

# CSR Report 2010

[www.nordea.com/csr](http://www.nordea.com/csr)







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## Meet Nordea

Nordea is the largest financial services group in the Nordic and Baltic Sea region.

Nordea's vision is to become a Great European bank, acknowledged for its people, creating superior value for customers and shareholders.

2010 marked Nordea's tenth anniversary. The ten years of service has led to a leading position in nine markets. Today Nordea has some 11 million customers, 1,400 branch offices and a leading netbanking position with 6.2 million e-customers. Building relationships with our customers is fundamental. That is how we are able to provide each customer with what is right for him or her. Nordea offers a wide range of products, services and solutions within banking, asset management and insurance.

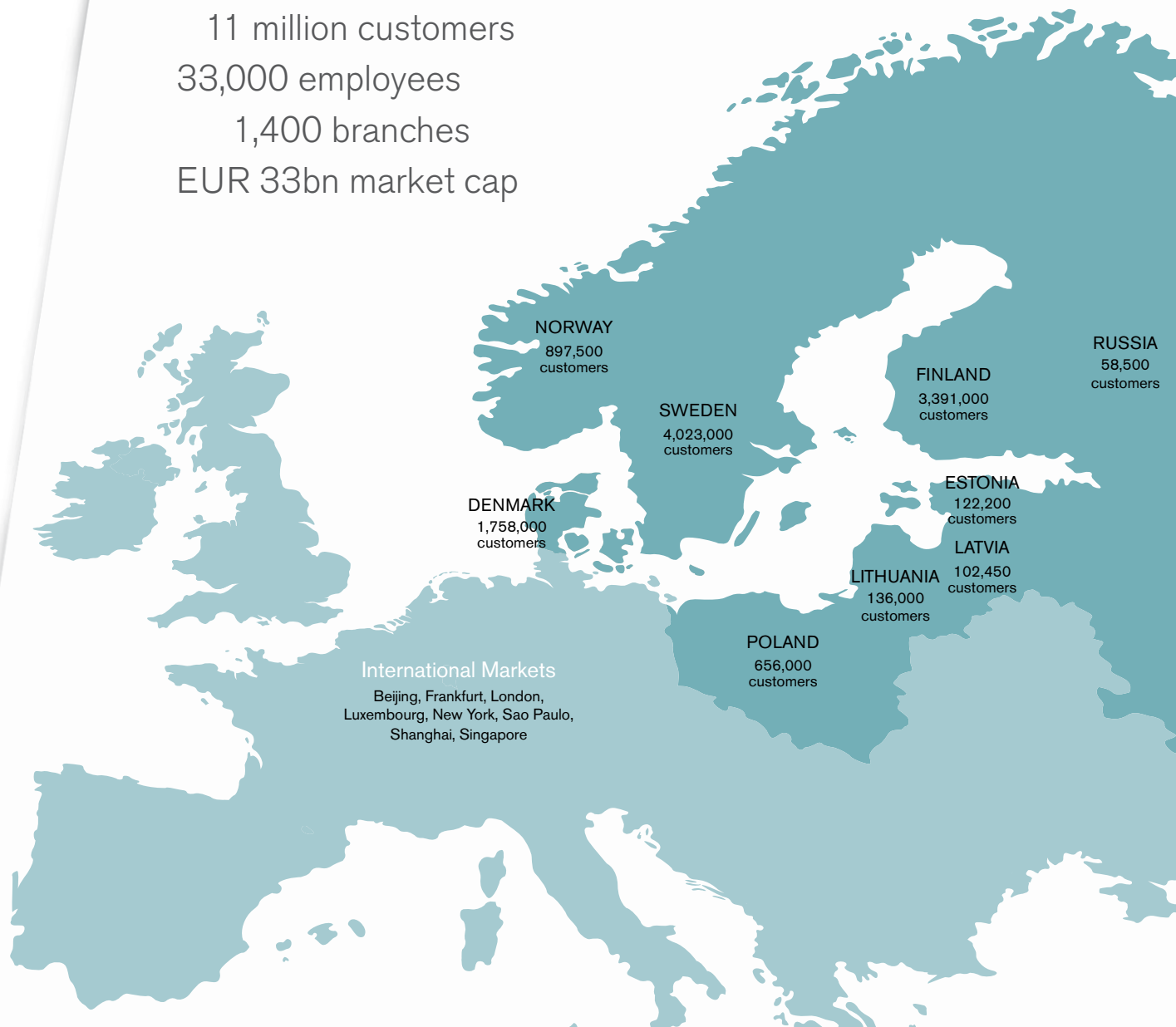
Nordea's formal name is Nordea Bank AB (publ) and it is legally registered in Sweden with Stockholm as the head office. The Nordea share is listed on NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen. With high market capitalisation and high liquidity, the share is included in key indices. The three largest shareholders are Sampo Group with 20.6 % of the shares, the Swedish state with 19.9 % and Nordea Fonden with 3.9 % - September 2010. During 2010 Sampo Group increased its holding, replacing the Swedish state as the largest shareholder. Nordea has approx 465,000 shareholders who hold 4,027,129,675 shares. Nordea can trace its roots as far back as to 1820. To date 250 banks have been incorporated.

Nordea has an integrated operating model consisting of customer areas, product areas, service areas and group functions. Customer areas are Nordic Banking, Corporate Merchant Banking, Financial Institutions, Shipping, Private Banking and New European Markets. Product areas are Capital Markets Products, Savings Products, Life and Pensions, Account Products, Transaction Products and Nordea Finance. Service areas and group functions are Group Operations, Group Corporate Centre, Group Risk Management, Group Human Resources and Group Identity and Communications. Please see pages 19 and 179 of the Annual Report for more detailed information. Nordea has a joint venture with IBM for IT operations. Nordea does not receive any government subsidies.

### Awards during 2010

Nordea received several awards during 2010 for its products and services. You will find them all on [www.nordea.com](http://www.nordea.com). Among the most important awards was being awarded Bank of the Year 2010 in Denmark, Norway and Sweden by the magazine The Banker, part of the Financial Times Group.

11 million customers  
 33,000 employees  
 1,400 branches  
 EUR 33bn market cap



ECONOMIC VALUE GENERATED		Million euros:
<b>DIRECT ECONOMIC VALUE GENERATED:</b>		
Net sales plus revenues from financial investments and sales of assets		8,455
<b>ECONOMIC VALUE DISTRIBUTED:</b>		
Payments to suppliers, non-strategic investments, royalties, and facilitation payments		1,862
Total monetary outflows for employees (current payments, not future commitments)		2,784
All financial payments made to the providers of the organisation's capital		1,006
Gross taxes		1,022
Donations, voluntary contributions		2



## A word from our CEO

Being a great company means being great when it comes to CSR as well.

We have set ambitious targets for the company in all other respects and CSR should also be included in our strive towards a Great Nordea.

We are, if possible, even more convinced than last year that responsible business goes hand in hand with sustainable business results. Consequently, we continue to work towards making Corporate Social Responsibility (CSR) an integrated part of our business, values and identity. It needs to be a natural part of leadership and management in Nordea. Only then can CSR be fully embedded in our business, incorporated into our core procedures, products and services.

According to the stakeholder dialogues we conducted this year, the majority of our employees share this sentiment. Approximately 75 % of our employees agree that all CSR issues we included in the survey were important and should be part of our business. It is up to Nordea's leaders to find the optimal ways within their respective areas to make this happen. It is a delegated

approach but we believe it is the best way to realise our goal of embedding CSR into business, making it part of the content and not the wrapping.

Although the majority of our employees rated the various issues we work with as important, only 45 % say that they are aware of our CSR work. They know and value the separate aspects and actions but they do not recognise or understand the overall concept. This is a challenge to all leaders to overcome.

**We are a part of society** and the trust of society is one of our most important assets. More people than ever are aware of the challenges of economic growth and environmental impact, the various demands such as energy of emerging economies, the demographic shifts and ageing population to name a few. The challenges our societies face and the concerns our customers have need to be

reflected in the way we run our business and our product and service offering. Are the concerns reflected in a balanced and accurate way in our credit process, in our funds? We can never achieve our goal of creating great customer experiences if we do not take these aspects into consideration. It is what our customers expect of us and they have every right to. It is challenging, but we need to have high aspirations.

**During 2010** we have continued to improve the way we run our business. We have reduced our own emissions according to plan and we have intensified our work within responsible investments. This work will continue in 2011 accompanied by reviewing and improving our credit processes and increasing awareness of CSR issues among our employees.

To learn more about what our stakeholders think we should prioritise, we conducted stakeholder dialogues during 2010. Private customers, corporate customers, employees, shareholders, analysts, suppliers, NGO's and governmental authorities were asked what they felt Nordea should focus on in terms of CSR.

We expected diverging preferences but customers, shareholders, analysts, suppliers and governmental authorities all stated that responsible lending is most important followed by clear and transparent information regarding products and services. As already mentioned, employees were of the opinion that all aspects of CSR were important. The preferences of the NGOs varied but responsible investments and lending were most important. We will utilise the results throughout the organisation and let them guide us when developing our products, services and processes.

Considering that several stakeholders deem responsible credits important we're glad that corporate credits have embedded CSR. This is an obvious area where a bank really can make a difference and take its corporate responsibility. As the largest bank in the Nordics we have some of the leading Nordic companies as our customers, and they have many large projects both on their home turf and on the other side of the globe. To us it is clear that an environmental risk or a social or political risk is also a credit risk. Therefore we have a consistent and group wide credit policy framework and processes to analyse and check for environmental, social and political risks. All these are presented in this report.

**One of the most important products** a bank provides is the opportunity to invest. In 2007 when we signed the United Nation's Principles for Responsible Investments (UNPRI) we committed our selves to incorporate environmental, social and governance (ESG) issues into the investment analysis, decision-making processes and ownership policies and practices. In February 2010 we took a step further by adopting a new strategy on Responsible Investments. The strategy is based on an increased focus on

in-depth ESG analysis and engagement activities as well as development of a new, modern range of products where ESG aspects are fully integrated into the investment process. We also prioritise proactive engagement dialogues with our largest holdings.

The stakeholder dialogues made it clear that our stakeholders expect us to run our own operations in an environmentally friendly way. Last year we set targets to reduce our CO<sub>2</sub> emissions by the year 2016 by 18,000 tonnes. We have eight eco teams working on these issues. A big change this year was the increased use of virtual meetings. As a cross-border company we are culprits when it comes to travelling. Everyone in Nordea can hold a communicator meeting via the computer. Head offices have video facilities for larger meetings. Our Group Executive Management holds at least one virtual meeting a month. We're getting used to it, and I for one appreciate the savings in energy, time and money.

We are on our way to incorporate CSR into our business, procedures and routines. When visiting branches and talking to Nordea colleagues I've noticed that some of our people work very much according to CSR principles and our values. Not surprisingly these branches are the ones making the best results and delivering excellent customer experiences. But much work remains to be done – we are determined to strive for continuous improvements and better leadership in all aspects. On the following pages you can follow our journey. Hope you find it as interesting as I do.

Sincerely,



Christian Clausen  
President and Group CEO.



# About this report

Nordea based the materiality of this report on the dialogues held with stakeholders as well as on our own knowledge of where Nordea can make a difference within CSR.<sup>1</sup> Our stakeholders agreed that responsible credit and transparent information regarding products and services have top priority. Thus these chapters are extensive.

We will however start by giving an overview of Nordea and how we work with CSR. Next we present all areas deemed important by our stakeholders, by the CSR community based on practice and by our own organisation. We know the report is read by a wide audience and therefore we have attempted to make it as clear and easy to read as possible. More in-depth information can be found on the web and by contacting Nordea.

This is the third edition of the Nordea CSR Report covering the calendar year of 2010. Our latest CSR Report was published in February, 2010. During the period 2002–2007 Nordea produced an annual environmental report, the Nordea Environmental Footprint (NEF). This report is produced according to the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines and the Financial Services Sector Supplement (FSSS) Final Version (2008). Information is gathered

from our reporting systems as well as manually. We are reporting on a B+ level. The GRI indicator index is shown on page 40–41.

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

This report covers CSR initiatives and activities in 2010 concerning the Nordea Group in the Nordic region (Denmark, Finland, Norway, Sweden), Estonia, Latvia, Lithuania, Poland, Russia and in our international locations. Nordea's CSR reporting cycle is annual.

Some positions and initiatives described in the report may only apply to selected units or parts of the organisation, and where relevant, the units concerned are identified.

Our employment related indicators cover Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Poland, Russia and Sweden, unless otherwise stated.

Our environmental indicators cover operations in Denmark, Estonia, Finland, Latvia, Lithuania, Norway, Poland, Russia and Sweden, unless otherwise stated. Our international network is excluded from the environmental indicators as it is not material in this respect. When indicators are related to our premises we cover only the ones that

are occupied by Nordea. In some cases environmental data also includes consultants working for Nordea.

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

The most significant difference compared to our 2009 report is the extended geographical scope. For 2010 Estonia, Latvia, Lithuania, Poland and Russia are included in the HR and environmental indicators.

This CSR report has been reviewed by external auditors, and the review report performed by Nordea auditors, KPMG, is shown on page 42. Divergences from the GRI Indicator Protocols are commented upon in relation to the relevant indicator.

