

# Nordea



**Sustainability Report  
2017**



### **The report in brief**

Nordea's Sustainability Report 2017 has been prepared in accordance with GRI G4, core level. The report has been subject to third-party assurance by PwC. The assurance statement can be found on page 46. Nordea Sustainability Report 2017 is divided into two sections. In the first section, pages 4–33, we tell our sustainability story. In the second section, the sustainability notes on pages 34–45, supplementary information is provided regarding disclosures in the front section, all data as well as information regarding the fulfilment of GRI G4 and the GRI Index. We also report here on limitations in scope and omission statements according to GRI, where relevant.

If you have any questions about the Sustainability Report, you are welcome to address them to [sustainability@nordea.com](mailto:sustainability@nordea.com)

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# Nordea's CEO on sustainability



## Sustainability on the Board's Agenda

Over the last couple of years, we have implemented a new compliance governance structure at Nordea. The reforms have included a complete overhaul of compliance management and supervision, including a new committee on the Board of Directors, dedicated to ensuring and overseeing best-in-class performance in conduct, compliance, sustainability, operations/systems, and related frameworks and processes. I am confident that Nordea has now created a solid foundation that also enables further development and integration of sustainability into our business processes, both to manage risks and to create opportunities.

**Björn Wahlroos**  
Chairman of the Board



Nordea's President and Group CEO, Casper von Koskull (CvK), and Nordea's Head of Group Sustainability, Erik Feldt (EF), met to discuss sustainability one afternoon in November.

**EF:** In recent years, sustainability has climbed the agenda of most companies, Nordea included. What does sustainability mean to you?

**CvK:** To me, it means acting and behaving responsibly. Sustainability is multi-dimensional and is part of everything we do at Nordea. It is about mitigating risks, improving resilience and creating opportunities. It is, quite simply, the right thing to do. Nordea is a major player in the tenth largest economy in the world. We touch every part of society and need to take responsibility for our actions and behaviour.

**EF:** I agree. To me it is also about Nordea being a long-term entity on the financial market. We make commitments to our customers that are 30–40 years out in time and, in order to be able to deliver on these commitments, we have to make sure that Nordea is still on the market at that time. To me, that is the essence of

sustainability – something that lasts over time. And, on the topic of resilience; what are the most important macro trends you see affecting Nordea in the short and long term?

**CvK:** We face two macro trends in particular. The first is the fourth industrial revolution which is not only digitalisation, but consists of computing power, the internet of things and mobility. It will fundamentally change banking as such, even if the underlying customer needs that we satisfy might be the same. That is the major overriding trend as I see it.

**EF:** In your view, how will customers benefit from that change?

**CvK:** We will have to focus even more on our customer vision. Customers want to have a bank that is easy to deal with, that is relevant, competent and available anywhere and anytime. Our customers also form part of society, and for us to be perceived as relevant for them, we need to

be relevant for society which includes being safe and trusted.

**EF:** You mentioned two macro trends. I guess the second is regulation?

**CvK:** You are right, the second one is regulation, and rightly so. Regulation provides a safe and trusted financial system to ensure that all participants move in the right direction. We have to have rules, laws and regulations in place to show the way, but I don't think that is enough. That sets the outer boundary within which the company has to work, but a company also must adhere to societal norms.

**EF:** That is a really good point. Once we are completely sustainable in everything we do, that is the end of regulation.

**CvK:** Exactly. I have said several times in the past that if we were to operate fully in line with our purpose and values, that is all that would be needed. That said, a great achievement this year is that we have embarked on our cultural transfor-

mation journey, of which our new purpose and values form a part. We are taking a major step to ensure that the bank we want to be in the future is not only about our business model, but also about our culture. There is no business transformation without a cultural and human transformation.

Also during the year, we have strengthened our sustainability governance and taken a position to combat climate change by issuing a position statement, and we issued our first own green bond. The latter shows to our customers that sustainability is not only the right thing to do; it also mitigates risk and is financially smart. We have also approved our new community engagement strategy and volunteering policy, making the strategy more focused on our areas of expertise, financial literacy and entrepreneurship, where we can make most difference.

**EF:** Talking about the community engagement strategy, we had a case competition about sustainability earlier this year in which students had calculated that our volunteering policy potentially releases close to 500,000 hours of voluntary work for Nordea's employees per year. It's a fantastic force that we can release. Our challenge now is to find initiatives that we can contribute to.

