overall, we are delighted that Satisfaction & Motivation among Nordea employees has increased by one index point compared to 2014 and is now two points above the Nordic financial labour market. In addition, commitment has increased by one index point and now exceeds the external benchmark of the Nordic financial labour market by seven index points.

We want to do even better, and to do so we need each and every employee to take personal responsibility for improving our company. Our focus for 2016 is to encourage managers and teams to engage in dialogue, challenge existing processes and embrace the transformation of the sector.

94%
of employees participated
in the ESI in 2015

Career coaching for all employees

As part of our ambition to strengthen employability at Nordea, and to provide additional support to our employees in times of change, we are launching a new Group-wide career counselling service in 2016. Available to all Nordea employees free of charge, the goal of this service is to increase our staff's employability and secure high retention of our key people.

Through conversations with a career coach, participating employees will be supported in polishing their CVs, increasing self-awareness on key areas of expertise and telling a clear and convincing story in order to gain leverage in the future job search within Nordea. They will also be offered guidance on areas that match their skills, and coached on how to move to a new part of the Group.

By introducing this new service we are signalling both to employees and the external market that we do all we can to develop the people we have and to find new ways of using competence. It also enables us to demonstrate our genuine care for our employees and our desire to help them pursue a fulfilling career and reach their potential. In the Nordic countries more than 70% of employees are members of a union. Nordea seeks to have a good and constructive cooperation with union representatives on all levels. Representatives are elected

among employees for local levels and for Business Area Consultative Committees that deal with change initiatives. The Group Council is a high-level collaborative body that raises strategic issues and collects feedback from employee representatives.

The statistics for participation in PDD discussions are gathered from the employee satisfaction survey, in which 94% of all employees participated in 2015. In 2015, 97% of those employees took part in a PDD dialogue; out of them, 56% were women and 44% men, 87% were employees and 13% managers.



We encourage all employees to take part in transforming the industry.

Employee satisfaction survey 2015				
	2013	2014	2015	(+/-)
Employee satisfaction and motivation	72	71	72	1
Personal development and training	73	73	74	1
Nordea considered a good place to work	77	75	74	-1
Employee's pride to tell others where they work	79	77	77	0
Employees recommend others to start working at Nordea	74	71	72	1
Organisation's ability to live the values	81	82	82	0
	Great Customer Experiences	81	81	0
Nordea's values:	It's all about People	75	75	0
	One Nordea team	80	79	82

People data

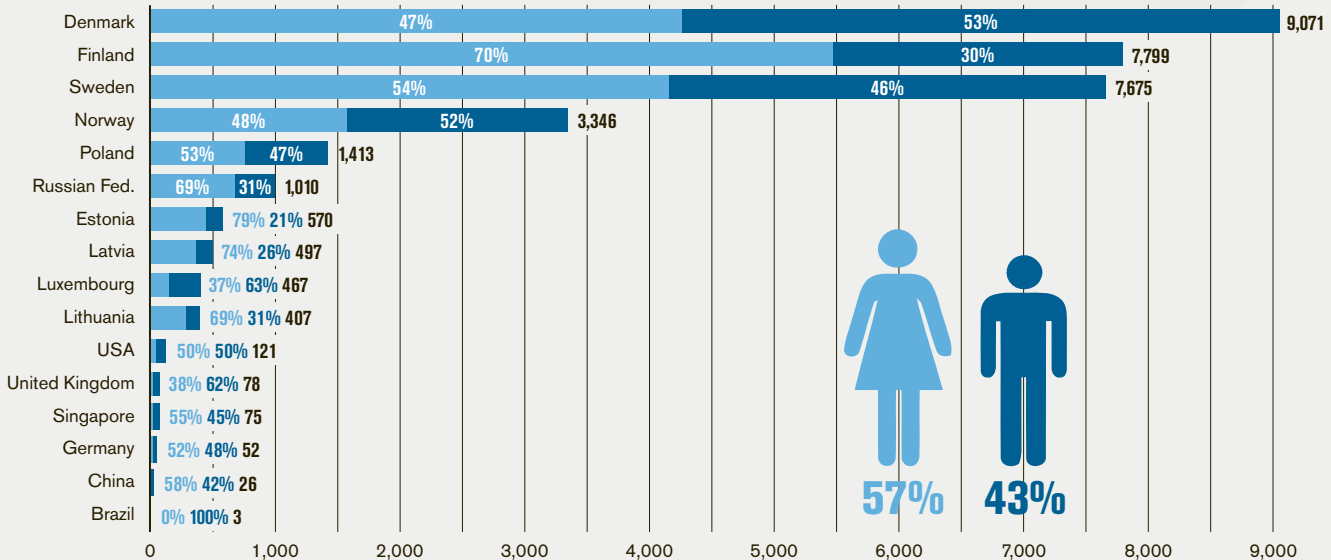
All employee data is based on number of employees (NOE), if not stated otherwise. Data including excel tables also on www.nordea.com

Organisational profile

Total workforce in Nordea Group divided by region & gender

G4-10

Nordea Group's total workforce consists of 57% women (58% in 2014) and 43% men (42% in 2014). The total workforce increased slightly to 32,610 in 2015 (32,264 in 2014) due to recruitment to new functional areas and insourcing.