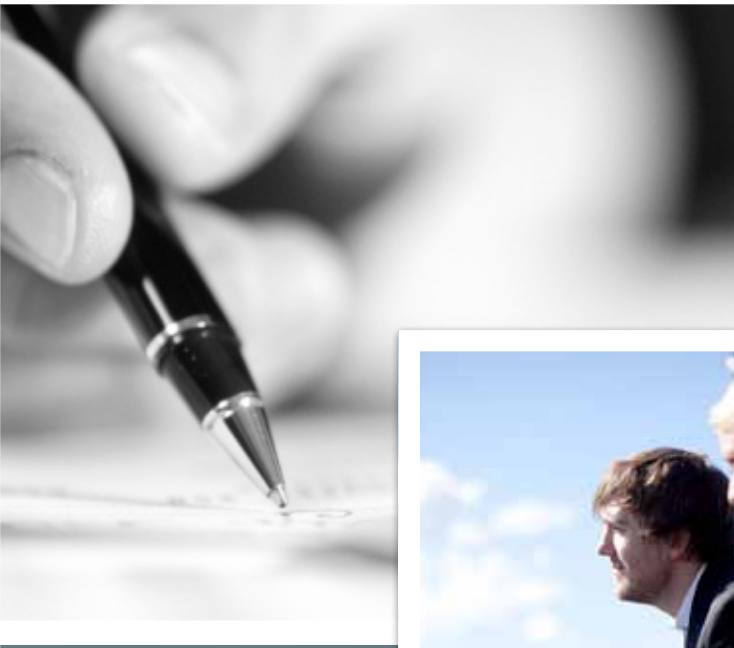
Nordea is a signatory to the UN Global Compact (UNGC), and this report serves as Nordea's annual Communication on Progress (COP) report to the UNGC for the operating year 2010. Nordea has adopted the Equator Principles (EP). This report fulfils the annual reporting requirements of the EP and serves as Nordea's EP status report for the operating year 2010.

<sup>1</sup> In accordance with The GRI reporting principles for defining content (materiality, stakeholder inclusiveness, sustainability context and completeness).

## Abbreviations

CC	Consultative Committees	IFC	The World Bank Group's International Finance Corporation
CEO	Chief Executive Officer	KPI	Key Performance Indicator
CER	Certified Emission Reduction	LEED	Leadership in Energy and Environmental Design
CO	Customer Ombudsman	NEF	Nordea Environmental Footprint
CO <sub>2</sub>	Carbon Dioxide	NEM	New European Markets: Estonia, Latvia, Lithuania, Poland and Russia
CSR	Corporate Social Responsibility	NGO	Non Governmental Organisation
EI	European Employee Index	OECD	Organisation for Economic Co-operation and Development
EPF	Export and Project Finance unit	QRA	Quality and Risk Analysis
EP	Equator Principles	RBE	Rådet for Bæredygtig Erhvervsudvikling/Council for Sustainable Business Development
ERAT	Environmental Risk Assessment Tool	RECS	The European Standard Renewable Electricity Certificate System
ESD	EU directive on energy and end-use efficiency and energy services	RI	Responsible Investment
ESG	Environmental, Social and Governance	SPRAT	Social and Political Risk Assessment Tool
EUA	EU Emission Allowances	SVC	Sustainable Value Creation
FI	Financial Institution	UNEP FI	Environmental Programme Finance Initiative
FSSS	Financial Services Sector Supplement	UNGC	United Nations Global Compact
FTE	Full time employee	UNPRI	United Nations Principles for Responsible Investments
GHG	Greenhouse Gases		
HR	Human Resources		





# Governance and strategy

Nordea's governance is both strict and open aiming to provide clear rules and procedures while providing the opportunity for everyone to be heard.

## **CSR – an integrated part of our business**

Our strategy for CSR is to implement our work throughout the organisation and in all products and services, thus making it a part of everyday business. The CSR Secretariat is a two-person unit that coordinates and stimulates the CSR initiatives of business and raises internal awareness of CSR issues. The Head of the CSR Secretariat reports to the Chief Risk Officer (CRO) who is a member of the Group Executive Management (GEM). He serves as CSR's voice in GEM. Instrumental to the success of CSR in Nordea is the CSR Stakeholder Board with representatives from all business areas and group functions. The CSR Secretariat anchors decisions and direction with the Stakeholder Board that is chaired by the responsible GEM member. The Stakeholder Board also provides the differing viewpoints that are fundamental to a group as large as Nordea.

All major CSR initiatives as well as the direction of CSR in Nordea have to be approved by GEM. The Head of the

CSR Secretariat has participated in GEM meetings four times during 2010. The CSR Report is distributed to the Board of Directors and discussed in the board meeting following its publication. The responsible GEM member is present to discuss and to give an update on strategy and approach for the year ahead.

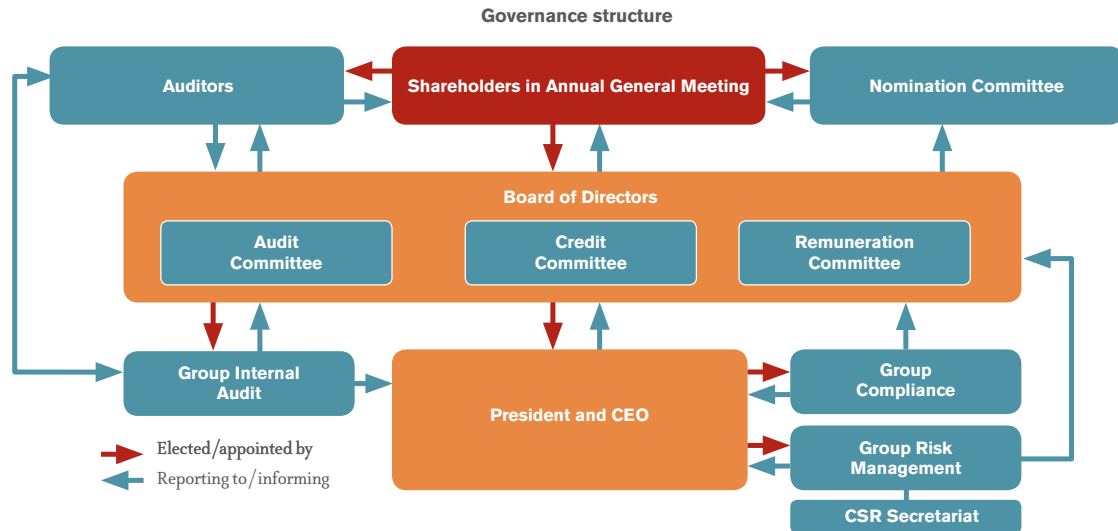
To ensure that a wide span of perspectives is taken into consideration, the CSR Secretariat has during the year carried out stakeholder dialogues. The results from these combined with a materiality analysis form the basis for the focus areas and the overarching goals.

The different parts of the Nordea Group are responsible for converting these into concrete goals adapted for each division. This enables each of our employees to contribute to the overarching goals in their everyday work.

**The Annual General Meeting** is the highest decision-making body of Nordea. It is held in Stockholm where Nordea is legally registered. At the Annual General Meetings each shareholder is entitled to vote for the full

number of shares she or he owns or represents. Nordea is not entitled to vote for its own shares at the Annual General Meetings. In addition, local shareholder information meetings are held in Copenhagen and Helsinki prior to the Annual General Meeting (AGM)

2011. This will give the shareholders in Denmark and Finland the possibility to meet representatives of the Board and Group Executive Management in person and enable a closer dialogue.



**The AGM** also provides all shareholders with an opportunity to express their opinions in regards to our CSR work. During the AGM 2010 the Folksam representative brought two questions forward. The first concerned Nordea's supply chain management, specifically the implementation of the Code of Conduct and Nordea's CSR demands on suppliers. The second concerned the possible financing of the criticised development project of a pulp and paper plant in Tasmania, Australia. The organisation called Foreningen Kritiske Aktionaerer called for a vote on that Nordea only invest in pulp and paper industries that are FSC certified and not invest in companies that transform indigenous forests into plantations nor buy wood from the same. The AGM 2010 decided against the resolution.

**The Nomination Committee** is comprised of the Chairman of the Board and the four largest shareholders in terms of voting rights as of 31 August 2010 who wished to participate in the Committee. The Committee submits to the AGM 2011 a proposal for Board members, Chairman of the Board and auditor as well as a proposal for remuneration to the Board members and auditors. In the process of drawing up propositions of Board members, knowledge of CSR issues is one of the parameters taken into consideration by the Nomination Committee.

**The Board of Directors** is the highest governing body responsible for our CSR performance. The Board currently consists of ten members elected by the shareholders at the AGM. Three additional members and one deputy member are appointed by the employees to ensure

a full process of informing and consulting employees about the working relationships. We do not have a specific CSR committee. The governance and evaluation of the CSR work is performed by the Board of Directors as a whole. The Board of Directors assesses our sustainability performance whenever needed, however at a minimum once a year. Part of this evaluation is to ensure sufficient knowledge of CSR issues of the Board as a whole as well as for individual Board members.

**The Board Remuneration Committee** is among other things responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This includes proposals regarding the Nordea Remuneration Policy and supplementing instructions, guidelines for remuneration to the executive officers to be decided by the AGM, as well as the remuneration for the CEO and other employees in leading positions. A wide range of criteria, both financial as well as non-financial, constitutes the base of the remuneration. The AGM annually decides on remuneration to the Board of Directors.

**The Board Credit Committee** continuously reviews and monitors adherence to the established Credit Policy and Strategy as well as Credit Instructions for the Nordea Group, and evaluates the overall quality of the credit portfolio.

**The Board Audit Committee** assists the Board in fulfilling its supervisory responsibilities and is among other things responsible for guidance on and evaluation of Group Internal Audit within the Nordea Group. All activities, including outsourced activities and entities of the Group, fall within the scope of Group Internal Audit.

<sup>1</sup> Please see the Annual Report, pages 77–80 for more detailed information about remuneration.

The annual audit plans are based on a comprehensive risk assessment.

**Group Risk Management** continuously reviews and monitors adherence to the established Credit Policy and Strategy as well as Credit Instructions for the Nordea Group, and evaluates the overall quality of the credit portfolio.

**Group Compliance** continuously reviews and monitors the Group's adherence to laws and regulations.

**The auditors** are elected by the shareholders at the AGM. The auditors provide assurance on both the Annual Report and the CSR Report.

**Group Executive Management**, currently consisting of seven members, is the highest operational body responsible for the Group's CSR work. Ari Kaperi, Chief Risk Officer (CRO), has CSR as his area of responsibility, hence ensuring continuous communication between the Group Executive Management and the CSR Secretariat.

**The CSR Secretariat** is responsible for coordinating the CSR work within the Group, proposing overall policies, strategies and goals as well as presenting results to the Group Executive Management.

### Avoiding conflicts of interest

Several rules and processes to avoid conflicts of interest are in place. Nordea complies with the applicable rules regarding the independence of the Board. All Board members elected by the shareholders are considered independent of the company and its executive management, except for Lars G Nordström who was employed as President and CEO of the Group until 13 April 2007. All Board members elected by the shareholders, apart from Björn Wahlroos and Kari Stadigh, are independent in relation to the Company's major shareholders. Björn Wahlroos is board chairman of Sampo plc and Kari Stadigh is managing director and CEO of Sampo plc, which owns more than ten per cent of all shares and votes in Nordea Bank AB (publ). Thus, the number of Board members who are independent both in relation to the Company and its executive management and in relation to the Company's major shareholders well exceeds the minimum requirement. No Board member elected by the Annual General Meeting is employed by or works in an operative capacity in the Company. The Board members and the one deputy Board member elected by the employees are not considered independent since they are all employees of the Group.

In 2009 The Board of Directors also adopted the Charter, an internal document, which consists of rules and procedures applicable for the Nordea Board of

Directors, including rules regarding conflicts of interest. According to the Charter, a member of the Board of Directors may not take part in matters regarding:

- agreements, including litigation or other legal proceedings, between the member and the Bank or any other entity within the Group;
- agreements between the Bank and third parties, where the member has a material interest in the matter which may conflict with the interests of the Bank or any other entity within the Group; or
- agreements between the Bank and a legal entity which the member may represent, either individually or together with any other person; this provision shall not apply where the party contracting with the Bank is a company within the Group.

### Policies

The ten principles in the UN Global Compact constitute the basis of Nordea's Code of Conduct, which is the core CSR policy. The Code of Conduct applies to all personnel and everyone working on behalf of or representing Nordea.

The UN Global Compact together with the UN Declaration of Human Rights forms the basis for our Corporate Citizenship Principles, which spell out the Group's values and commitments to ethical business. The Code of Conduct and Corporate Citizenship Principles apply to all personnel and everyone working on behalf of or representing Nordea. The main policies are supported by a number of specific and concrete policies to ensure our compliance with our principles in everyday business. Examples are the environmental policy, the human resources policies, the anti-corruption policies and several investment and credit policies. In addition we have specific industry policies setting requirements and limits, including risks, on the overall industry exposure. These policies are monitored by industry monitoring groups. We have specific industry policies for pulp and paper industry, energy (with sub groups of power, oil and gas, oil services and renewable energy), telecommunications, aircraft, shipping, real estate, fish farming, hedge funds and private equity. The Code of Conduct with relevant policies is available on the company intranet and in some parts on the external web. In cases where suppliers without access to the Nordea intranet, need to be made aware of codes and policies these are included in the legal documentation. The suppliers in their turn are obliged to inform their employees of the adjoined terms.

More detailed information about Nordea's governance is available in the Annual Report.





# Opportunities, risks and strategic goals

Incorporating CSR into our business is a never-ending process.

Knowing what our stakeholders expect of us is core.

## Key impacts, risks, and opportunities

Reaching our overall CSR goal of embedding CSR into our business is our main CSR challenge. We have begun our journey but we are not there, not yet. To succeed, CSR needs to be part of the business strategies and a measurable key performance indicator.

We are well on our way in areas where CSR is tangible, such as how we run our own operations and in the credit process. The latter is an area where a bank has potential to greatly impact stakeholders and the world at large in terms of the environment as well as social and political issues. Nordea has the opportunity to identify risks and help clients avoid them, be it environmental, social, and governmental or a plain business risk. Being skilled at identifying risks is a clear win-win, where we help the environment, society, and our clients, as well as ourselves.

Credits are also a topic that from time to time attract attention from media and the general public. It happens that part of the population in a region is opposed to a project or industry. It is a challenge to handle such issues in a transparent way. Banks are bound by bank secrecy laws, although they do differ between countries. As the largest bank in the Nordic countries, Nordea is frequently

approached and if a venture is complex it takes time to decide whether to participate or not.

Another traditional banking activity with high impact is investments. Nordea's Responsible Investment team influences companies thought to be in violation of international treaties through dialogue and field visits. This is often another clear win-win, where the company in question, society, the environment and the investors all benefit. The challenge here is to spend the time and resources needed to discuss and visit more companies.