**CvK:** I myself have been volunteering in one of the initiatives we support – Me & MyCity in Finland. It was a great experience. Seeing the kids, sixth-graders in

this case, working hard and learning and then saying afterwards that this was their best day at school ever – that is a really great feeling.

**EF:** I can imagine that. Now we have talked about our achievements in 2017, what have been – and what are – our challenges?

**CvK:** The transformation, the change we are going through, is not only an opportunity and an achievement but also a challenge. Digitalisation comes with new ways of working; while this is exciting, it also means that we will need fewer people to do the job. Having to drive a change in which we reduce our workforce is painful. We must ensure we do it in a responsible, human and ethical way and take care of those affected. We are trying our best to help them find new positions within or outside the bank through our job mobility process.

**EF:** Another issue that is discussed from time to time and that all customer-facing staff spend a lot of time on is “know-your-customer” – a procedure in place to prevent financial crime by knowing who we are doing business with. Why is this so important?

**CvK:** The banks are basically the only entities that can take an active role when it comes to preventing financial crime and making the financial system safer and securer, and ensuring it is not used for terrorist financing, human trafficking, distribution of drugs, and so on. Our “know-your-customer” procedure is a

step on the way to making the system sustainable, fairer, sounder and more resilient. It is about protecting our customers, our society and the global economy as a whole. Preventing tax evasion is another aspect of this. The financial sector has come a long way, but work is still in progress.

**EF:** Our Business Ethics and Values Committee (BEVC) is a way of ensuring that we not only fulfil our legal obligations but also that we act ethically. It was initiated by you before the “Panama Papers” and was a strong statement of your conviction of the importance of sustainability.

**CvK:** Yes. It is a result of the major shift within the financial sector. Going from “can we do this?” to “should we do this?” and asking ourselves if what we do, in order to help solve an issue for a customer, is the right thing to do. I see this shift taking place now, but we are not fully there yet. BEVC is our guiding beacon when it comes to what the answer should be in situations that are not always black or white. The committee has been established to provide guidance and to set a framework for the organisation.

**EF:** Stakeholders not only expect Nordea to behave ethically; they also expect the financial sector to take the lead when it comes to helping fulfil the UN's Sustainable Development Goals (SDG). How should we do that?

**CvK:** We embrace the SDGs and take a holistic view to them. Being the company we are – a financial institution – there are of course areas to which we can contribute more than others. One is taking climate action by sustainable financing, investment and advice. We have already taken the lead in responsible investment, even though the numbers are still small in relation to the total. Now, we need to take action on lending and advice. We have a possibility through dialogue to support and encourage our customers to build more robust and resilient business models. We need to do that to fulfil our customer vision to be relevant. Our customers expect us to be here in the future and we can only do so by continuing to support the ten principles of the UN Global Compact, embracing the SDGs, and ensuring we integrate sustainability into everything we do.

**Casper von Koskull**  
President and Group CEO

**Erik Feldt**  
Head of Group Sustainability



# This is Nordea

**Banks help businesses** and economies grow on local, national and cross-border level, hence driving economic and social development forward. Without a functioning financial system, society would grind to a halt. Everyone – individuals, large and small companies, and local and national government, depend on a functioning financial system.

A well-functioning bank contributes to the development of communities and employment and is fundamental to the ability for enterprises to start up and grow. It also provides products and services to households to enable them to save and borrow at all stages of life.