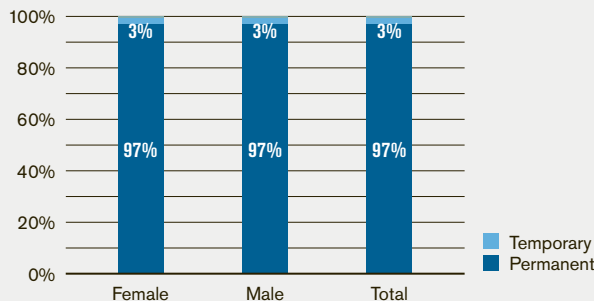


The total workforce in Nordea Group by employment type divided by gender

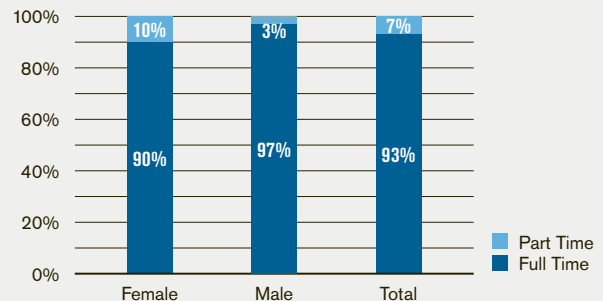
G4-10

Figures are based on number of employees employed by Nordea Group in all countries.

Temporary/permanent employees by gender



Full time/part time employees by gender



Employment

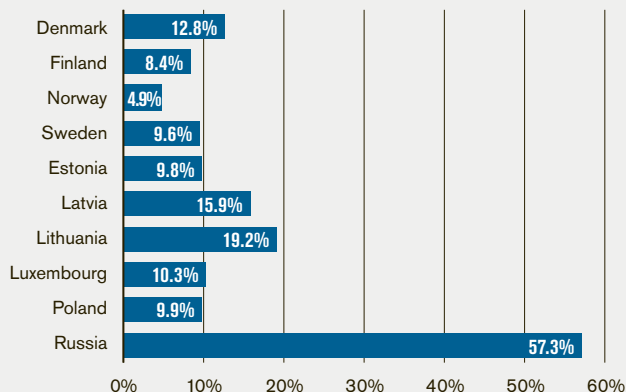
Rates of employee turnover and new employee hires in Nordea Group

LA 1

Employee turnover as a percentage of total number of employees was 11.6% in 2015. Turnover rate includes employees who have left the company - regardless of reason. The turnover rate in Russia was high due to retail business scaling down significantly during 2015. The hiring rate increased (9.8% in 2015 compared to 6.2% in 2014) leaving a net flow of people leaving the company with 573 employees.

Turnover rate in Nordea Group

(figures include permanent and temporary employees)



Hiring rate in Nordea Group

(figures include permanent employees)



Hiring increased in all age groups. Especially in the youngest age groups in Denmark, Finland and Sweden.

Increased share of women hired in three of the Nordic countries. Sweden kept same high share as last year.

People data

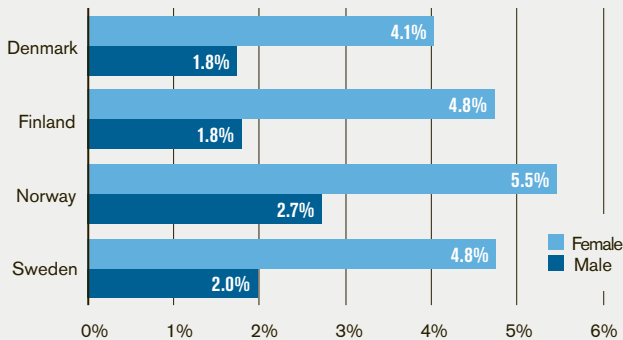
Occupational health and safety

Sickness rates and absenteeism

LA 6

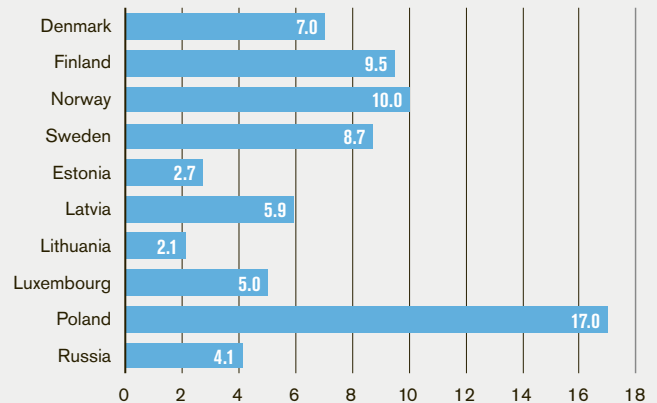
Sickness rate by region and gender in the Nordic countries

In 2015 there was a decrease in the sickness rate in Finland and Norway and an increase in Denmark and Sweden. Nordea is monitoring the sickness rate on a regular basis and will take the needed actions if we see any significant increases.



Average sick leave days in Nordea Group

Following the development in the sickness rate, there has been a decrease in average sick leave days in Finland and Norway - and an increase in Denmark and Sweden.