Retail banking is improving the physical setup of our branches. Customer habits have changed and more and more people come to the branch only when they want advice, and prefer to do their daily banking on the go, at home via the netbank or call centres. It is a challenge to make all customers happy, but one that our front line staff are very good at handling. Great customer experiences are a basic value and we focus on this in training and in procedures and will continue to do so.

## Key event

A key event during 2010 was the stakeholder dialogue. We wanted to know what our main stakeholders, ie

analysts, shareholders, suppliers, authorities, customers, employees and non governmental organisations (NGOs) expect of us in terms of CSR and what they feel we should focus on, so as to better prioritise. During the summer and autumn we sent e-mail surveys to all except for the NGOs with whom we held a live meeting. It is clear that responsible credits and clear and transparent information about products and services are top priority. We also learned that we need to focus more on communicating what we do both internally and externally, and that roughly 35 % of our customers say that they take CSR into consideration when choosing a bank.

### Strategic goals

Based on the stakeholder dialogue and our own business evaluation, several of our goals will focus on the credit process.

- We will continue to improve our tools for evaluating environmental, social and political risks. We will evaluate if updates are needed and if training and follow-up are sufficient.
- We will review the process of applying the Equator Principles in the credit process within project finance.
- We will review and update our sector specific credit policies.

We will review our web pages both externally and internally to ensure that information is easy to find, clear and updated. We will conduct stakeholder dialogues and improve them by making more roundtable sessions, in addition to the surveys, to enhance understanding.

Long-term goals for Responsible Investments include in-house ESG analysis for all Nordic stocks and to launch 1-3 new RI products.

We set environmental goals during 2009 to be reached by 2016. They are broken down into various areas and you can read about them on pages 18-19 where we describe how we run our own business. During 2010 Nordea continued to reduce our CO<sub>2</sub> emissions and we are on track with goals set. To ensure that we continue on track a full time project manager will be added in 2011. Within sourcing the overall goal is that all sourcing partners comply with Nordea's CSR principles in a legally binding manner by 2016.

### Challenges ahead

The world at large and the sustainability trends, risks and opportunities also clearly impact the long term prospects and the financial performance of the organisation.

The largest risks are not being prepared for changes in the world at large, be it new legislation, shifting economic scenarios or environmental crises, caused for

example by climate change. Conversely, being prepared creates opportunities. Having an understanding of possible scenarios and strategies for our customers to follow is a win-win for all concerned: our customers, the environment, society and Nordea.

When our customer responsible units, trade and project finance supported by credit department, evaluate risks properly they can avoid the risks and create opportunities. Same goes for our responsible investments. In the areas mentioned it is difficult to name one risk in particular. Risks abound and it takes competence and experience to identify them.

An opportunity is to recognise new innovations and technology and to help arrange financing to get those enterprises off the ground. Our corporate banking is working hard on this. Another opportunity is to provide services and products that suit an ageing population.

Banks in Europe are currently occupied with addressing the Basel III accord that greatly impacts the capital and liquidity requirements set to banks. Nordea was prepared and although it is time-consuming and costly in terms of money and hours spent we can handle it. It gives us an advantage compared to our competitors.

### Basic risk management

Nordea follows the principles of "three lines of defence", namely the business units in the first line, the Group level control functions in the second line and the Internal Audit in the third line. This structure forms the basis for the organisational controls and reporting lines.

The first line of defence annually checks adherence to the internal control principles by answering questions put to them by the Group function for Operational Risk Management in a so called Internal Control Check List. The questions in this checklist cover requirements in Group instructions and the answers form the basis for the Group's Internal control reporting to the Board of Directors. In the second line of defence there are different kinds of risk management controls that are performed by specialists, such as the independent Risk and Compliance Officer. The risk controlling functions report their findings to the management and the Risk and Compliance Officers report in addition to this independently to the Group function and through that function to both the CEO and the Board of Directors.

In the second line of defence the Group risk management functions are organised under the Chief Risk Officer and report both to the CEO and the Board of Directors. The third line of defence is the Group Internal Audit, which performs controls and audits on the Group's operations and reports on these to the CEO and Board of Directors.



# Engaging with our stakeholders

We have made an effort to enhance the dialogues with our stakeholders during the year.

The reason for this was threefold: to gain better understanding and learn from the respective groups, to take into consideration the stakeholder's perspectives on our CSR work, and finally to enhance participation and communication with the different stakeholder groups.

## Stakeholder mapping

The stakeholder group Governmental Authorities was limited to financial and customer-related authorities in Sweden, Denmark, Norway and Finland. The dialogue with the analysts was limited to the analysts following Nordea on a regular basis. Suppliers being over 22,000, a target group was randomly selected to represent them.



In the case of the shareholders, also a very large group (approx 475,000), target groups in Sweden, Denmark, Norway and Finland were also randomly selected. Since Nordea performs annual customer and employee surveys the CSR questions were included in these. The NGO's invited to the dialogue were for practical reasons limited to umbrella organisations on a national level in the Nordic countries and Estonia, Latvia, Lithuania, Poland and Russia (New European Markets, NEM), hence reaching as many NGO's as possible.

## Using the AA1000SES standard

The stakeholder dialogues were carried out with the help of an independent external third party and according to the AA1000 Stakeholder Engagement Standard (SES), which is an internationally renowned standard for performing stakeholder dialogues. The AA1000 framework is based on the overall principles of Inclusivity, Completeness and Responsiveness. The AA1000 series are aligned with initiatives such as Global Compact, Global Reporting Initiative (GRI) and ESG indicators.

## Execution of the dialogues

The dialogues were carried out during the second half of 2010, in the form of a questionnaire sent either by post or by email. As Nordea already has an established yearly

survey to corporate customers, private customers and employees, stakeholder dialogue questions was included in this. The exception was the dialogue with the NGO's which was done in the form of a meeting in Stockholm, where internationally situated NGO's attended via teleconference. The attending NGO's also answered the same questionnaire.

To eliminate any language difficulties and to ensure a high response rate, the questionnaire was translated into the respective local language. Groups of analysts and suppliers were excepted, since they were deemed to have English as their working language and since their respective local languages was not always known to Nordea.

### Consistent results

In the questionnaire the stakeholders were asked to indicate their perceived importance of Nordea's six focus areas identified in the Materiality analysis, on a five-graded scale reaching from Insignificant to Very important. The identified focus areas were;

- Responsible lending – Take into account social and environmental impact of significant projects in loan assessment
- Transparency and clear information in financial services and products offered to customers
- Offering sustainable products, ie ethical funds
- Anti-money laundering practices
- Equal opportunities in regards to diversity (gender, ethnicities, disabilities, age, religion, sexuality)
- Greenhouse gas emissions reduction

The results in the different stakeholder groups varied little in general.

When asked to rate the importance of Nordea's identified focus areas, a vast majority in all stakeholder

groups believed each focus area to be important or very important. The exceptions were Reduction of green house gas emissions and Offering sustainable products ie ethical funds, which both had a significant number of respondents in several stakeholder groups indicating it to be of little importance, not important or even insignificant. Nordea's employees deemed all issues to be relevant and important.

To ensure that no area would be neglected the stakeholders were also asked to choose three areas out of fourteen that they felt Nordea should focus on, hence given the possibility to choose other focus areas than the ones chosen by Nordea. On average all stakeholder groups rated Responsible lending and Transparent and clear information to customers as two of the areas that Nordea should focus on. The third choice however varied with stakeholder group.

Finally they were asked to choose three areas out of the fourteen where they believed Nordea to have the biggest potential to improve. Again on average Responsible Lending and Transparent and clear information to customers were included in top three in all stakeholder groups. The third choice once again varied between groups.

The NGO meeting came to focus on Responsible Lending. Nordea presented their CSR strategy and the NGO's shared their expertise within their respective areas with regards to screening potential lending projects.

### Taking it one step further

The knowledge retrieved from the stakeholder dialogues will be communicated to concerned parties within the Nordea Group. The information will then be analysed and the need for taking measures evaluated. The result of this internal process will be communicated to the stakeholders through the yearly CSR report and the CSR web.

### Overview stakeholder dialogues

STAKEHOLDER GROUP	LANGUAGES	FORM	NUMBER OF RECIPIENTS	RESPONSE RATE/ ATTENDANCE
Private customers	Danish, Estonian, Finnish, Latvian, Lithuanian, Norwegian, Polish, Russian, Swedish	Mail/e-mail/phone (netbank not incl)	349,435	24%
Corporate customers	Danish, Estonian, Finnish, Latvian, Lithuanian, Norwegian, Polish, Russian, Swedish	Phone/e-mail	91,872	25%
Employees	Danish, Estonian, Finnish, Latvian, Lithuanian, Norwegian, Polish, Russian, Swedish	E-mail	34,711	93%
Suppliers	English	E-mail	44	30%
Analysts	English	E-mail	34	27%
Shareholders	Danish, Finnish, Norwegian, Swedish	Post	89	35%
Governmental authorities	Danish, Finnish, Norwegian, Swedish	Post	12	42%
NGOs	English	Meeting	23	30%



## Running our business

We strive to run our operations in a responsible way. During 2010 our Property & Premises unit worked hard to improve the reporting system for our environmental indicators. Colleague's daily habits are changing as awareness increases.

### Running our own business

The stakeholders made it clear in the dialogues that they expect us to run our operations in an environmentally friendly way. 2009 we set targets to reduce our CO<sub>2</sub> emissions by the year 2016. Our target is to reduce energy consumption by 15 % (Mwh/FTE), internal travelling by 30 % (trips/FTE), customer paper consumption by 50 % (tons/customer) and internal paper consumption by 50 % (tons/FTE). We have teams working on these issues and the results for 2010 show positive development.

Nordea has Renewable Energy Certificates (RECS) for all electricity consumption in the Nordic countries.

In autumn 2009 Nordea received LEED Green Building certifications for 14 office buildings in Copenhagen, Helsinki, Oslo and Stockholm. In 2010 we continued the certification process and our branch in Panorama Tower Espoo received a LEED commercial certification. This was the first of this kind in Europe. We learned many valuable things from the certification process; how to ensure that our premises are best maintained and made energy-efficient and eco-friendly.



Thomas Sevang,  
Chief Press Officer, Norway,  
participating in a virtual meeting.



## Less travel saves the environment, time and money

Cross-border companies tend to have many frequent flyers. Nordea uses modern technology to reduce the number of business trips. Virtual meetings reduce the impact on the environment and saves time and money.

” Nordea needs to have many cross-border meetings but we don't always need to meet in person. We are now purchasing advanced video conference systems and have increased the capacity of our internal network to facilitate video meetings across the organisation. It's been possible for some time to hold live meetings on all computers with web cameras, says Dennis Jönsson who works with Nordea's technical infrastructure.

The aim is a 30 % reduction in the number of business trips by 2016, compared to the 2008 level. The technology for video meetings plays an important role. Even though Nordea has not yet felt the full impact of the new technology, Dennis Jönsson remains optimistic:

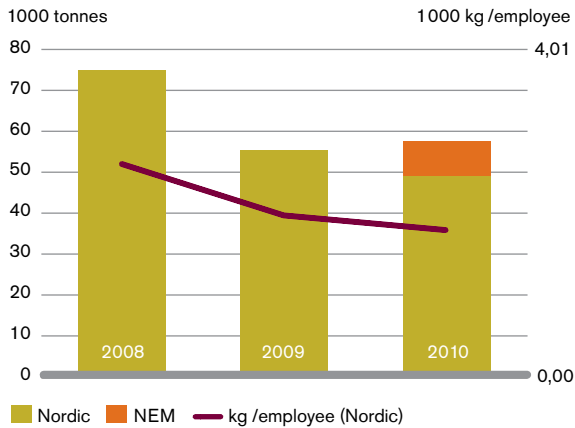
” We have greatly improved the technology and now need to promote it throughout the organisation to change behaviour and thus reduce travel, he says.

Therefore, we aim to continue the process by considering certifying our branch office concept. We became members of the Green Building Councils in all Nordic countries to be able to both learn from other companies and to share our experience on our ecological footprint program. The GBC network is a good forum for this. Also this forum has a great potential to impact service providers to demand them to provide more green services.

During 2010 we have worked intensively to improve our reporting system regarding environmental indicators. We have a new reporting manual defining scope, limitations, methods, processes, roles and responsibilities in place. We have also organised systematic quarterly reporting on the key environmental performance indicators. Additionally we have started to incorporate NEM in our environmental management and reporting.

TEAM	ACTIONS
Energy	As a result of systematic work the electricity consumption has decreased from 2008 to 2010 by 11.7 % in the office buildings
Green IT	Implemented company-wide energy saving settings on personal computers.
Customer paper	Implementing new cost allocation components in order to help printing partners changing their printing behaviour (Less color, less A-post, less C4.)
Internal Paper	Started a Print Optimisation Project
Travelling & virtual collaboration tools	Active communication about travel and implement of practices to decrease travelling
Recycling and waste	Started updating waste contracts with more focus on reporting requirements and ecological aspects
Sourcing	All suppliers invited for projects (negotiation and re-negotiations) have to fill in supplier profile, including an acceptance of Nordea's CSR principles
Behaviour and Communication	Worked to increase awareness and change habits

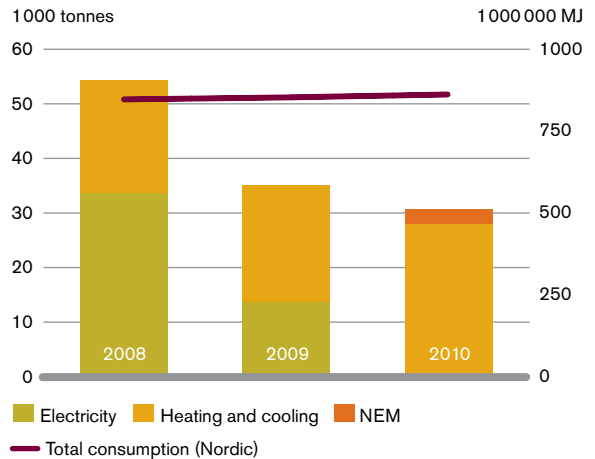
### Total CO<sub>2</sub> emissions



Total CO<sub>2</sub> emissions have decreased steadily from 2008 to 2010 due to the use of renewable energy certificates. Increase in travel and increased emissions due to heating offset the reduction somewhat in 2010.