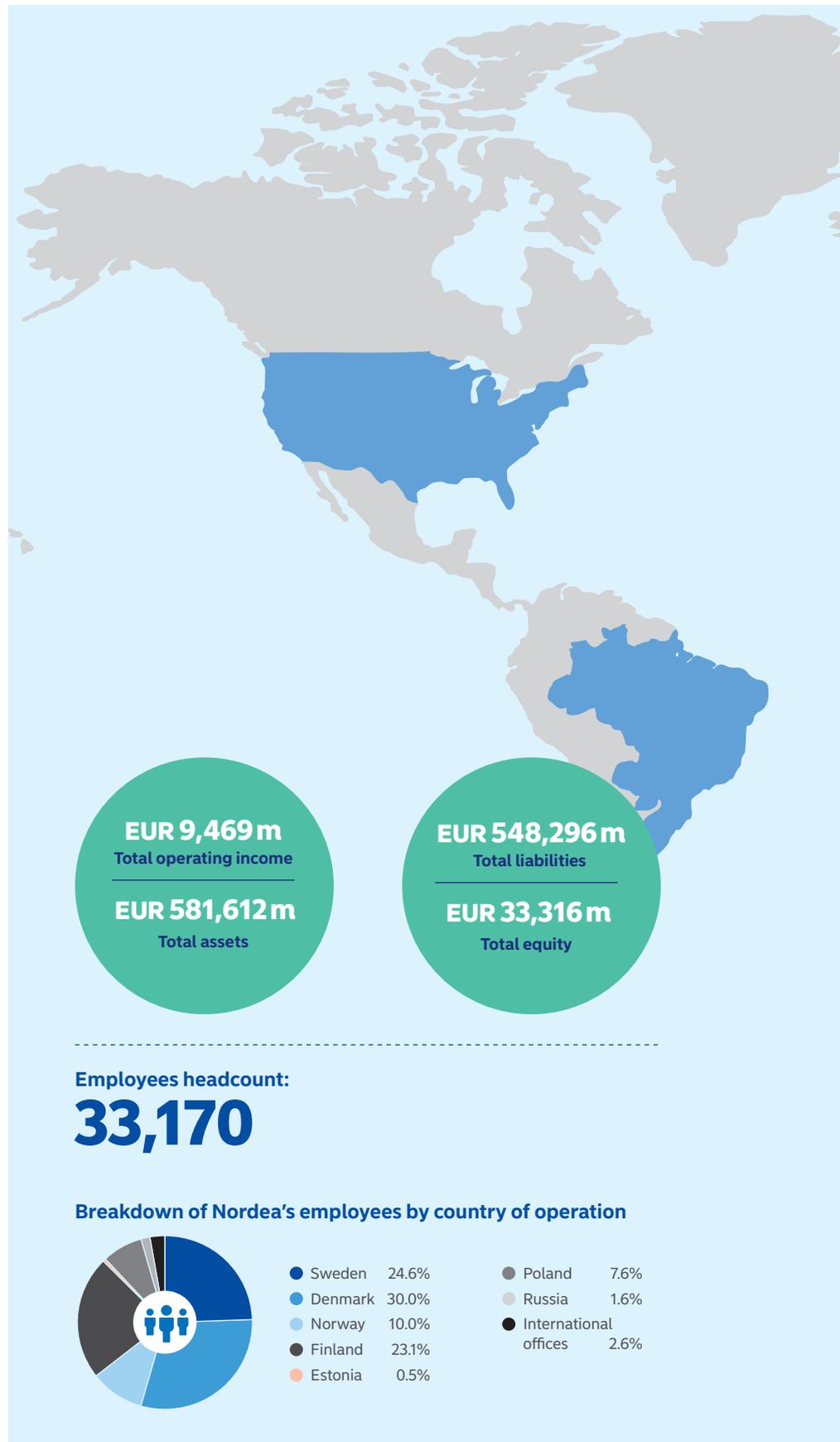
As a bank, Nordea has three main tasks; to convert savings into financing, to manage credit and other financial risks and to enable payments and other financial transactions efficiently and securely. Trust in the financial sector and in the financial system is crucial to financial stability. This trust is mainly based on laws and regulations. Ensuring financial stability forms part of Nordea's social responsibility.