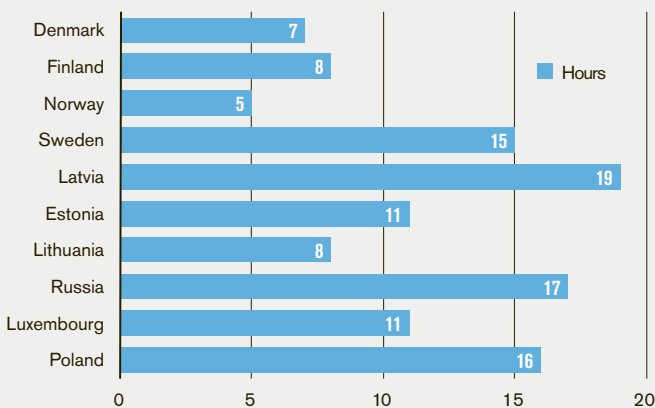
Training and education

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

LA 9

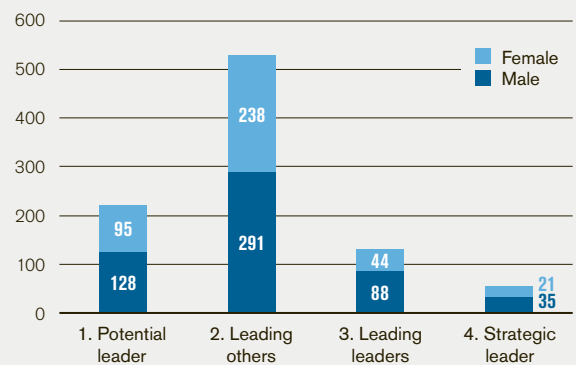
Average training hours per year in Nordea Group

Data is based on internal training only and each employee's own registration. Group level online training has been added manually to the Nordic figures.



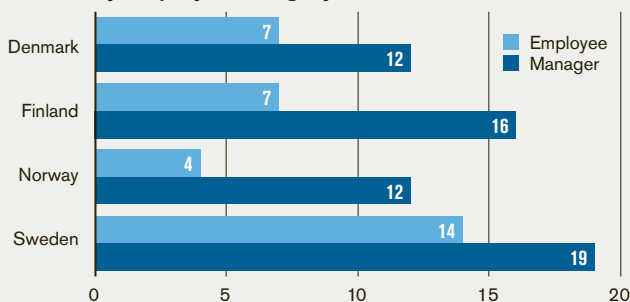
Number of participants in leadership training in Nordic countries

There was a significant increase in 2015 in number of participants in 'Leading Others' programmes. The share of female participants in 'Strategic leader' programmes increased to 37.5% in 2015 (19% in 2014).

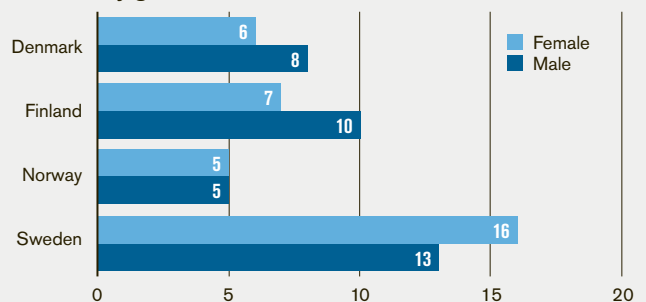


*These labels are the names of our leadership training programmes

Average hours of training per year per employee by employee category



Average hours of training per year per employee by gender



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

Diversity and equal opportunity

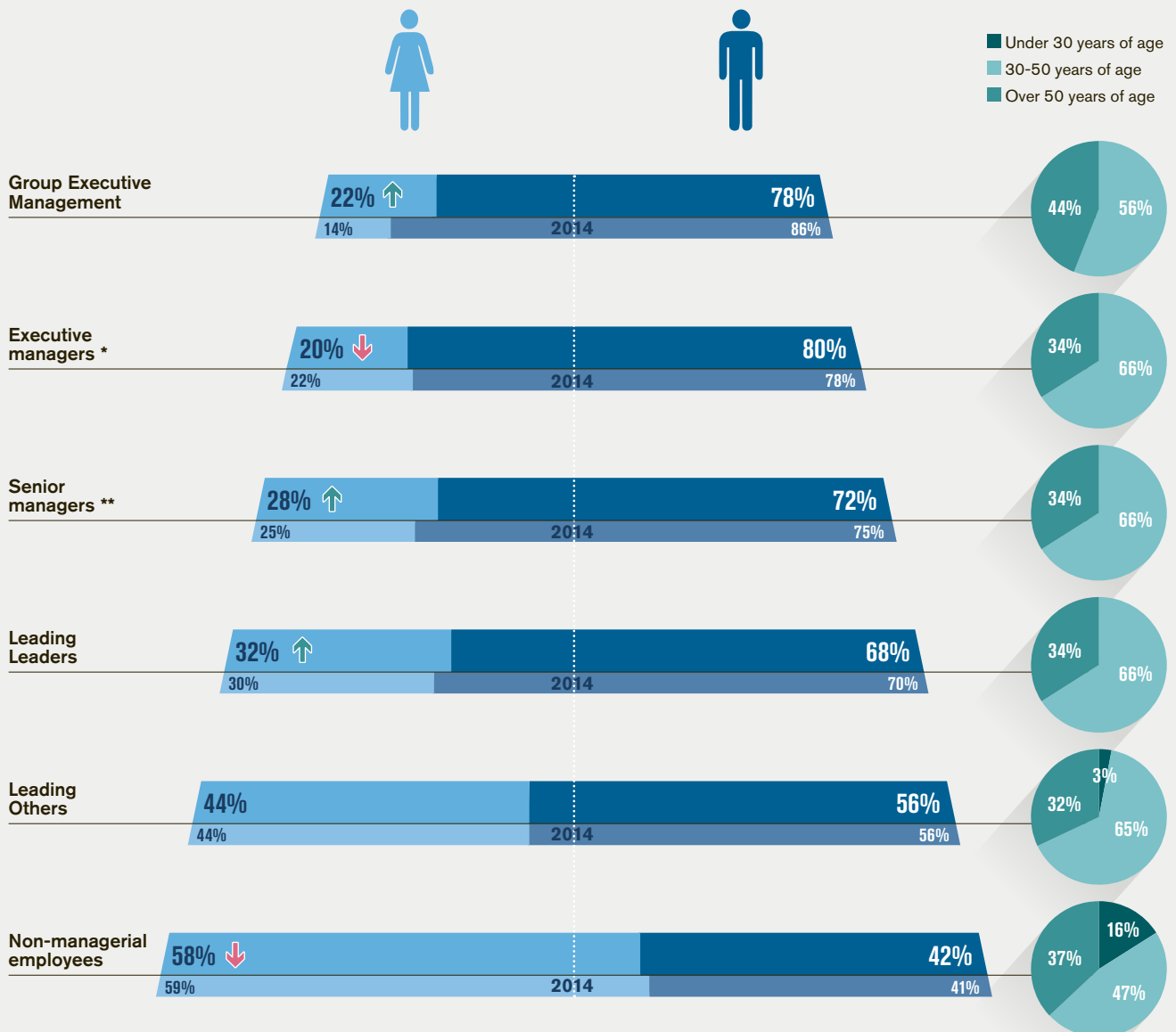
Composition of governance bodies and breakdown of employees per employee category