Explanation: CO<sub>2</sub> emissions for 2008 are reported differently than in CSR report 2009.

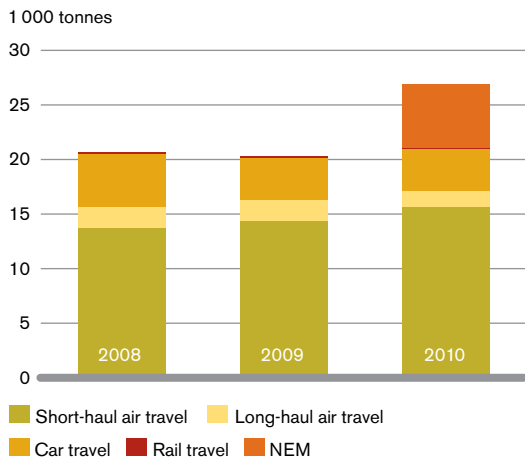
### CO<sub>2</sub> emissions from energy consumption



Carbon dioxide emissions from energy consumption have decreased since 2009 due to the use of renewable energy certificates. In the CSR Report 2010 the energy consumption is also reported in Megajoules.

Explanation: Total carbon dioxide emissions from energy (heat and cooling) are extrapolated to cover all Nordea's Nordic premises (same as in 2009 CSR report).

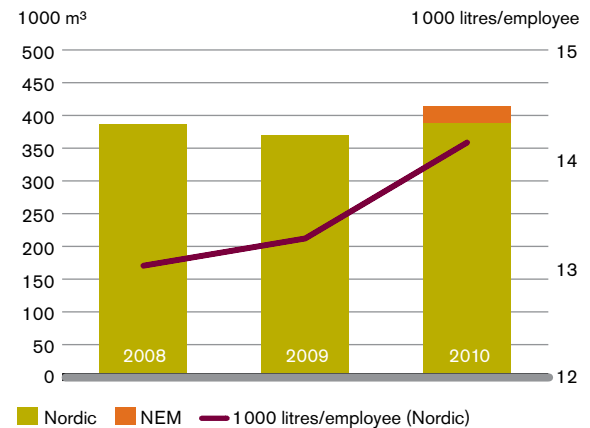
### CO<sub>2</sub> emissions from travel



Although virtual meetings increased so did total travel due to increased business demand.

Explanation: Rail travel data in 2010 only includes Sweden and Norway and is not comparable to the 2009 and 2008 data. Categorisations have changed. Short-haul now includes all flights except for intercontinental flights. During 2009 short-haul included domestic and intra-Nordic flight. Also starting from Q4 2010 the emission conversion factors (Lipasto) have been updated. New updated conversion factors are accessible via <http://lipasto.vtt.fi/>. Travel figures regarding NEM are extrapolated to cover all NEM full time employees. The cars include employees' own cars, used in the job, rental cars, company cars and management cars serving high level executives.

### Water consumption



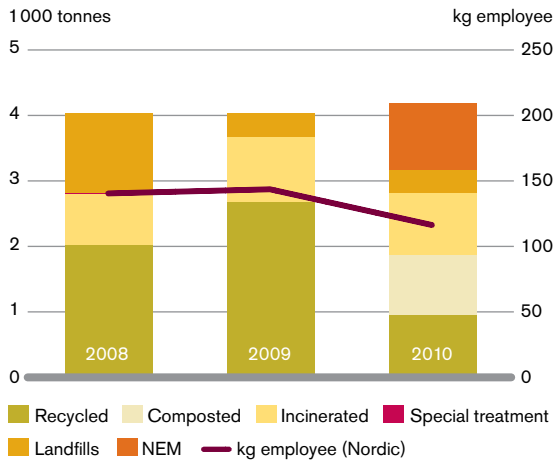
Water consumption has increased in 2010 mostly due to extreme weather conditions, for example increased water need for cooling during the summer. All water used is purchased.

Explanation: Water consumption figures are extrapolated to cover all Nordea's Nordic premises. Actual water consumption data from Russia is not available. Consumption has been extrapolated based on average consumption in other NEM countries.

**In the CSR Report 2010 the full-time employee figures used for the environmental indicators include external consultants working at Nordea's premises. Environmental data on New European Markets (NEM) is included in this report for the first time.**

\*2016 targets cover only the Nordic countries.

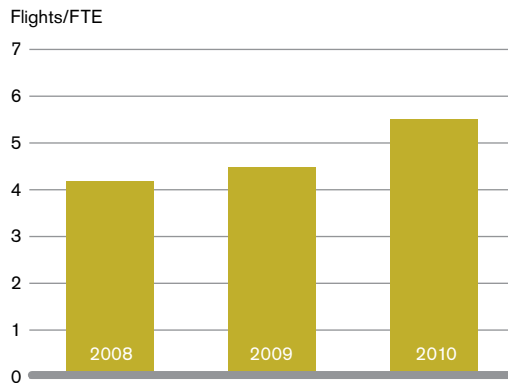
### Waste management



Waste per employee was reduced and the trend seems to continue.

Explanation: Actual waste data from Russia is not available. Waste in NEM has therefore been extrapolated based on average waste in all NEM countries.

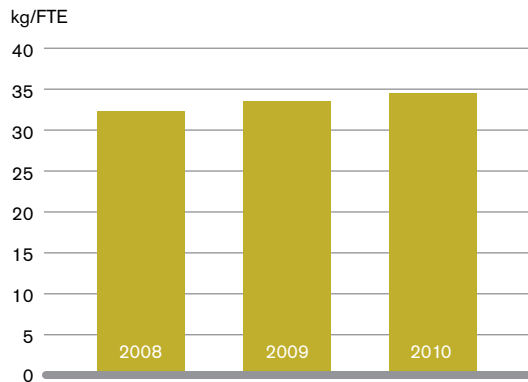
### \*Flight travel



The travel and virtual collaboration team has focused on promoting alternatives to business travel. Despite this increased business activity demanded more travel.

Explanation: In the CSR Report 2010 we specify the number of flights flown per employee/FTE.

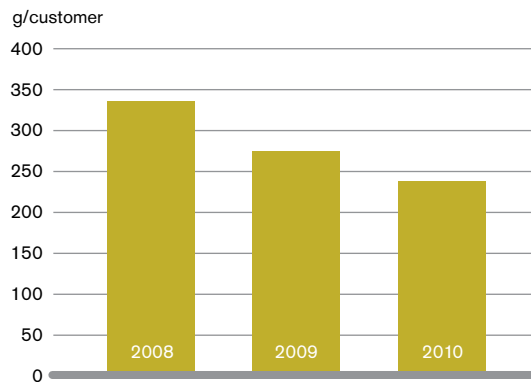
### \*Internal paper consumption



The internal printing team has continued awareness campaigns to reduce printing and to collect and communicate data on printing. Despite these actions internal printing slowly increased in 2010.

Explanation: In the CSR Report 2010 we specify the internal paper consumption as well as the external paper consumption separately. 0% recycled paper.

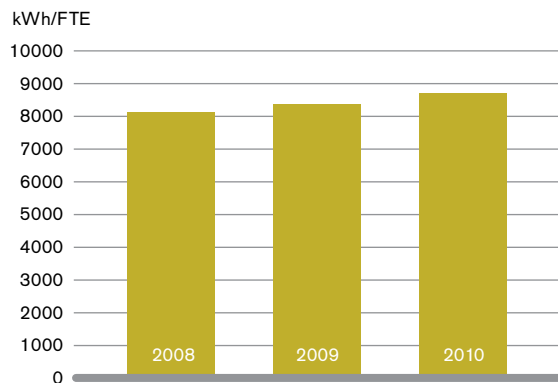
### \*External paper consumption



External paper consumption is paper used for documentation and information to customers. This is where we use the most paper by far in Nordea but we managed to decrease paper consumption by providing information on the web and by consolidating.

Explanation: In the CSR Report 2010 we specify the internal paper consumption as well as the external paper consumption separately. 0% recycled paper.

### \*Energy consumption



Relative to the number of employees the energy consumption has increased slightly; mostly due to the extreme weather conditions 2009 and 2010.



# Returns with responsibility



Modern asset management is about managing financial, environmental, social and governance issues and risks. It is about providing long-term performance and solutions for our clients and the world we live in. There are many ways to express this, we believe that responsibility is the key and we call this Returns with Responsibility.

SASJA BESLIK, HEAD OF RESPONSIBLE INVESTMENT AND GOVERNANCE

## Responsible investment and Corporate governance within Nordea Investment Funds

Our journey started in 2007. By signing the United Nations Principles for Responsible Investments (UNPRI), Nordea<sup>1</sup> committed to incorporate environmental, social and governance (ESG) issues into the investment analysis, decision-making processes and ownership policies and practices.

In February 2010 we took a step further by adopting a new strategy on responsible investment. The strategy is based on increased focus on in depth ESG analysis and engagement activities as well as development of a new, modern range of products where ESG aspects is fully integrated into the investment process. Another part of the new strategy is to increase the level of communication regarding results achieved and key developments within Nordea.

In line with the new strategy a dedicated Responsible Investment and Governance team has been formed. The

team has long experience within the area and was in 2010 awarded by Financial Hearings as Best team within the ESG sector. The team's continuous competence improvement is conducted through participation in seminars with minimum frequency every month and external courses e.g. SA8000.

## The foundation

Since the Responsible Investment policy was launched in 2007, all our funds<sup>2</sup> and portfolios have been screened semi-annually for companies verified as violators of international norms regarding environmental protection, human rights, labour standards and business ethics. Our external provider Ethix SRI Advisors, one of the leading responsible investment advisors in the Nordic countries, conducts the screening. The responsible investment policy covers all funds, except funds-of-funds investing in external funds and funds within Nordea's Guided Fund Universe. More over, Nordea does not invest in

<sup>1</sup> Nordea's fund companies and Nordea Investment Management

<sup>2</sup> The policy does not apply to funds-of-funds investing in external funds and funds within Nordea's Guided Fund Universe

companies that are involved in the production of illegal weapons. Exclusion of companies is used as a last resort when violations are severe and when companies are unwilling to change or improve their behaviour.

### **ESG analysis – to identify sustainable companies**

During 2010, we developed our own ESG analysis criteria and methodology. Our analysis is conducted with a positive approach. Throughout the analysis companies' overall management practices regarding key ESG issues are assessed together with their strategic approach to these issues. The analysis seeks to find best company practice and companies that manage their risks, opportunities and/or develop sustainable products. Our in-house analysis mainly focuses on Nordic companies, since the Nordic region is our local market. For global companies we process and assess ESG analyses conducted by our external service provider MSCI Inc.

During 2010, the focus of the ESG analysis has been our largest holdings, mainly in the Nordic but also globally. In line with our objectives for 2010 we have finalised ESG analysis of our 50 largest holdings, whereof 40 Nordic and 10 global. We have also met about 40 of our largest Nordic holdings and discussed how they manage relevant ESG risks and capitalise on ESG-opportunities. The information from these meetings will be provided to portfolio managers and used in the investment decision-making processes.

### **Our engagements and dialogues**

Nordea prioritises engagement with companies identified as being involved in confirmed breaches of international environmental, human rights, labour rights and business ethics related norms. Nordea is currently engaged in 16 norm-breaching companies worldwide. During 2010, we successfully ended our engagement in the Mosaic Company. Our dialogue with the company concerned its sourcing of natural resources from the occupied area Western Sahara. The company acknowledged the human rights issue, with its involvement in this controversial activity and decided to discontinue it.

We also prioritise proactive engagement dialogues with our largest holdings. It is our practice to engage in face-to-face dialogue with companies. This is carried out by in-house expertise, our external engagement service provider Hermes Equity Ownership Services or through cooperation with other stakeholders. During 2010 we participated in Carbon Disclosure Project, Water Disclosure Project, Sustainable Value Creation and in local sustainable investment forums, so called SIFs.

Nordea's committee for responsible investment reviews selected engagements. The committee decides on the level of engagement and if a company should be excluded from the investment universe due to lack of progress. When a company is no longer involved in

breaches of international norms, it will re-enter into the investment universe.

### **Field visits**

We believe that understanding of business conditions in the companies we invest in is one of the most important elements in order to influence positive change. Field visits are one way of learning more.

#### **India**

In the beginning of May ESG analysts Helena Hagberg and Sasja Beslik took part in a field visit to India. The purpose was to meet the planting seed manufacturer Monsanto and investigate the working conditions for cotton farmers.

As part of our analytical work we often meet companies that are either located in or use suppliers located in India. We make site visits to find out whether these companies are aware of their operational risks and if they have tools to handle these risks. Monsanto is one of the world's largest manufacturers of planting seeds. Through its operations in the agricultural sector, the company has for several years been accused of contributing to an increased number of suicides among cotton farmers.

We met Monsanto's representatives as well as representatives of different trade unions and other interested parties. The input we got was that the frequency of suicides has declined in recent years. The fundamental problem in rural India does not involve Monsanto; it is rather the absence of a functional financial system. There are no banks and no reliable ways of borrowing money. Concerning Monsanto we draw the conclusion that the company lacks an overall strategy for handling a number of social and environmental aspects of their operations in India. However, it is difficult to detect signs of the company consciously contributing to worsening the farmers' prospects for a better life.

#### **Sweden**

In October ESG analyst Helena Hagberg visited SSAB and its steel plant in Oxelösund. The overall theme of the visit was sustainability and corporate responsibility. During the visit presentations by SSAB representatives were followed by a tour around the plant. Issues such as health and safety, diversity, supply chain management and recycling of production waste were discussed.

The steel industry is a high-risk sector with major environmental impact and high safety risks. Safety in general, and in relation to contractors, has been discussed with several of the Nordic companies that we analysed during the year. Best practice identified is to measure and include contractors' safety performance in the company's own targets. Companies need to evaluate their contractors not only in operation but also before entering into a new contract.