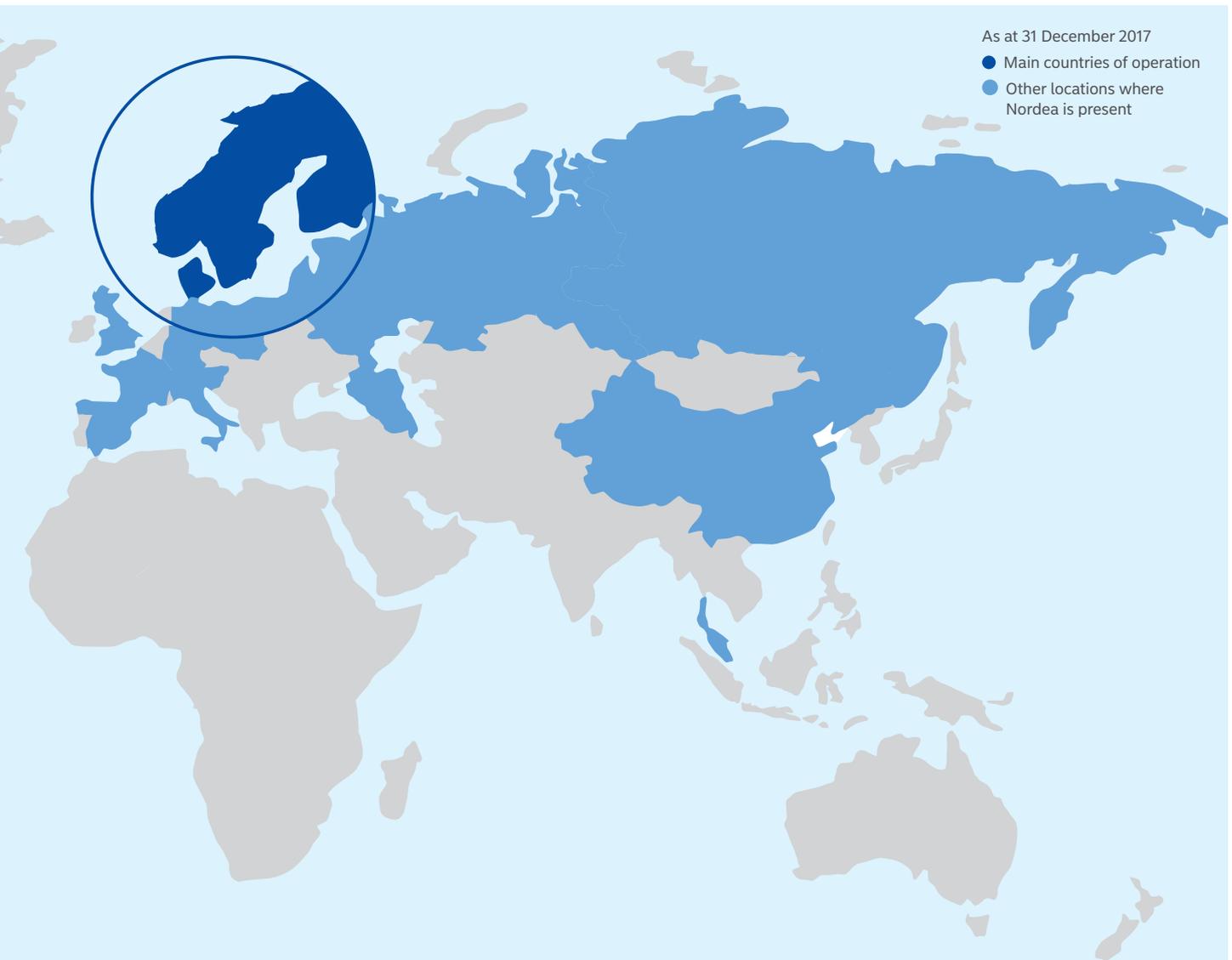
**Nordea is the largest** financial services group in the Nordic region and one of the biggest banks in Europe. We want to make a real difference – for our customers and for the communities in which we operate – by sharing our extensive expertise based on 200 years in the banking business. As a financial entity, we strive to find the financial solutions that best suit our customers' needs so they can achieve their goals and realise their dreams. When our customers succeed, so do we.

Nordea Bank AB (publ) is legally registered in Sweden, with its headquarters in Stockholm. In 2017 the Board of Directors decided to re-domicile the headquarters to Finland. The final decision will be made by the shareholders at the Annual General Meeting in March 2018.

We are present in 20 countries, including our four Nordic home markets – Denmark, Finland, Norway and Sweden – together forming the tenth largest economy in the world. Our main business areas, Personal Banking, Commercial and Business Banking, Wholesale Banking and Wealth Management, are designed to support the relationship strategy for each specific customer segment.

The Nordea share is listed on the NASDAQ stock exchanges in Stockholm, Helsinki and Copenhagen.





As at 31 December 2017

- Main countries of operation
- Other locations where Nordea is present

Household customers:

**~9.6 million**

Corporates & Institutions:

**580,000**



# Nordea and sustainability

At Nordea, we are committed to acting sustainably in our everyday business. In our view, sustainability presents an opportunity to use our skills, expertise and relationships to make a positive difference to individuals, society and the environment. Building trust by being open, approachable, transparent and acting with integrity is vital to achieving this objective.