LA12



Ratio of women and age groups in management positions

There was an increase in the share of female managers among the 'Leading Leaders' and 'Senior managers' categories. The share of female managers among 'Executives managers' decreased in 2015. We are pleased with the improvement but we haven't reached our ambition level in appointing more women to the executive level. Therefore our effort to attract, promote and retain women executive talents continues in 2016.



* Executive managers report to Group Executive Management (GEM)

** Senior managers report to Executive managers.
Data consists of Nordic countries, core employees.

Managing our environmental footprint

Reducing our operational impact

Full marks for disclosure

We are committed to being open and transparent about our environmental performance and we participate in the CDP (formerly the Carbon Disclosure Project), disclosing our greenhouse gas emissions, water usage and strategies for managing climate change, water and deforestation risks. In the 2015 CDP report Nordea scored 100 points out of a possible 100 for carbon disclosure.



As well as helping to build the future of the societies in which we operate by applying our expertise to relevant challenges, we must also manage our own operations responsibly and run our business in a way that promotes the long-term health of our environment.

This chapter explains our strategy for managing and mitigating environmental impact from our own operations. Our actions in respect of our supply chain, and our lending and investments, are outlined in Sustainable Economic Progress.

Our challenge is to reduce the negative environmental effects of our activities while seeking to grow our business. This

means making sensible decisions about where to focus our efforts and setting appropriate targets for improvement. We take a conscientious approach to identifying risks and opportunities, and work to drive down our impact through our Ecological Footprint Programme.

Climate change is one of the biggest challenges facing mankind. We believe we must take steps to mitigate our contribution to carbon emissions, and in our own operations have committed to being 'carbon-neutral'.

We set up our Ecological Footprint Programme in 2009 to address our operational environmental impact. This