#### **South Africa**

In August ESG analyst Sasja Beslik went to South Africa to meet representatives of the world's biggest mining company, Anglo Platinum. The company has been criticised of forcing hundreds of thousands of people to leave their homes in order to extract precious metals.

Meanwhile the company is prospecting for new mines in an area that is very densely populated. During the last five years Anglo Platinum has moved close to 200,000 people in order to gain access to platinum, a precious metal for which there is growing demand worldwide.

As a part of our visit in South Africa we have recommended Anglo Platinum to conduct an independent review with representatives from local and international academia, experts and business leaders. We have also recommended Anglo Platinum to reevaluate previous compensation and to reestablish direct contact with people living in the villages on issues related to resettlement and consultation.

#### **Russia**

In December Helena Hagberg went on a field visit to Russia. The visit was triggered by research made on Russian companies combined with the fact that many European companies operate in Russia.

Russia is identified by non-governmental organisations (NGOs) as a country with many challenges when it comes

to corruption and bribery, human rights, environmental aspects etc. International as well as Russian companies are limited in their disclosure on how they manage and address these risks. During our visit we met with NGOs, companies and investors. The challenge of doing business in Russia from an ESG perspective was not understated by any of the companies or organisations we met. A strong risk management system is fundamental.

#### **Corporate Governance**

Corporate governance deals with the relationship between shareholders and the companies' boards and executive management. It shall be exercised on the basis of the shareholders' common interest in good investment returns. To reach our goals we, among other things, participate in general meetings and nomination committees. We have voted at general meetings regularly since the 1980s and participated in nomination committees in a large number of listed companies since the 1990s. Our work in this area is based on principles stated in our guidelines on corporate governance.

#### **Dialogues and initiatives**

During 2010 we participated in 26 nomination committees. We voted at 150 general meetings and had meetings with several companies concerning planned incentive programs prior to the meetings. Many programs are still complex in design and, where several programs were concerned, we gave support only after changes were made in response to viewpoints presented. In one specific company we voted no to the incentive program since the proposal lacked performance requirements for allocations to the management.

In advance of some shareholder meetings we also initiated dialogues with a number of companies on proposals regarding share buy-backs. The reasons are that board proposals often have been unclear. For example, it has not been clarified that the company will repurchase the lowest priced shares on the stock market or why share buy-back is a preferred method for returning capital. Share buy-backs could lead to unwanted risks for the minority owners, especially if the company has two listed share classes with differentiated voting rights. Due to these risks from our point of view for minority owners, we voted against a proposal on share buy-backs. We initiated dialogues with both companies and shareholders and also wrote an article on that theme.



## Challenges in new Africa 26 August 2010

As I travel from Johannesburg to the platinum mines situated on the border of Zimbabwe, I am stunned by the sight of red earth, the effects of globalisation and the endless possibilities that exist in this country. Africa, a continent which in 20 years will contain close to 18 % of the world population, is suffering a prolonged hangover due to corruption, civil war and the great supply of natural resources.

I am in South Africa to meet representatives of the world's biggest mining company, Anglo Platinum. The company has been criticised for having forced hundreds of thousands of people to leave their homes to enable the company to extract precious metals.

Substantial growth has taken place in recent years in the area. Company representatives and ordinary African people bear witness to the positive effects of globalisation. There are, however, less positive aspects. At the same time as leading countries like South Africa and Botswana establish new places in the world economy, the structural, environmental and social problems are in certain cases exacerbated. In many cases there are regulations and laws that are meant to protect both the environment and people, but the authorities lack the capacity and knowledge to ensure compliance with the regulations. This means that both domestic and international companies have an increasingly prominent role to play in the formation of a new sustainable Africa.

I study the figures I have just received from Anglo Platinum's staff. They show that 20 % of their workforce have contracted HIV at the same time as prospecting is in progress for new mines in an area which is smaller than Skåne but with over four million inhabitants.

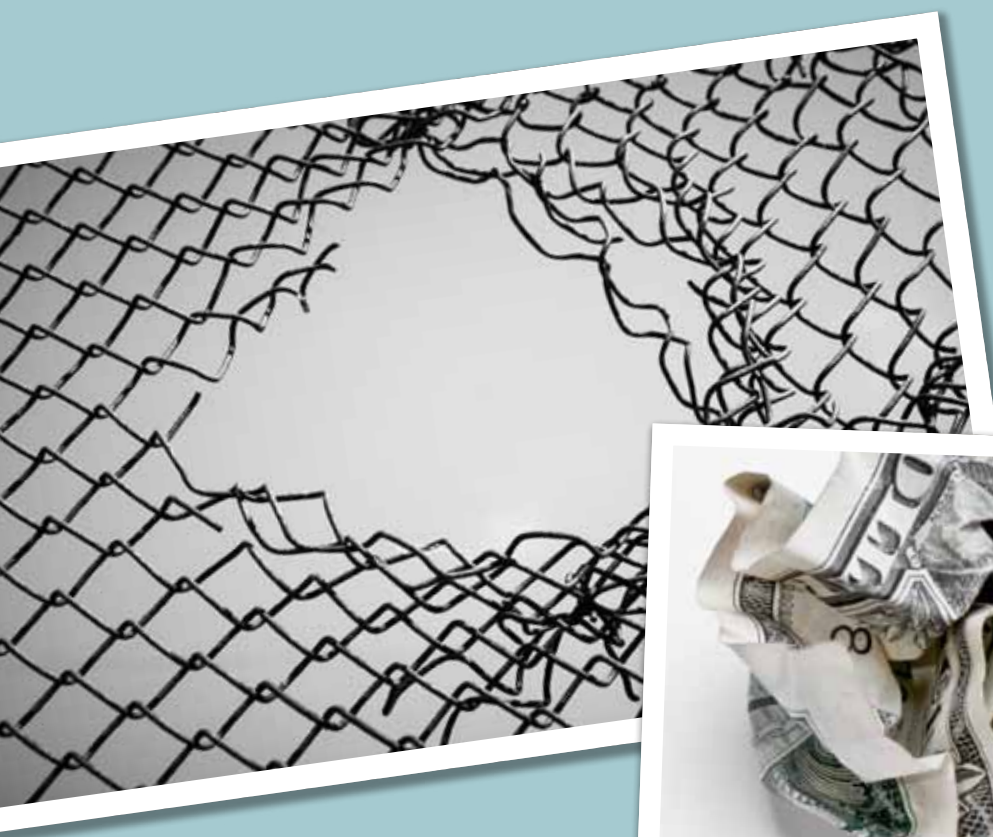
In the last five years Anglo Platinum has moved close to 200,000 people in order to gain access to platinum, a precious metal for which there is growing demand worldwide. The removal of people has caused many conflicts. This has been primarily a matter of survival for the population. For the people this is about getting compensation for that land they have lost while, for the company, it is a matter of acquiring natural resources in a sustainable way. This is why I am here. Nordea Investment Funds invests in Anglo Platinum and we have begun a dialogue with the company concerning the complaints resulting from the removal of people from their land.

Many people question whether we who come from the Nordic countries are really able to influence what happens in this part of the world. The answer is simple. We can. Both through the knowledge and through the power we have as investors we can influence companies to act in a more sustainable way.

If you want to change you have to engage. The future is not determined by the roles we wish to avoid but by the roles we actively take on to create a sustainable future.

Sasja

Sasja Beslik, Head of Responsible Investments,  
blogs on Nordea's internet.



# Anti-corruption

Combatting financial crime is an important responsibility that entails stringent procedures and policies combined with our employee's expertise and ability to treat people right.

## Compliance

Nordea plays a considerable role in the prevention of financial crime. This is not unique to us but the responsibility of all banks. Global and EU regulations have increased drastically during the last few years to combat the financing of terrorism, drug cartels and trafficking.

Nordea's Code of Conduct and Guide to Sound Business Relationships cover requirements for our staff to ensure proper business behaviour, such as policies related to anti-corruption, bribery and competition issues.

The number of employees and the amount of internal rules and procedures that need to be in place are costly, time consuming and part of daily banking yet an unnoticed by the average customer. Our front line staff in the branches, whether working in Oslo or Moscow, has learned to handle the situations. It is not uncommon that customers get irritated and there have been several instances where our staff has been threatened.

In order to fulfil international and national requirements on financial crime we have an internal regulation

framework in place. The basis is laid out in instructions endorsed by the CEO called "Instructions on sound know-your-customer practices and measures against money laundering and terrorist financing in Nordea". These instructions set minimum requirements for sound know-your-customer practices in Nordea in order to ensure adequate awareness and management of risks related to customers. Such practices prevent Nordea from becoming involved with counterparts with unidentified backgrounds and from being subject to or used for criminal or unethical purposes. These instructions also set minimum requirements regarding the prevention, detection and reporting of money laundering, terrorist financing and other objectionable activities and transactions.

The practical part of the framework includes two sets of instructions. The "Financial Crime Management Instructions" explains the responsibility of Nordea's risk organisation to prevent Nordea becoming involved with counterparts with unidentified backgrounds and from



## Nordea makes money laundering more difficult



Rebecca Blad,  
Head of Customer Services  
at Nordea's branch on  
St Eriksgatan, Stockholm

Like all banks, Nordea is under an obligation by law to prevent money laundering and the financing of terrorism. The bank is responsible for knowing the origin of money deposited or transferred. This can be challenging for both the bank employee and the customer.

When customers deposit large sums or break the norm in one way or another, the bank employee must demand to see proof of the customer's identity and ask questions to ascertain where the money comes from.

” To prevent the customer taking it personally, it is important that we explain why we are asking these questions. Our attitude at the very beginning of the conversation is decisive. If needed, more information about this can be obtained from the Swedish Bankers' Association's brochure “Why the bank has to ask”, says Rebecca Blad, head of customer services at Nordea's branch in St Eriksgatan in Stockholm.

” To be able to have a good dialogue with the customer, the staff needs proper training and the possibility to discuss experiences. We constantly share experiences and keep the discussion alive in the branch. That way we will feel more comfortable and act more professionally when talking to the customers. It is also important that we stay updated on what is required of us, says Rebecca Blad.

being subject to or used for criminal or unethical purpose. “Instructions concerning handling of internal crimes within the Nordea Group” are about decision-making and handling of internal crimes.

Each unit in Nordea is responsible for identifying, assessing and mitigating all operational risks. We use a tool called the Risk Self Assessment process. With this process each division identifies, assesses and decides on mitigation actions for at least their three biggest risks. These key risks are reported to Group Operational Risk Management where a group risk map is drawn up every year.

There is currently a project ongoing in which risk appetites are discussed. The aim is to have risk definitions and risk appetites defined for risks falling within the risk categories of solvency, liquidity, earnings and non-financial risks. Non-financial risks include operational risks, reputational risks and compliance risks. No decision on any risk appetite has yet been made, but once that happens this exercise will also support linking risk awareness to business strategy.

It would not be possible to be compliant with laws, regulations and internal policies without sound plans,

policies for the specific areas and of course following up procedures. Nordea has approximately 130 Risk and Compliance Officers throughout the Group. They help their units to act in accordance with all applicable laws, rules, codes and standards and respect the principles of integrity and fair dealings at all times.

We provide compliance training to our employees. Anti-money laundering training is provided as part of the anti-corruption training both as e-learning and in classroom training sessions. All new branch office employees are trained, as well as new managers. Additionally risk and compliance officers give dedicated training on anti-corruption and anti-money laundering. During 2010, we trained almost 11,000 employees and managers.

It is a challenge to keep all employees updated within their respective fields since new regulations come into force all the time. Currently Group Compliance, Group Legal and Group Security are working together to improve training, in part due to new bribery acts in Sweden and the UK with extraterritorial impact. This requires an update of all policies and processes by 1 January 2011.

# Responsible credits

Credits are an obvious area where a bank really can make a difference and take its corporate responsibility. To us it is clear that an environmental, social or political risk is also a credit risk.

## Credits

As the largest bank in the Nordic countries some of the leading Nordic companies are our customers and they have many large projects both on their home turf and on the other side of the globe. To us it is clear that an environmental, social or political risk is also a credit risk.

We have a credit framework in Nordea including environmental, social and political risks as well as processes and procedures on how to analyse and identify risks. There are two high level Group directives adopted by the Board of Directors; "Credit Policy and Strategy for the Nordea Group" and "Credit Instructions for the Nordea Group".

The first directive establishes the overall principles such as that the granting of credit within the Group is based on good banking practice and high ethical standards. It also establishes that the Group should in no way compromise generally accepted ethical and legal principles, nor should the Group have dealings with counterparts that we suspect to be of questionable morality. The Credit Instructions define practical guidelines and processes when evaluating and granting credits in general. Additionally we have guidelines giving

detailed instructions for business units how to define, measure, execute and report on specific issues including how to manage CSR risk assessment within lending. Furthermore, we have specific industry policies (pulp and paper industry; energy with sub-groups of power, oil and gas, oil services and renewable energy; telecommunications; aircrafts; shipping; real-estate; fish farming; hedge funds and private equity) setting requirements and limits, including risks, on the overall industry exposure all reviewed by industry monitoring groups.

## Environmental, social and political risks

The main tool used to screen for environmental risks is the Environmental Risk Assessment Tool (ERAT). Its purpose is to consider environmentally related risks in the corporate lending process and to produce an environmental risk profile, incl climate change risks. In order to better handle the corporate social responsibility (CSR) risks in the corporate lending process, Nordea has



## Nordea signs a Baltic Sea commitment

The Baltic Sea is one of the most polluted seas in the world. Nordea made a commitment to help save it at the Baltic Sea Action Summit on 10 February 2010 in Helsinki.

### Nordea donates time and know-how

Nordea's Export and Project Finance experts will determine what financing is best suited for projects that could have a positive impact on the environment of the Baltic, and may also help arrange the financing.

” We are all close to the Baltic Sea and feel obliged to support the work carried out in connection with the Baltic Sea Action Summit, says Aila Aho Head of Export and Project Finance.

The Baltic Sea Action Summit brought together businesses, heads of state and governments, communities, non-governmental organisations and international organisations from the countries surrounding the Baltic, ie Nordea's home market. All the participants at the meeting made a commitment to action.