**We have set** a number of sustainability commitments across the entire business, which will anchor sustainability more deeply into our operations, focus management's attention and help us boost performance over time. This approach aims to foster a culture and encourage behaviour that is aligned with society's expectations of us, helping to ensure the continuing success of our business.

In support of our commitment to contributing to sustainable development, we follow the UN's Universal Declaration of Human Rights, ILO Conventions and the OECD Guidelines for Multinational Enterprises in our operations and business. We have signed several voluntary international agreements, such as UN Global Compact (UNGC), UN Guiding Principles on Business and Human Rights (UNGPR), UN Environmental Programme Finance Initiative (UNEP FI) and UN Principles for Responsible Investment (UN PRI) which, together, provide a solid base for ethical business practices at Nordea. Regarding employee-related matters, we follow local legislation and regulations and have a number of health and safety policies and practices in place, e.g. policies for occupational healthcare, alcohol and drugs, work environment, work-related stress, discrimination, and sexual harassment.

For more information about external charters and initiatives to which Nordea adheres, please see note S10. on page 40.

## Policies leading the way

Nordea's Code of Conduct describes the high-level ethical principles that guide our business, how we treat our customers, and the conduct we expect from our employees. It includes aspects such as care for the environment, labour rights, how we treat our customers, commitment to human rights, the right to privacy, and anti-bribery and corruption. The Nordea Sustainability Policy sets forth the Group's values and commitments to ethical business, and was updated in 2017 with sections on sustainable financing, investment and advice. Both

documents apply to all employees and everybody working on behalf of Nordea, and are supported by specific and concrete policies to ensure compliance in everyday business. Examples are work environment-related, the anti-corruption policies, and several investment and credit policies. Employees are trained in these policies on a yearly basis to obtain their "licence to work".

## Focusing on material aspects

The materiality analysis we conducted in 2016 shows that our greatest contribution to sustainable development will be embedded in the services we provide to our customers. We have to take environmental issues, employee and social matters, human rights, anti-corruption and corporate governance into consideration when making business decisions, whether they concern financing, investment or advice. However, we cannot neglect that our direct operations have a negative impact on the environment and that the key to continuing success as a financial institution consists of a diversified, competent and satisfied workforce that acts in accordance with ethical standards. We must also take our responsibility as buyers of products and services, and ensure that our suppliers adhere to the same sustainability standards as we do.

For details regarding our materiality analysis, see note S1. on page 35-36.

## Setting the strategic direction for the future

Like many other organisations, we have realised that, in order to future-proof our business, we need to plan for and address the potential impact of global megatrends. To name a few, these include technological breakthroughs and climate change and resource scarcity. We need to look beyond our own challenges, both direct and indirect, and consider the broader influences that are fundamentally changing the way the world works. In 2017, we upgraded our sustainability approach and started to develop a long-term sustainability road-

map taking mega trends such as climate change and digitalisation as well as the UN's Sustainable Development Goals (SDG) into account.

We will create sustainable business by integrating sustainability into all our products and offerings. So far, we have integrated environmental, social and governance issues (ESG) into our investment decisions and are on our way regarding financing, but lots of work remains to be done. We see the SDGs as the future direction and will link sustainability at Nordea to our selected SDGs.

Based on our roadmap, we will renew our materiality analysis in 2018. This will ensure that we continue to focus on the sustainability aspects most relevant to our business, from an impact perspective as well as from a value creation perspective. We will set long-term goals aimed at taking us several steps further towards being the leading sustainable entity on the financial market.

## Working to fulfil short-term sustainability goals

In 2016 we set nine short-term sustainability goals, all to be addressed in 2017. The goals are to be seen as activities needed for us to reach a certain level of preparedness to meet the sustainability challenges ahead. By the end of 2017 we had reached six of our nine goals. The others are yet to be fulfilled and will be transferred to 2018. In the work to set our sustainability roadmap, we also identified three other short-term goals that need to be addressed promptly for us to stand prepared to take on long-term goals. This means that for 2018, we have in total six short-term sustainability goals to focus on.