Illustration 1:
Environmental management process at Nordea

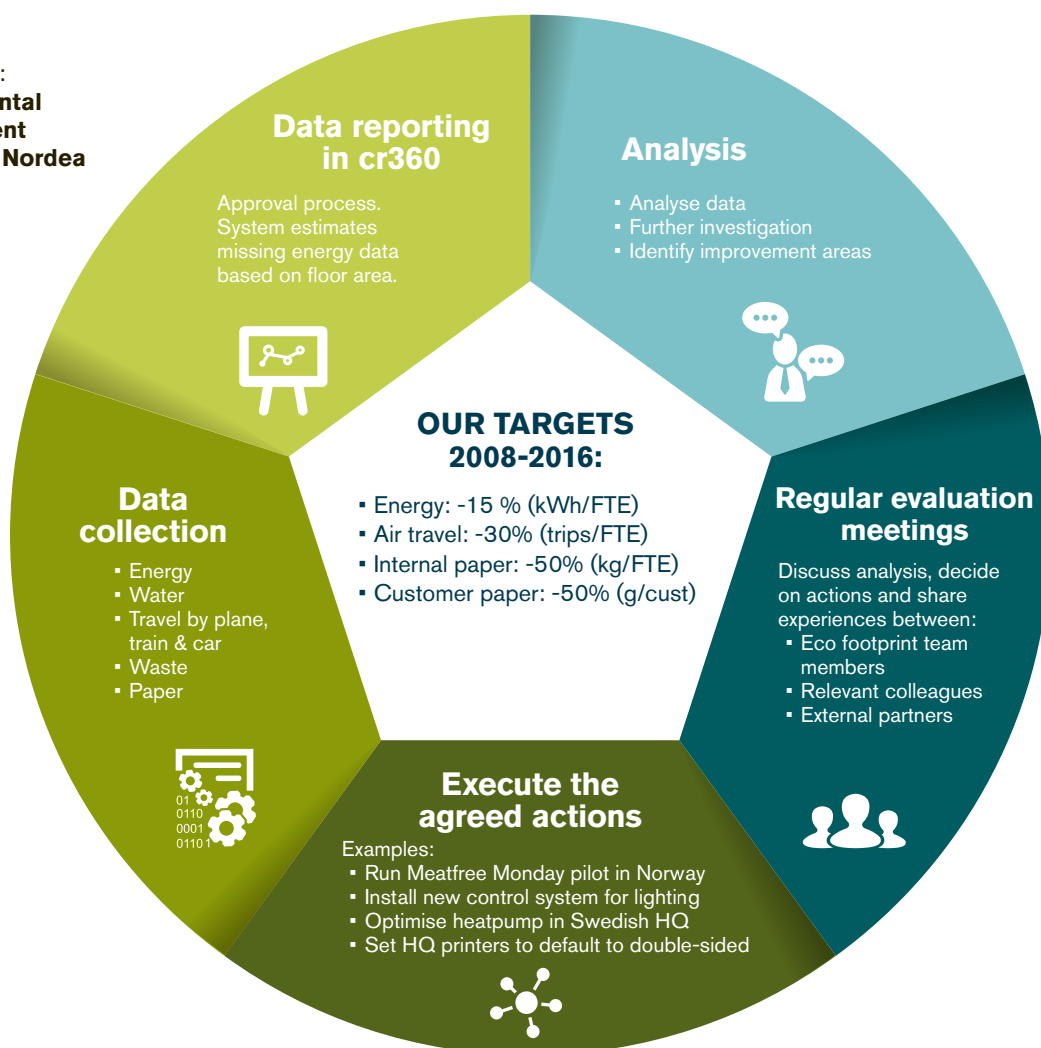
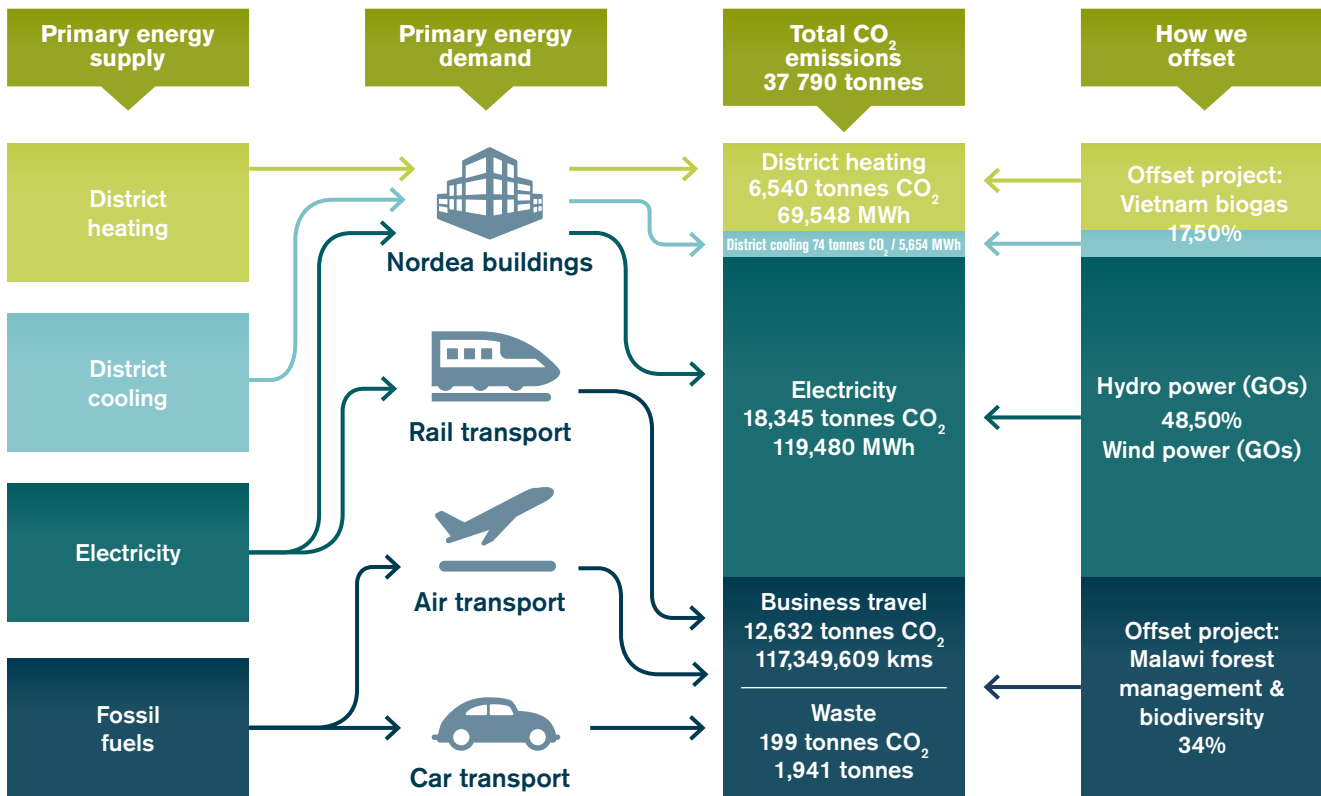


Illustration 2: Our emissions and how we offset them



concentrates primarily on reducing emissions from energy and air travel, with a secondary focus on paper, waste, green IT, buildings and communication. We set long-term targets for improvement, monitor progress each quarter and report our emissions annually.

How we seek to achieve our goals
Initiatives aimed at reducing our operational impact include increased digitalisation of customer communications, which also aligns with our customers' evolving needs. Investing in energy-efficient technology in our buildings is also key to our strategy, and new and renovated head offices now use new technology for heating, ventilation and lighting. Many of our head office buildings are certified to the international environmental standard Leadership in Energy and Environmental Design (LEED), with the five Vallila head office buildings in Helsinki, Finland, not only achieving re-certification in 2015 but also being upgraded to Gold level. All new head office buildings have energy efficiency as a priority from the outset.