Read more: <http://www.bsas.fi/commitments/all-commitments>

developed a supplementary tool, the Social and Political Risk Assessment Tool (SPRAT), which was implemented in 2009. Nordea's risk definitions build on commonly accepted international standards from the World Bank and the UN Global Compact. All customers are subject to an annual review, as a minimum.

By applying the ERAT and SPRAT tools our analysts go through how our clients handle environmental and social risks and requirements. The credit decision is based on the customers fulfilling the ERAT and SPRAT and submission of false information or withholding of facts constitutes a legal issue.

ERAT includes two checklists that credit analysts use to determine the overall risk. The first checklist determines industry risk, and if the industry risk profile meets certain criteria, a second set of checks and test are performed on company level. The findings of the ERAT process result in an overall environmental risk profile that is added to the credit evaluation process. ERAT is mandatory for customers with credit limits over EUR 500,000.

The main purpose of SPRAT is to identify relevant social and political risks in a particular customer's business with potential impact on the customer's ability to fulfil the credit obligations or likelihood of damage to Nordea.

SPRAT is a three-step process. First, a risk profile is created for the country in which the customer or project is located. Then the industry risk is identified. These two findings are combined and compared to determine further actions to be taken in a third phase. In the end, an overall social and political risk profile is created and included in the credit evaluation process. SPRAT is mandatory for new customers with credit limits over EUR 5 million. SPRAT is also used for customers with credit limits below EUR 5 million for companies that are obviously predisposed to social and political risks. The higher limit threshold for SPRAT compared to ERAT is due to the fact that social and political risks are most commonly a feature in large, international projects outside the Nordic region, where as environmental risks may occur in industrial projects more generally.

An essential aspect of our credit process is that most credit analysts are dedicated to a specific industry in which they have deep and thorough knowledge. No tool can cover everything and our analysts' competence is essential. Internal training is offered to all Nordea analysts. Training is provided for analysts that are assigned to a new industry, which they are unfamiliar with and to new employees to ensure that they understand ERAT and SPRAT since the tools are unique to Nordea. Analysts also participate in external general training and industry specific training.

## Environmental risks reviewed before lending

Environmental risks are reviewed for all new corporate lending in Nordea beyond a certain credit limit. The evaluation is based on the company's general environmental policies and processes as well as its track record for handling risks.

To ensure an ethical code of conduct Nordea has developed the Environmental Risk Assessment Tool (ERAT). ERAT assesses risks at both industry and company level and the decision to apply ERAT in the credit analysis is part of Nordea's credit routines. For large customers an ERAT review is mandatory.

I use ERAT in two thirds of my credit analyses, mainly in the pulp and paper industry. Due to the pre-screening where industry risk level is assessed, ERAT is primarily used for reviewing credits for heavy industry projects, says Robert Fogelholm, Credit Analyst in Nordea Finland.

First I examine the companies' adherence to common environmental standards like ISO 14001. If no standard is in use or an insufficient number of operations are covered, I ask the customer for complementary information. If significant environmental problems have occurred in the past, I look into how these have been handled.

The result of the ERAT evaluation is a comprehensive environmental risk profile which forms an integral part of the credit analysis along with other criteria.

Robert Fogelholm, Credit Analyst in Nordea Finland



## Project finance

Project financing is funding in which the lender looks primarily to the revenues generated by a single project both as the source of repayment and as collateral for the loan. Project finance is often used for large projects for example in power plants, pulp and paper, mines or transportation infrastructure where several parties cooperate in project development and/or financing. Large and complex projects also imply more complex risks including social and environmental risks due to location, local population issues and so on. If they materialise, such risks may impose large practical and financial consequences on the project, the project participants or other stakeholders.

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

## Applying the Equator Principles

Nordea follows the Equator Principles Manual (toolkit) for training and in the decision making process. The toolkit is updated as the EP develops.

Nordea evaluates the borrower's capacity to adequately identify, mitigate and manage key social and environmental risks and impacts of the project based on documentation provided by the borrower, independent

environmental and social consultants and possibly site visits. Nordea uses independent experts in category A projects, which is what the EP stipulates. Due to our relationship strategy and Nordic focus the number of projects subject to the EP tends to be small; in 2010, eight projects were assessed, six were in the energy sector, one in the mining and one in the construction industry.

The toolkit provides guidance on how to apply the EP in the day-to-day business of Nordea project finance deal managers (DM). The ten principles contained in the EP are organised into four workflow steps, 1) Initial project review; 2) Project appraisal; 3) Project negotiation, commitment and monitoring; and 4) External reporting. The steps match the Nordea project finance cycle and are integrated with the general credit evaluation and decision workflow.

Each project finance case is presented to the Nordea's EP Advisory Group for recommendation and classification. If the recommendation is positive, the terms and conditions to participate in the project are established, including environmental and social representations and covenants.

Nordea monitors, monthly, quarterly or semi-annually, depending on type of project, the performance of all active projects in its portfolio to ensure compliance with environmental, social and other conditions. The borrower will provide annual social and environmental monitoring reports usually verified by an independent expert. In case of any non-compliance, Nordea will determine an appropriate course of action together with the other lenders.



## From waste dump to green energy

The Equator Principles were applied when Nordea enabled financing of a solar park on a previous waste dump in Sulkov, the Czech Republic in cooperation with amongst others Eksportfinans. The Norwegian company Scatec Solar is turning a 60 hectare waste dump just outside Pilsen into green energy. By late 2010 the plant will generate approximately 10 200 Megawatts hours per annum. This equals the consumption of 3 000 Czech households.

” The EP were applied to ensure that social or environmental risk were identified and addressed, says Magne Schreiner, from Export and Project Finance in Nordea. In addition GIEK, the Norwegian Export Credit Agency, assessed and accepted the project according to OECD environmental guidelines.

The Equator Principles were adopted by Nordea in 2007 to enable closer governance of environmental and social risks in the lending process. The principles provide an in-depth review and tend to be used for big and complex developing projects. In 2010, eight projects were assessed.



## Satisfied customers are core

Great customer experiences is one of Nordea's core values and what the whole organisation strives for. Training, procedures, policies and development are geared towards that goal.

In Nordea we measure our ability to deliver great customer experiences and our performance compared to our main competitors in an annual customer satisfaction survey (CSI). During 2010 approximately 126,000 customers voiced their opinion on Nordea and thereby gave valuable input for improvements.<sup>1</sup> Some 23,000 customers of our competitors responded to the same questions. The survey was conducted from late September to early November. It targets all customer segments in Corporate, Household and Private Banking. The main focus areas in this year's survey were proactivity, the

quality of our customer meetings, our service in general and the quality of our advice.

The survey is conducted so that each branch and region can see where they stand and follow-ups and action plans are mandatory. Group Executive Management takes a strong interest in the survey and actions are taken on a group level as well. Customer satisfaction is also a relevant part of the strategic steering of the group, as both "Relative Customer Satisfaction Improvement" and "Delivery Satisfaction Index" are two of Nordea's key performance indicators. We know that there is a strong

<sup>1</sup> These CSI figures include netbank responses.



## Micro Savings Support Good Cause

Nordea has a savings option for card users available via the Internet bank. The savings option called Micro Savings and works much like an electronic piggy bank. Whenever you use your credit card a pre-set amount goes to one of your savings accounts. Nordea Finland has now made it possible to direct the amount saved straight to a charity called the Womens' Bank which supports female entrepreneurs in developing countries. Customers that select this option get a card with the Womens' Bank's logo.

connection between great customer experiences, living our values and our financial results – they all go hand in hand.

Our Customer Satisfaction Index continued to rise particularly among relationship customers. That is the most important driver behind the inflow of new customers. During 2010 we welcomed 200,000 new gold and private banking customers.

### Building relationships that last

Building long lasting relationships with our customers is essential. The better we know our customers the better we can serve them. Those of our customers who have Nordea as their main bank tend to be Gold Customers, which entitles them to a dedicated personal banker. We have set practices that we believe lead to satisfied customers. At least once a year the personal banker should invite the customer to an advisory 360 degree meeting to go through all aspects of the customer's finances. During the meeting it should be clear if the customer will need more advice in the near future. We know that customers like us to be proactive and to be available when they need us.

### Reacting to feedback

The customer satisfaction surveys are made once a year but our customer ombudsmen in the four Nordic countries give feedback reports every two weeks stating if something has come to their attention that has caused or might cause bad customer experiences (major worries), or just stating that there is nothing to report. The role as Customer Ombudsman is to point out important needs

for changes and developments in order to create Great Customer Experiences based on customer complaints and feedback. The local banking management gets a detailed report each quarter. In case something alarming has come up, the customer ombudsmen have a direct line to the local head of banking. During a three-month period the Customer Ombudsmen in Finland and Sweden receive on average 6,000–7,000 calls, e-mails or letters, whereas the Norwegian receives 2,000–3,000 and the Danish receives between 1,000 and 2,000. The differences are due to the fact that the populations differ and most importantly that in Sweden and Finland the Customer Ombudsmen have been active longer and have more staff to receive and register the complaints. Outside the Nordic countries similar locally adopted processes are in place. In Poland, Estonia and Latvia we have designated persons who handle customer complaints. In Lithuania we have a Customer Complaints Committee for the same purpose and in Russia the Customer Compliance department handles customer complaints.

### Addressing complaints

Nordea's other core value is One Nordea Team and the cooperation between the different units in banking is strong. The complaints noted by the customer ombudsmen are channelled to product development.

During 2010 we are happy to say we had no complaints regarding breaches of customer privacy or losses of customer data. Nor did we receive any fines for non-compliance with laws and regulations concerning the provision and use of products and services.



### Developing our services

When it comes to our core products and services, Nordea focuses on “ease of consumption” as well as transparency and clarity of our products to both customer and colleagues. It goes without saying that a customer should know what he or she has bought. During 2010 we have tested new approaches and product concepts in “live labs” to ensure that our products and services are transparent. Ensuring product transparency and clarity is based on trial and error. We have run customer focus groups for a long time to ensure this.

An example of development is the introduction of a new branch model to enhance customer service. In the future we will have branches that are dedicated to advice and others dedicated to transactions. The new model makes it more clear what service the customer can get where and the staff is specialised and dedicated to the specific needs of the customer. Before being introduced on a broad scale the concept was tested and we found that our customers appreciate having dedicated branches.

The call centre and telephone bank is one option for customers with disabilities but as we aim to always improve, another product development has been aimed at Nordea Netbank. The work has focused on improving the on-line accessibility for the visually impaired. This is done in accordance with the AA-level of Web Content Accessibility Guidelines 2.0. In the Nordic countries Netbanks work differently due to national preferences and practice. The netbank in Sweden, for example, is equipped with a “Talking Card Reader”, an authentication method that allows the visually impaired to access the

netbank easily. Nordea regularly conducts usability tests and has a specialised team programming the accessibility.

### Approval process

The Risk Self Assessment process is a core operational risk process. The Risk Self Assessment process enhances understanding of the Division’s main risks as well as input to the sufficiency of the internal controls with regard to these risks. The Risk Self Assessment process provides the Division Management with a structured process including a method to identify, assess, map and mitigate the identified main operational and compliance risks in each Division. Financial impact consideration is part of the assessment.

The most significant risks will be reported to Group Executive Management in the Group Risk Map report.

Quality and Risk Analysis (QRA) is a process used in Nordea to limit new risks and to ensure disciplined change management. It aims at documented decision-making regarding risk and quality aspects connected to changes, explicit responsibility for decisions and actions taken as well as a systematic follow-up.

All new or changed products, processes, routines, systems and organisations should be analysed from a quality and risk perspective before they are put into use. When introducing significant changes through larger projects or programs, or when developing new products or changing existing products, a QRA is part of the change documentation and is a mandatory input to the decision making process.



## It's all about people

As a relationship bank, Nordea is committed to people, not least our employees. It is our skilled and dedicated employees and their ability to deliver great customer experiences that distinguish us from our competitors and make Nordea great.

### People Strategy

Nordea's Human Resources (HR) strategy – the People Strategy – emphasises that for Nordea to reach its goals our employees need to reach theirs. This means that Nordea has to provide opportunities for our people to grow and live well-balanced lives. This mindset is implanted in all managers through leadership training and management programs.

All employees are introduced to Nordea's policies and procedures when hired. Managers are responsible for ensuring that the employees reporting to them adhere

to the procedures and policies and for informing about changes and ensuring that employees understand the implications.

There are two main tools for follow-up, both annual. The Employee Satisfaction Survey is a tool to get an overview of how our employees evaluate Nordea, and as a result identify and prioritise activities how to make Nordea Great. Our response rate is high, 93 % in the 2010 survey, which shows our employees' great commitment to this survey. The other tool is the mandatory Performance and Development Dialogue that takes



ESI RESULTS	2010	2009	2008
Satisfaction and motivation	73	72	72
Development	73	72	72
Considered a good workplace	79	78	77
Proud to tell others where I work	82	82	80
Recommend others to start working at Nordea	78	77	76
Living the values	78	77	76
Great Customer Experiences	81	81	80
It's all about People	75	74	73
One Nordea team	78	78	77

The overall sentiment is very positive. Close to all drivers and results in the ESI survey 2010 on Group level show improvement compared to 2009 and none show a negative trend. The same is seen across Business Areas and Group Functions as well across countries.

place between immediate manager and employee, requiring preparation on both parts as well as follow-up throughout the year.

### Focus on values and leadership

We understand our values and leadership to be the strongest drivers for performance as well as for building and developing our corporate culture. Having good people skills is as important as having professional knowledge. It takes Great leaders to build a Great European bank.

Great leadership in Nordea is the ability to engage and motivate people to reach out for the common vision and the ability to gather the right team to make it happen.

The ability to be a good coach is an important aspect of leadership. Our coaching training is carried out in five steps on three management levels, two modules for new and experienced managers and a separate module for executive managers. The training is a mix of teaching, plenum dialogue, exercises and reflection. Our training is built on action-reflection-learning principles, primary learning from one's and other people's experiences and focus on training the cornerstones in Team Coaching over and over again, working on issues that are relevant and real for the people present.