## Engaging in stakeholder dialogues

Strong stakeholder relations are important for moving towards being a sustainable entity in society. We regularly conduct stakeholder analysis with the purpose of defining and identifying which groups of stakeholders are key to Nordea.

-  Fulfilled
-  In progress
-  New

### Short-term sustainability goals

Goal	Description	Comment	Status
	Anchor minimum sustainability goals with GEM and Board of Directors (prerequisite for successful achievement of following goals).	Presented by CEO at the Annual General Meeting in April 2017.	
	Map and assess sustainability regulations', international conventions' and standards' relevance to and impact on Nordea.	Mapping and assessment presented to the Sustainability Committee in November 2017. Identified gaps and suggested actions will be included in our sustainability roadmap.	
	Clarify sustainability governance model and decide on internal processes.	A dedicated board committee established. Revised charter and membership structure for the Sustainability Committee. Sustainability working groups covering seven different areas established.	
	Systemise data collection and verification process.	Reporting responsibility per business area and group function has been clarified and all indicators to be reported have been assigned to a specific unit.	
	Launch position paper on climate change and establish science-based targets.	Position statement launched in November 2017. Science-based targets calculated for Nordea's direct operations' emissions. Targets for indirect impact not possible to establish at present due to insufficient data.	
	Align diversity policy for the Board of Directors and implement as applicable, according to the legislation.	Group directive and standard operating procedure for composition of subsidiary boards aligned with diversity policy for the Board of Directors have been approved. Implementation of these will take place gradually as subsidiary board members are replaced.	
	Enhance the ESG screening tools to improve the consolidation capabilities for responsible investment, responsible financing and responsible procurement.	Principles for sustainable financing, investment and advice included in the Sustainability Policy. Implementation of the principles has started and will continue in 2018.	
	Launch a risk management framework in order to identify key risks in value chain (focus on human rights, labour rights, anti-corruption measures and environment).	First draft of "Instructions on management of Sustainability risks" was presented in BEVC in December 2017. The instructions will be aligned with Nordea's overall risk framework implemented in 2018.	
	Establish a KPI framework with individual KPIs.	Benchmark analysis to establish best practice has been conducted. KPI framework will be based on the renewed materiality analysis and included in scorecards where relevant and appropriate.	
	Continue implementation of the updated Sustainability Policy and the principles for sustainable financing, investment and advice.		
	Establish baseline for climate change and human rights-related risks throughout the value chain.		
	Launch position statement and guidelines within relevant areas, e.g. defence and shipping.		

Employees, management and the Board of Directors are identified as our primary internal stakeholders and customers, owners, suppliers, regulators, NGOs and media as our key external stakeholders. In 2017 we continued to engage with our various stakeholders in different ways. The result from these dialogues guides us strategically in adjusting our business practices and adopting a more long-term risk management approach, taking complex sustainability issues into consideration.

For more details on specific issues raised by the different stakeholders in 2017, see note S2. on page 36.

**Endorsing Sustainable Development Goals**

In 2015 UN member states signed the Sustainable Development Goals (SDG) applicable to all entities in all countries worldwide. The 17 goals are all crucial for sustainable development to occur, and they come with a number of cross-cutting effects. We acknowledge that we have an important role in helping the governments in the four Nordic countries in which we operate to achieve the global goals. Based on input from our stakeholder dialogues and global sustainability needs, we

identified a number of key areas in 2016 in which we believed Nordea would have the strongest impact.

Given that we have been focusing our efforts during the year to reach a certain level of sustainability readiness, we have deepened our initial analysis of which SDGs to focus on. We have taken a holistic approach to the SDGs, realising that they are all relevant to us if we look at our impact – deploying capital into areas where improving standards of living and protecting the environment will drive economic growth. However, we need to channel our resources into the SDGs where we have the greatest possibility of reducing negative impact and increasing positive impact. In our SDG analysis the focus is on materiality. We have gathered input from group functions and business areas as well as from external sources including the country-specific analysis performed for Denmark, Finland, Norway and Sweden by their respective governments. The outcome of our analysis is that there are four SDGs that we shall focus on.

We will not succeed in achieving these SDGs ourselves, so working in partnerships, as specified in SDG 17, is crucial for reaching the goals.

**SDG 3 Good health and well-being**

It is important for us as employer to enhance the well-being of our employees.