Reducing our emissions from air travel remains a challenge for us and in 2015 we did not achieve the reduction we were aiming for. While some divisions in the bank made progress, overall travel activity increased in 2015. The main reason was

the initiation of a large cross-Nordea programme that has required resources from all main locations to get together and the expansion of one of our divisions.

We will maintain a strong focus on reducing business travel and will further develop the quarterly travel reports that are distributed to managers in order for them to be better able to monitor travel in their units and set their own reduction targets.

How we evaluate our progress
We collate and analyse environmental data on a quarterly basis from the Nordic and Baltic countries, Russia and Poland. We do not include our international units in our environmental reporting, as they represent less than 3% of our total workforce.

We had no environment-related incidents in 2015, nor were we subject to any fines or legal action for environmental issues.

How we are setting our future targets
Our current long-term targets covering the Nordic countries were set in 2009, using 2008 as a baseline, and are targeted for achievement by the end of 2016. We reached our target for reducing paper use in customer communica-

tions in 2013, and our target for energy consumption was reached this year. Our target for internal paper consumption is within reach, however, with just one year to go we need to redouble our efforts to meet our air travel target.

In 2016, we will develop new targets. To ensure they are both meaningful and extensive, we aim to set targets based on scientific indications about how an increase in global temperature of more than two degrees Celsius can be avoided. This will be an exciting process involving internal and external resources.

We will develop new targets in 2016 based on avoiding a temperature rise of more than **2 degrees.**

Becoming carbon-neutral

To signal our commitment to tackling climate change – and to work with like-minded companies – we have endorsed We Mean Business, a coalition of organisations working with businesses and investors for a low-carbon economy.

While our priority is to continue to reduce our emissions, there comes a point at which further reductions are not feasible or are cost-prohibitive. We wanted to become carbon-neutral in order to demonstrate our commitment. For this reason, in 2015 we have offset our remaining emissions by purchasing renewable energy and buying carbon offsets equal to the amount of carbon dioxide we emit as a result of energy use in our buildings, business travel and waste. The purchase of these offsets will finance projects that help reduce emissions, providing an immediate and measurable way both to cut our emissions and to support renewable energy

generation and resource conservation projects.

It is important to us that we select high-quality projects with emission reductions verified by an independent third party and that also have a positive impact on local communities. We have looked for projects which offer benefits relating to financial security, women's empowerment and developing skills.

Following thorough research and advice from offset providers, and considering the volume of our emissions, we decided to finance two projects in order to be able to make a meaningful contribution to each one. We chose one whose primary purpose is to generate renewable energy and a second that seeks to achieve a wider range of environmental goals. We will finance these projects for two years – 2015 and 2016 – and re-evaluate our selection for 2017.

Our emissions for 2015 were calculated in our environmental management system, in which our consumption of energy, our business travel and our waste have been converted to CO₂ equivalents using international CO₂ conversion factors.

Both projects have been validated and verified by high-quality independent standards to ensure they deliver the emission reductions stated. Both contribute to sustainable development in several areas, including energy access, financial security, education and skills, and economic growth – making them a perfect fit for Nordea.

In order to ensure we have a robust and credible carbon-neutral statement, we are CarbonNeutral® certified in line with The CarbonNeutral Protocol which was first established in 2002 and is updated annually to reflect the latest scientific and industry best practice.

Vietnam: Household Agricultural Biogas

This project installs small-scale biogas plants in households and small livestock operations across Vietnam – enabling animal waste to be turned into energy for cooking and heating. As well as providing a clean, affordable and convenient form of energy to rural areas and reducing greenhouse gas emissions, it also benefits the local area through job creation. Through better sanitation and reduced air pollution, community health is improved, and the replacement of synthetic fertilisers has important environmental benefits.

Vietnam has over two million families with pig farms that create odour and waste problems, of which it is estimated that half could benefit from biogas plants. The project – developed in partnership with the Ministry of Agriculture and Rural Development and the Netherlands Development Organization – helps customers overcome significant upfront costs to the plants' installation.

The project won the prestigious Energy Globe Award in 2007 and the World Energy Award in 2012, reflecting its contribution to sustainable development, tackling energy poverty and mitigating climate change.



Malawi: Kulera Landscape REDD+ and Cookstoves

Through forest protection and the distribution of clean cookstoves, this project is using carbon finance to deliver emission reductions, protect an important area of biodiversity value, and tackle indoor air pollution. It aims to conserve 170,000 hectares of forest, and works with local households to reduce fuelwood use, develop sustainable livelihoods, increase resilience to climate change and promote biodiversity.

The project has received Triple Gold from the Climate, Community and Biodiversity standard. It was established to reduce deforestation and degradation in Nyika National Park, Vwaza Wildlife Reserve, and Nkhotakota Wildlife Reserve, and works with over 45,000 households living within 10km of the protected parks and reserves. More than 50% of the population lives below the poverty line and one in five is chronically food-insecure.