We support new leaders in their new roles by way of a special introduction programme giving them access to information and familiarising them with the tools and processes related to their managerial roles. All new leaders are invited to a new leaders programme within 4-12 months after being appointed. The programme runs for ten days in total and consists of four modules.

One Nordea team is one of our key values and the coaching culture plays a vital role in identifying and releasing the potential of all employees as well as discovering people of outstanding ability and future leaders. Talent Management at Nordea ensures we have strong leaders and competent employees/specialists in all key positions, and an availability of talent as well as

high-quality succession and development plans giving us the option to hire from within.

Nordea's own Training & Development unit provides and arranges leadership and employee development in the Nordic countries. Employees within Nordic Banking received an average of 3.09 days of training as compared to 1.7 days for other employees. In total Training & Development provided 47,260 days of training with 38,122 days directed towards employee training and 9,138 towards manager training. In addition, business areas have arranged training on specific skills and issues that are not centrally recorded, thus not included here.

### Opportunities to develop and grow

Nordea employees should feel that Nordea is a company with many possibilities offering them to grow within the Group. Development is a joint responsibility of the manager and the employee. Employee motivation, commitment to business goals and targets are addressed through the yearly Performance and Development Dialogues. 76.1 % of employees received a performance and career development review during 2010. These dialogues also form the basis for personal development plans and short and long-term career plans. Development within Nordea is a combination of on the job training, i.e. professional development by broadening your experience within the group by taking on new tasks or greater responsibilities, coaching and training.

Nordea facilitates internal mobility. It is a strategic choice and one we deem necessary. The financial sector, like the world at large, is constantly changing. We may need less people in one unit and more in another. New competencies may be required. We need flexibility to find the right person, for the right place at the right time. Concrete actions are often local. Yet, there are common principles that are applied group-wide, for example a job matching process; a process where open positions and available people are discussed to find a good solution benefitting both the employee and Nordea.

Cross-border mobility and international assignments are ways to enhance job rotation and develop the employee's competence, and also build overall corporate citizenship and culture enforcing the "One Nordea Team" value.

We have found that the opportunity to work in different countries and different value chains is greatly valued by younger staff such as participants in our trainee programme. It's a fast track to get to know Nordea's culture and organisation and is a measure of our ability to attract some of the best young talents. The programme is in high demand and graduates are guaranteed a permanent position.

Nordea strives to increase the equality in the Group to give all employees the same opportunities. All vacancies



are posted on the intranet. There are still more men holding managerial positions than women even though the workforce is made up of approximately 60 % women and 40 % men. To come to terms with this, it is mandatory that one woman be among the top three candidates for every managerial position. Increasingly young top managers take paternity leave encouraging others to follow, but as in society at large this is a generation issue. There have not been any discrimination cases during 2010.

We do not keep statistics on the diversity of our workforce, because Nordea is domiciled in Sweden where registering ethnic origin is illegal. During 2011 we will, however, register the languages spoken by our employees in the Nordic countries to get a better understanding of the diversity.

Nordea managed to come out of financial crisis without layoffs. In 2010, Nordea continued to recruit in all markets. For example in Q3, Nordea recruited four people in Denmark and two people in Finland every day.

#### Nordea strives for a transparent and sound remuneration structure

Nordea has clear remuneration policies, instructions and processes, ensuring sound remuneration structures throughout the organisation. These structures are summarised both in a separate section in the annual report (page 77-80) and in separate annual disclosures on our website focusing on risks related to remuneration.

Information can be found in note 8 of Nordea's Annual Report 2010 (page 119-120).

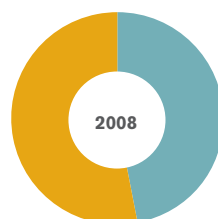
In Nordea salaries are decided according to the nature of duties performed.

#### Balance in life

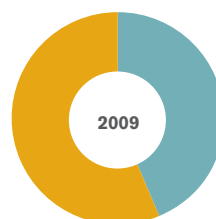
Nordea's starting point is that a sound, business and value driven working environment where employees feel good creates great results. Our focus on health and working environment aims at identifying and strengthening the factors that lead to better working conditions and good health for our employees.

#### All Managers in Nordea Group

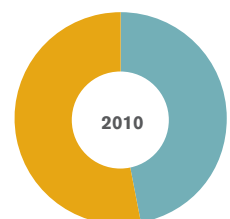
During 2010 Nordea employed on average 33,589 full time employees and on 31 December 2010 Nordea had 33,809 full time employees.



Female, 47.2 %  
Male, 52.8 %



Female, 43.8 %  
Male, 56.2 %



Female, 46.2 %  
Male, 53.8 %

At Nordea, we recognise that people have different needs in different phases of their lives, and it is important that there is a sensible balance between private and working life.

We have different ways of ensuring this, adjusted to local conditions, rules and regulations. We aim to organise work in a way that secures mutual flexibility. We strive to create flexible working conditions on a day-to-day basis. We offer our employees access to occupational health services, with complete health check-up as well as good conditions for leaves of absence.

Nordea follows the national legislations and collective agreements. By year-end 88.2 % of our employees in the Nordic countries (71.6 % of all Nordea employees) were covered by collective bargaining agreements. The collective bargaining agreements include a number of provisions that may differ from country to country; this applies for example to terms of notice which vary from 1–6 months depending on country and also length of service.

### Safety at work

In terms of health and safety topics, the legislative requirements in Denmark, Finland, Norway and Sweden are regarded as satisfactory and the collective bargaining agreements are subordinate to national regulations.

We have measured the number of days absent from work but also work-related injuries.<sup>1</sup>

Occupational Health Care is closely regulated in Finland, Norway and Sweden. In general, Nordea provides its employees a significantly wider range of health care services than stipulated by the local legislations. With the aim to promote and maintain the working ability of our staff throughout their working careers, and to provide a healthy and safe working environment we provide our employees with the following of free-of-charge occupational health services.

- Health examinations and a wide range of specialised medical services.
- Surveillance of the work environment to recognise and mitigate health hazards of the work environment and work community. This includes ergonomic advice and participation in planning new offices in order to ensure the work ability and well-being of our employees.
- Development of the work community to enable a fully functioning and cooperative work place and thus good work ability for our staff. This includes consultative services, e.g. personal and group discussions used to solve various work community-related problem situations.
- Support and advice on alcohol and drug abuse
- Physiotherapy
- Nutritional therapy
- Psychological consultations
- Work-related stress policy. Work-related stress (WRS) is a serious and yet common factor undermining our employees' well-being. We take WRS very seriously; its prevention is firmly on the agenda of our HR division. We offer our employees relevant information and tools to prevent WRS. We have in place a specifically drafted WRS Policy, which seeks to:
  - Make it natural to address working conditions in order to prevent WRS.
  - Make a contribution to reducing absence due to WRS.

In Denmark, we provide our employees with health insurance, which covers cases where employees require health care services, such as hospital care, physiotherapy, or consultations with a psychologist, from an external service provider. In addition, full-time employees are offered a health check every three years.

In Estonia, Latvia, Lithuania, Poland, and Russia, the scope of Occupational Health Care services provided vary depending on local legislation. In all countries, we comply at least with the minimum standards set in local regulations. In Estonia, in accordance with the Occupational

Average FTE's 2010

COUNTRY	ALL	MALE	FEMALE	% OF COLLECTIVE OR LOCAL AGREEMENT
Denmark	8,881	4,042	4,839	88.7
Finland	7,754	1,800	5,954	84.6
Norway	3,547	1,905	1,642	68.7
Sweden	7,654	3,344	4,310	99.9
Estonia	452	105	346	0
Latvia	504	127	377	0
Lithuania	368	106	262	0
Poland	2,101	726	1,375	0
Russia	1,659	692	967	0
United States	81	44	37	0
Great Britain	67	40	26	0
Germany	44	22	21	0
Singapore	58	24	34	0
China	18	7	11	0
Brazil	3	2	1	0
Luxembourg	399	249	150	0
Total average	33,589	13,236	20,353	88.2
Total FTE 31.12.2010	33,809.08			

<sup>1</sup> In Finland and Sweden injuries that occur when commuting to/from work are seen as work related injuries. Work related illness is not registered in Denmark.

Health and Safety Act, we organise and cover the cost of medical checks for any employees whose health may be affected in the course of their work by risk factors of the working environment or the nature of their work. In Lithuania, depending on occupational risk factors, we provide periodical medical examination for our employees annually or every two years. In Poland we have an Occupational Safety and Health Service, which in cooperation with HR supervises the execution of occupational safety guidelines and health examinations. In Russia, we have no centralised Occupational Health Care service; instead, we provide free social and medical insurance for our employees.

The main safety issue in a bank is the threat of armed robberies in branches. Nordea has precautions in place such as mandatory training sessions for all branches and procedures for how to act in case of robberies as well as structured processes how to support the employees affected. As an example Sweden has a support group of colleagues who are trained and prepared to physically go to a branch that has been robbed when alerted. Together with professional psychologists they will support the employees subjected. There is a set procedure in place that lasts for several years after an incident.

**Work related injuries/illnesses**

COUNTRY	WORK RELATED INJURIES	ROBBERY CASES	ACCIDENTS WHILE COMMUTING	FATALITIES	WORK RELATED ILLNESSES
Denmark	18	73	-	-	-
Finland	81	1	116	0	3
Norway	3	0	0	0	1
Sweden	14	49	12	0	0
Estonia	0	-	0	0	0
Latvia	0	-	0	0	0
Lithuania	0	-	0	0	0
Poland	2	-	0	0	0
Russia	0	-	0	0	0

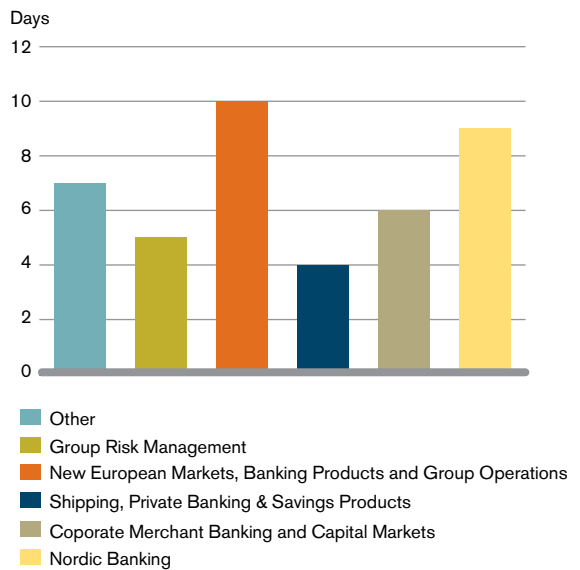
**Employment turn-over rate by unit in Nordea Group**

Employee turnover as a percentage of total number of employees was 4.4 %. We do not track employee turnover by age group, gender or region.



**Absenteeism because of sick leave in Nordea Group**

The average sick leave per employee in 2010 was 9 days, one day less than in 2009.





” Our goal is to be a part of and support a sustainable future for generations to come.



## Engaging with society

### Youth in focus

#### Becoming financially literate

Nordea piloted Financial Education to schools in the Nordic countries in 2010. The education targets 13–18 year-olds with the aim to give them a basic economic understanding and to help them handle their own daily finances.

The pilots generated lively discussions about pros and cons of cash and cards, for which purposes a loan is OK and when to avoid it, how to save money when buying your daily soft drink etc. And not least how you finally can get that special something by making a budget and saving for it.

The education consists of a class-room discussion including a case-based solving exercise, followed by an invitation to a follow-up meeting to learn more. The initiative is a way for Nordea to contribute in the local community and is based on volunteers among the employees. The aim for 2011 is to reach 20,000 youths across the Nordics visiting 1,000 classes.

#### Combating sexual exploitation of children

Nordea works with other actors in Sweden to prevent the sexual exploitation of children. There are commercial websites providing child pornography, through direct



” We want to teach young people how to take charge of their finances by using basic, objective information and lots of concrete examples relating to their everyday life, says Anu Numminen, Nordea's Private Economist in Finland.

payments. A financial coalition was formed to make it more difficult for the financial systems to be used for such transactions.

The Financial Coalition in Sweden consists of banks, The National Swedish Criminal Investigation Department, the organisation End Child Prostitution and Trafficking (ECPAT) Sweden and the card companies Visa and MasterCard. The coalition has been active for more than a year and there has been a marked decline in the number of commercial websites providing child pornography, and the possibility of making direct payments to such sites.

Human trafficking generates a multi-billion turnover and, according to the United Nations, is the third most profitable criminal activity after weapons and drugs.

ECPAT Sweden works to prevent and stop all forms of sexual exploitation of children.

### **Sponsoring young athletes and musicians**

Nordea's sponsoring focuses on helping activate children and teenagers. Nordea aims at broader sponsorships with a wide participation within sports and music.

#### **Handball for youth in Denmark**

Handball is a popular sport in Denmark and Nordea was the main sponsor for the Danish Handball Federation's youth activities. Nordea's contribution went to recruiting more coaches and supporting the annual handball camps. The aim was to give children the chance to try out the popular sport during one week of their summer holiday. Close to 8,500 children participated in 154 handball camps during the summer of 2010.

#### **Orchestra for youth and professional musicians in Finland**

The Nordea Jean Sibelius Orchestra gives young people the opportunity to perform with top professionals.

Auditions are held once a year and are open to all young musicians throughout Finland.

– Young, gifted musicians need opportunities to play in big orchestras. My first experiences of playing with a symphony orchestra were so meaningful that I decided to become a musician, says conductor Jukka-Pekka Saraste. Since 2007 more than 250 musicians (age 12–30) have participated in the orchestra holding regular performances.

#### **Track and field in Sweden**

Nordea has been youth ambassador for track and field since 2006. Nordea sponsors local athletic clubs so that the clubs can arrange local track and field schools and training. The activities take place during the summer and are directed towards children and youth from 6 to 16. The older children who are active within track and field are given the opportunity to become coaches. During 2010 a record number of approximately 20,000 children participated in Nordea's Track and Field Academies.

#### **Supporting popular sports in Norway**

Nordea supports Paralympics Committee and Confederation of Sports (NIF), which is the umbrella organisation for sports in Norway. The organisation has more than 2 million memberships and includes 12,000 sports clubs. The agreement with NIF covers popular sports like skiing and handball focused on children and youth.