Environmental data 2015

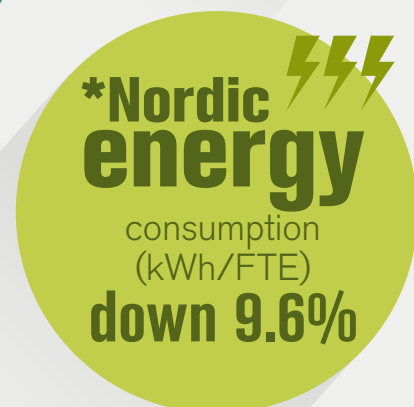
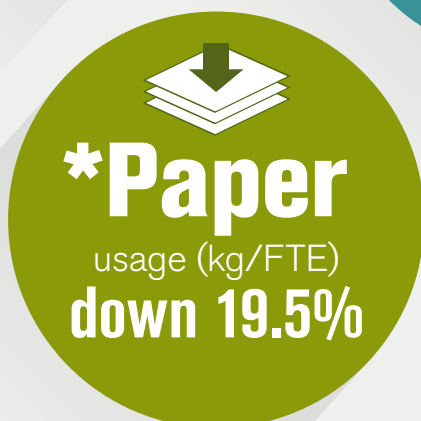
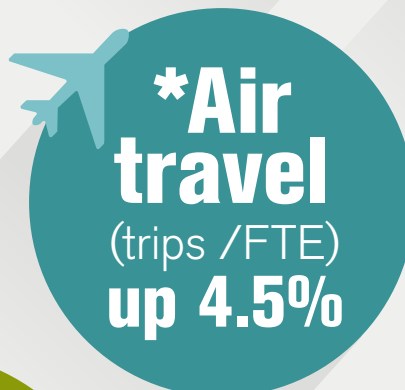
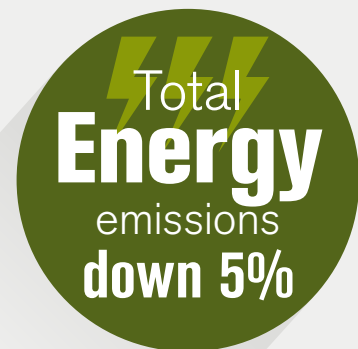
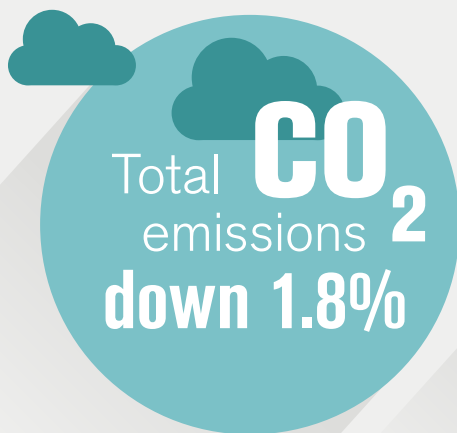
We collect environmental data from our operations in the Nordic countries, the Baltic countries, Russia and Poland, which together represent 97.5% of Nordea's workforce. Our international units (2.5% of workforce) are currently not part of our environmental reporting. Our emissions-, water- and waste reporting include the above countries.

The Ecological Footprint Programme reports on Nordea's environmental KPIs (overleaf). These were set in 2009, before the Baltics, Russia and Poland reported environmental data, and therefore only include Nordic countries.

The environmental data is calculated in accordance with the Greenhouse Gas


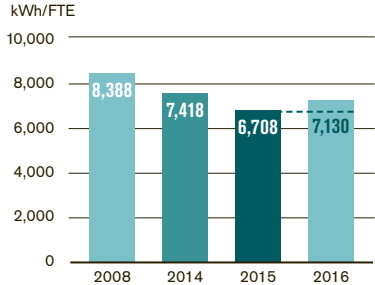

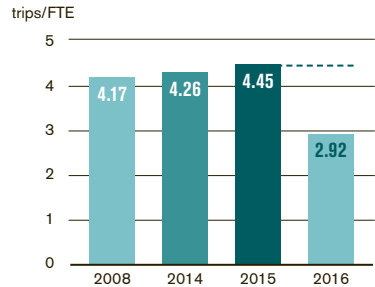

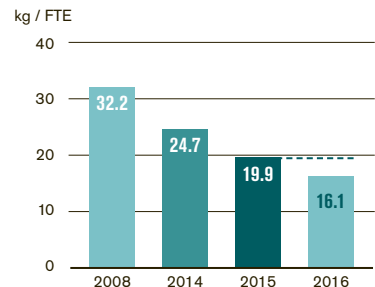

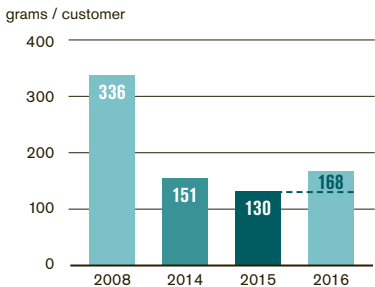
(GHG) Protocol's guidelines for emissions calculations. Information on the sources of the emission factors and more detailed consumption data can be found on nordea.com.

Below are some highlights of the developments from 2014-2015.



* These are Nordic KPIs that include only Nordic data.

Nordea EcoFootprint programme

ENERGY CONSUMPTION													
Purpose	Target	Status	Development										
<p>Reduce energy consumed in Nordea's head offices and branches</p> 	<p>2008-2016</p> <p>-15% kWh/FTE</p>	<p>2008-2015</p> <p>-20% kWh/FTE</p> <p>Target surpassed</p>	<p>kWh/FTE</p>  <table border="1"> <caption>kWh/FTE Data</caption> <thead> <tr><th>Year</th><th>kWh/FTE</th></tr> </thead> <tbody> <tr><td>2008</td><td>8,388</td></tr> <tr><td>2014</td><td>7,418</td></tr> <tr><td>2015</td><td>6,708</td></tr> <tr><td>2016</td><td>7,130</td></tr> </tbody> </table>	Year	kWh/FTE	2008	8,388	2014	7,418	2015	6,708	2016	7,130
	Year	kWh/FTE											
2008	8,388												
2014	7,418												
2015	6,708												
2016	7,130												
<p>Energy consumption in Nordic head offices and branches -15% (kWh / FTE) 2008-2016</p>	<p>Energy consumption per FTE has come down 9.6% from 2014 and 20% from 2008. The total energy consumption has decreased 25% since 2008. We are starting to see the benefits of the excellent energy efficiency of our newly constructed or renovated head offices. We expect this trend to continue.</p>												
TRAVEL													
Purpose	Target	Status	Development										
<p>Reduce air travel by introducing alternative virtual collaboration tools and promoting behavioral change.</p> 	<p>2008-2016</p> <p>-30% trips</p>	<p>2008-2015</p> <p>+6.7% trips / FTE</p> <p>No progress</p>	<p>trips/FTE</p>  <table border="1"> <caption>trips/FTE Data</caption> <thead> <tr><th>Year</th><th>trips/FTE</th></tr> </thead> <tbody> <tr><td>2008</td><td>4.17</td></tr> <tr><td>2014</td><td>4.26</td></tr> <tr><td>2015</td><td>4.45</td></tr> <tr><td>2016</td><td>2.92</td></tr> </tbody> </table>	Year	trips/FTE	2008	4.17	2014	4.26	2015	4.45	2016	2.92
	Year	trips/FTE											
2008	4.17												
2014	4.26												
2015	4.45												
2016	2.92												
<p>Business air travel -30% (trips / FTE) 2008 - 2016</p>	<p>Travel activity increased in 2015, with the number of trips / FTE rising by 4.5% from 2014 (total number of trips by 6.8%). The number of trips is now almost back to baseline 2008 level - trips / FTE above 2008 level by 6.7%. The main reason for the increase is two large programmes started in 2015 and going forward we will see how travel can be limited.</p>												
INTERNAL PAPER													
Purpose	Target	Status	Development										
<p>Reduce the amount of copy paper used in Nordic head offices and branches. Eliminate unnecessary print, increase use of double-sided print, introduce more electronic forms.</p> 	<p>2008-2016</p> <p>-50% kg/FTE</p>	<p>2008-2015</p> <p>-38.2% kg/FTE</p> <p>On track</p>	<p>kg / FTE</p>  <table border="1"> <caption>kg / FTE Data</caption> <thead> <tr><th>Year</th><th>kg / FTE</th></tr> </thead> <tbody> <tr><td>2008</td><td>32.2</td></tr> <tr><td>2014</td><td>24.7</td></tr> <tr><td>2015</td><td>19.9</td></tr> <tr><td>2016</td><td>16.1</td></tr> </tbody> </table>	Year	kg / FTE	2008	32.2	2014	24.7	2015	19.9	2016	16.1
	Year	kg / FTE											
2008	32.2												
2014	24.7												
2015	19.9												
2016	16.1												
<p>Paper purchased for use in Nordic head offices and branches - 50% (kg / FTE) 2008 - 2016</p>	<p>We saw a big drop in purchased office paper in 2015 - 19,5% down (kg / FTE) from 2014. This is due to head office printers being set to double-sided print as default, head office personnel moving into activity based workplaces and digitalization of documents. The total volume of purchased office paper has fallen by 42% from 2008 - 2015.</p>												
CUSTOMER PAPER													
Purpose	Target	Status	Development										
<p>Reduce the amount of paper that we send to our customers. Eliminate unnecessary print and offer electronic products and services.</p> 	<p>2008-2016</p> <p>-50% grams / customer</p>	<p>2008-2015</p> <p>-61.4% grams / customer</p> <p>Target surpassed</p>	<p>grams / customer</p>  <table border="1"> <caption>grams / customer Data</caption> <thead> <tr><th>Year</th><th>grams / customer</th></tr> </thead> <tbody> <tr><td>2008</td><td>336</td></tr> <tr><td>2014</td><td>151</td></tr> <tr><td>2015</td><td>130</td></tr> <tr><td>2016</td><td>168</td></tr> </tbody> </table>	Year	grams / customer	2008	336	2014	151	2015	130	2016	168
	Year	grams / customer											
2008	336												
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2015	130												
2016	168												
<p>Paper sent to customers - 50% (grams / customer) 2008 - 2016</p>	<p>This target was reached in 2013. There was a further reduction in paper sent to customers in 2015. Total paper sent to customers was down 11.8% from 2014 (14% in grams / customer). We sent out almost 1,900 tonnes less paper in 2015 than 2008. With strong focus on digitalization, we expect volumes to keep decreasing.</p>												

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 premises.

Independent Auditor's Limited Assurance Report

To Nordea AB (publ)

Introduction

We have been engaged by the Group Executive Management of Nordea AB (publ) ("Nordea") to undertake a limited assurance of Nordea's Sustainability Report for the year 2015 with corresponding GRI index on Nordea's website www.nordea.com.

Responsibilities of the Board and Management for the Sustainability Report

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

Responsibilities of the Auditor

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

We conducted our limited assurance engagement in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with IAASB's Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

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

Conclusion

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

Stockholm, 12 February 2016
Öhlings PricewaterhouseCoopers AB



Catarina Ericsson
Authorised Public Accountant



Isabelle Jonasson
Expert Member of FAR

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Nordea 