## Coaching Latvian entrepreneurs

Many Latvians want to become entrepreneurs due to high unemployment. Therefore Nordea launched the Nordea Business School.

The school is open to unemployed customers and the general public who would like to establish their own business. Classes run over a six-month period and are taught by leading business consulting and staff training companies in Latvia along with Stockholm School of Economics in Riga. The sessions are filled and will continue for the foreseeable future.

” The aim is to help emerging entrepreneurs in a step-by-step process from idea to meetings with potential investors. The school provides participants with lectures, practical advice as well as individual coaching and mentoring sessions. As a result, we aim for several new companies to be established at the end of the school-year, says Jana Strogonova, Head of Retail Banking of Nordea Latvia.

# GRI index

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

The index below includes degree of reporting and page reference to the relevant indicators in this report. In some instances reference is made to the Nordea Annual Report 2010 (AR). All core indicators are included in the table, together with the additional indicators Nordea has found relevant, and a selected number of indicators from the GRI Financial Services Sector.

● Fully reported ● Partly reported ○ Not reported ■ Not applicable

GRI CONTENT INDEX		Pages	
<b>1. STRATEGY &amp; ANALYSIS</b>			
1.1	CEO statement	6-7, AR 2-3	●
1.2	Description of key impacts, risks and opportunities	6-7, 12-13, AR 57-69	●
<b>2. ORGANISATIONAL PROFILE</b>			
2.1	Name of the organisation	4	●
2.2	Primary brands, products, and services	4-5	●
2.3	Operational structure of the organisation	4, AR 19	●
2.4	Location of organisation's headquarters	4	●
2.5	Countries where the organisation operates	5	●
2.6	Nature of ownership and legal form	4	●
2.7	Markets 5	5	●
2.8	Scale of the organisation	4-5, AR 11, 32-36, 88	●
2.9	Significant changes during the reporting period	5	●
2.10	Awards received during the reporting period	4	●
<b>3. REPORT PARAMETERS</b>			
<b>REPORT PROFILE</b>			
3.1	Reporting period	8	●
3.2	Date of most recent previous report	8	●
3.3	Reporting cycle	8	●
3.4	Contact point for questions regarding the report	43	●
<b>REPORT SCOPE AND BOUNDARY</b>			
3.5	Process for defining report content	8	●
3.6	Boundary of the report	5, 8	●
3.7	Specific limitations on the scope or boundary of the report	8	●
3.8	Basis for reporting on joint ventures, subsidiaries, etc	8	●
3.9	Data measurement techniques and calculation principles	8	●
3.10	Explanation of the effect of any re-statements of information provided in earlier reports	8, 16-19, 32-37	●
3.11	Significant changes from previous reporting periods	8	●
3.12	Table identifying the location of the Standard Disclosures in the report	40-41	●
3.13	Policy and current practice with regard to seeking external assurance for the report	8, 42	●
<b>4. GOVERNANCE, COMMITMENTS &amp; ENGAGEMENT</b>			
<b>GOVERNANCE</b>			
4.1	Governance structure of the organisation	9-11	●
4.3	Independent and/or non-executive board members	9-11	●
4.4	Mechanisms for shareholders and employees to provide recommendations to the board	9-11	●
4.5	Principles for compensation to senior executives	AR 77-80	●

GRI CONTENT INDEX		Pages	
4.6	Processes for avoiding conflicts of interests in the board	11, AR 71	●
4.7	Processes for determining the qualifications of board members	10, AR 71	●
4.8	Mission, values, Code of Conduct, etc.	11, 20, 26	●
4.9	The board's monitoring of the sustainability work	9-10	●
4.10	Processes for evaluating the board's own performance	AR 72	●
<b>COMMITMENTS TO EXTERNAL INITIATIVES</b>			
4.11	Explanation of how the precautionary principle is applied	13, 31	●
4.12	Endorsement of external voluntary codes, principles, etc	11, 20, 26 (25-29 CSR Report 2009)	●
4.13	Memberships in associations	11	●
<b>STAKEHOLDER ENGAGEMENT</b>			
4.14	List of stakeholder groups	14	●
4.15	Basis for identification and selection of stakeholders with whom to engage	13, 14-15	●
4.16	Approaches to stakeholder engagement	13, 14-15	●
4.17	Key topics and concerns that have been raised through stakeholder engagement	15	●
<b>5. ECONOMIC INDICATORS</b>			
<b>DISCLOSURE ON MANAGEMENT APPROACH</b>			
<b>Economic performance</b>		4, 6-7, 9, 12, AR 4-11, 16-21, 178-179	●
<b>Market presence</b>		5, AR 39-41	●
<b>Indirect economic impacts</b>		13, 20-26	●
The economic performance of Nordea is managed by the CEO and the CFO and their related organisations and due care is taken to secure that sustainability aspects are integrated where necessary. This is for example governed in the Nordea CoC and followed up as part of our risk management processes.			
<b>ECONOMIC PERFORMANCE</b>			
EC1	Direct economic value generated and distributed	5, 38-39	●
EC2	Risks and opportunities due to climate change	12-13, 26	●
EC3	Coverage of the organisation's defined benefit plan obligations	AR 107-108 (Note 22)	●
EC4	Financial assistance received from government	4-5	●
<b>ECONOMIC PERFORMANCE</b>			
EC6	Policy, practices, and proportion of spending on locally based suppliers		○
EC7	Local hiring and proportion of senior management hired from the local community		○
<b>INDIRECT ECONOMIC IMPACT</b>			
EC8	Infrastructure investments and services provided for public purposes hired from the local community		■
<b>6. ENVIRONMENTAL PERFORMANCE INDICATORS</b>			
<b>DISCLOSURE ON MANAGEMENT APPROACH</b>			
<b>Goals and performance</b>		11, 18-19	●
<b>Organisational responsibility</b>		9	●
<b>Training and awareness</b>		20, 25, 26	●
<b>Monitoring and follow-up</b>		8, 18-19	●
<b>MATERIALS</b>			
EN1	Materials used by weight or volume	19	●
EN2	Percentage of recycled input materials	19	●
<b>ENERGY</b>			
EN3	Direct energy consumption by primary source		○
EN4	Indirect energy consumption by primary source	18	●
EN6	Initiatives to provide energy-efficient or renewable energy based products/services	16	●
<b>WATER</b>			
EN8	Total water withdrawal by source	18	●
<b>BIODIVERSITY</b>			
EN11	Location/scope of land owned near protected areas/areas of biodiversity value		■
EN12	Impacts of products or operations on biodiversity		■



GRI CONTENT INDEX		Pages	
<b>EMISSIONS, EFFLUENTS &amp; WASTE</b>			
EN16	Direct and indirect greenhouse gas emissions	18-19	●
EN17	Other relevant indirect greenhouse gas emissions	18-19	●
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	16	●
EN19	Emissions of ozone-depleting substances		■
EN20	NO, SO, and other significant air emissions		■
EN21	Total water discharge – water consumption is relevant to our business not discharge		■
EN22	Waste by type and disposal method	19	●
EN23	Number and volume of significant spills		■
<b>PRODUCTS &amp; SERVICES</b>			
EN26	Initiatives to mitigate environmental impacts of products and services	20-22, 26-28, 31	●
EN27	Products sold and their packaging materials that are reclaimed		■
<b>COMPLIANCE</b>			
EN28	Fines and/or non-monetary sanctions for noncompliance with environmental laws		■
<b>TRANSPORT</b>			
EN29	Environmental impact of transports	18-19	●

## 7. SOCIAL PERFORMANCE INDICATORS

DISCLOSURE ON MANAGEMENT APPROACH			
<b>Goals, performance and policy</b>		11, 32-36	●
<b>Organisational responsibility</b>		AR 179	●
<b>Training and awareness</b>		32-36	●
<b>Monitoring and follow-up</b>		32-36, AR 41	●

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

EMPLOYMENT			
LA1	Total workforce by employment type, contract and region	35	●
LA2	Rate of employee turnover by age group, gender and region	36	●
LA3	Benefits provided to full-time employees		○
LA4	Percentage of employees covered by collective bargaining agreements	35	●
LA5	Minimum notice period(s) regarding operational changes	35	●
LA7	Rates of injury, occupational diseases, lost days, work related fatalities	36	●
LA8	Education, training, prevention and risk-control programs in place	32-36	●
LA9	Health and safety topics covered in formal agreements with trade unions	35-36	●
LA10	Average hours of training per year per employee	33	●
LA12	Employees receiving regular performance and career development reviews	33	●
LA13	Composition of governance bodies and employees according to diversity indicators	AR 41, 120	●
LA14	Ratio of basic salary of men to women		○

## HUMAN RIGHTS

Human Right issues can be direct and indirect for Nordea. In the direct case these issues are governed by the UN Global Compact and the Nordea CoC, and are the responsibility of the Human Resource organisation. The compliance function (second line of defence) and IA functions (third line of defence) are also available to secure compliance but the overarching principle is a decentralised responsibility for the operating organisation, see 11, 13. In the indirect case this is mainly a responsibility for the credit organisation and the investment organisation, see 20-26.

HR1	Investment agreements that include human rights clauses	20-28	●
HR2	Suppliers that have undergone screening on human rights and actions taken		○
HR4	Total number of incidents of discrimination and actions taken	34	●
HR5	Operations where freedom of association and collective bargaining may be at significant risk and actions taken		○
HR6	Operations identified as having significant risk for incidents of child labour and actions taken		○
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and actions taken		○

GRI CONTENT INDEX		Pages	
<b>SOCIETY</b>			
<b>DISCLOSURE ON MANAGEMENT APPROACH</b>			
<b>Goals and performance</b>		24-25	●
<b>Policy</b>		24-25	●
<b>Organisational responsibility</b>		24-25	●
<b>Training and awareness</b>		24-25	●
SO1	Programs for evaluating the operation's impacts on communities		■
SO2	Business units analysed for risks related to corruption		○
SO3	Employees trained in the organisation's anticorruption policies and procedures	25	●
SO4	Actions taken in response to incidents of corruption	25	●
SO5	Participation in public policy development and lobbying		○
SO8	Monetary value of fines for non-compliance with applicable laws		○
<b>PRODUCT RESPONSIBILITY</b>			
<b>DISCLOSURE ON MANAGEMENT APPROACH</b>			
<b>Goals and performance</b>		29-31	●
<b>Policy</b>		11, 12-14	●
<b>Organisational responsibility</b>		30-31, AR 32-37	●
<b>Training and awareness</b>		29-31	●
PR1	Life cycle stages in which health and safety impacts of products and services are assessed		○
PR3	Type of products and service information required by procedures, and percentage of products subject to such information requirements	31	●
PR5	Results related to customer satisfaction, including results of surveys	29-30	●
PR6	Programs for adherence to laws, standards and voluntary codes for marketing communications	31	●
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	30-31	●
PR9	Monetary value of fines for non-compliance with regulations concerning the use of products and services		○
<b>FINANCIAL SERVICES SECTOR SUPPLEMENT INDICATORS (SELECTED)</b>			
FS1	Policies with specific environmental and social components applied to business lines	19-31	●
FS2	Procedures for assessing and screening environmental and social risks in business lines	20-28	●
FS3	Processes for monitoring clients' implementation of and compliance with environmental and social requirements included in agreements or transactions	20-23, 26-28	●
FS4	Process(es) for improving staff competency to implement the environmental and social policies and procedures as applied to the business lines	24-28	●
FS5	Interactions with clients/investees/business partners regarding environmental and social risks and opportunities	24-28	●
FS6	Percentage of the portfolio for business lines by specific region, size and by sector	5, AR 21-39	●
FS10	Percentage and number of companies held in the institution's portfolio with which the reporting organisation has interacted on environmental or social issues	20-22	●
FS11	Percentage of assets subject to positive and negative environmental or social screening	20-21	●
FS15	Policies for the fair design and sale of financial products and services	30, 31, 38-39	●
FS16	Initiative to enhance financial literacy by type of beneficiary	38	●

## Report Application Levels

Mandatory	Optional	2002	C	C+	B	B+	A	A+
		Selt declared						
Third party checked								
GRI checked								

# Auditor's Review Report

on the Nordea CSR Report 2010

## To the readers of Nordea CSR Report 2010:

We have been engaged by Nordea's Group Executive Management to review the Nordea CSR Report 2010. The Board of Directors and Group Executive Management are responsible for ongoing CSR activities, and for the preparation and presentation of the CSR Report in accordance with the applicable criteria. Our responsibility is to express a conclusion on the CSR Report based on our review.

## Scope of review

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

The criteria on which our review are based are the parts of the "Sustainability Reporting Guidelines, G3" published by the Global Reporting Initiative (GRI), which are applicable to the CSR Report. We consider these criteria suitable for the preparation of the CSR Report. Our review has, based on an assessment of materiality and risk, among other things included the following procedures:

- Assessment of suitability and application of criteria in respect to stakeholders' need of information.

- An update of our knowledge and understanding of Nordea's organisation and activities.
- An assessment of the outcome of the stakeholder dialogues conducted during 2010.
- Interviews with responsible management, at different levels within the Group, with the aim to assess if the qualitative and quantitative information stated in the CSR Report is complete, correct and sufficient.
- Reading of internal documents to assess if the information stated in the CSR Report is complete, correct and sufficient.
- Evaluation of routines used for the collection and reporting of CSR information and data.
- Evaluation of the model used to calculate CO<sub>2</sub> emissions.
- Analytical review of reported information.
- Review of underlying documentation, on a test basis, to assess whether the information and data in the CSR Report is based on that documentation.
- Review of qualitative information and statements in the CSR Report.
- Assessment of Nordea's self-declared application level according to GRI's guidelines.
- Overall impression of the CSR Report, and its format, considering the information's mutual conformity with the applicable criteria.
- Reconciliation of the reviewed information with the sustainability information in the Nordea Annual Report 2010.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that Nordea's CSR Report 2010 has not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, February 10, 2011  
KPMG AB

Carl Lindgren  
Authorised Public Accountant

Åse Bäckström  
Expert Member of Far

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