**SDG 8 Decent work and economic growth**

A relevant goal for us as a major bank. We can have a significant impact on this through our operations.

**SDG 13 Climate action**

This goal is undisputable in importance due to the positive indirect impact we can have in fighting climate change through channelling investment and financing to greener alternatives.

**SDG 16 Peace, justice and strong institutions**

All companies need to play a part in creating a fair environment for business by complying with laws and regulations, improving transparency, protecting whistle-blowers and setting the highest standards of integrity amongst their workforces.

**The Nordea SDG Flower**

It illustrates how we have prioritised between the SDGs.



## Respecting human rights

We are committed to addressing and integrating respect for human rights across our value chain. By continually improving our approach to human rights, we are better prepared to confront new issues rising on the agenda and to manage risks.

A company's most prominent human rights issues are those rights that are at risk of the most severe negative impact through the company's activities or business relationships. In 2018 we will conduct a comprehensive analysis of our value chain to identify our salient human rights issues.

We are working to systematically embed human rights in all parts of the organisation and to strengthen our due diligence processes. We have identified our most critical areas to be within investing, financing and sourcing. We therefore focus on strengthening different areas and processes each year.

It is important to raise awareness among our employees regarding human rights issues and it is therefore included in our Code of Conduct training that is mandatory for all employees as part of the Licence to Work training.

### Task Force on Climate-related Financial Disclosures

In 2015, the Financial Stability Board (FSB) highlighted climate change as a risk to the stability of the global financial system and set up the Task Force on Climate-related Financial Disclosures (TCFD). TCFD has brought together companies that prepare financial data and users of that data (investors, lenders and insurers) to recommend how companies should disclose the financial risks of climate change. These recommendations focus on the disclosure of physical risks from extreme weather such as storms and droughts, and commercial risks related to the global transition to a lower carbon economy. The recommendations were submitted to the G20 in July 2017. As a result, pressure is growing on companies to improve disclosure of climate-related financial risk.

## Combating climate change

The global environment is under great pressure and catastrophes due to climate change and scarcity of natural resources are part of life. The state of the environment affects both individuals and companies and poses a serious threat to global prosperity. Financial institutions have a considerable role to play in the transformation towards a sustainable society in general and in



## Combating climate change with green bonds

If we are to achieve the stated goals of the Paris agreement, massive amounts of green investments will have to be made at all levels of society, from governments to corporates.

**At Nordea**, we encourage the transformation of companies towards low-carbon and more resilient business models, and are focused on helping our customers finance such investments. One way of doing this is to provide relevant products such as green bonds.

Jacob Michaelsen is Head of Sustainable Bonds at Nordea.

"Briefly, a green bond is like any other bond except that the money is earmarked for green purposes such as renewable energy, green buildings and clean transportation. The biggest difference to a regular, non-green bond is that an investment in green bonds also achieves a green impact and investors can be transparent about it," says Jacob Michaelsen.

At Nordea, we work with green

bonds in two different ways. Firstly, we issue our own green bonds to finance loans to customers that have environmental benefits and mitigate climate change. In June 2017 we issued our first green bond – a EUR 500m five-year bond. Secondly, we serve as the intermediary between our customers as issuers and investors by helping them to invest in or issue green bonds via the capital markets.

"In addition to providing cost-efficient funding, green bonds are a natural step in manifesting Nordea's increased ambition level in the sustainability area. They constitute a tangible effort showing our commitment to delivering on our sustainability agenda and working towards a greater good in line with our purpose," concludes Jacob Michaelsen.



combating climate change in particular. Nordea is no exception.

At Nordea we recognise that climate change will pose risks as well as present opportunities for our customers and our business, both directly through the operations we run and indirectly through our stakeholder activities. We will work directly with our stakeholders to mitigate these risks and harness the opportunities. In an increasingly carbon-constrained world, we will listen to the needs of our stakeholders when providing financial services and operating our facilities. We are in dialogue with the industry and authorities on how to implement the recommendations from the TCFD.

We apply the precautionary principle in our operations and have included environmental aspects including climate change in our principles for responsible investment and in our supplier assessments. Taking a responsible approach to managing our environmental impacts is the right thing to do. It builds trust with our customers, employees and other stakeholders, while also protecting the future health of the business.

In 2017 we developed a Position Statement on Climate Change in which we recognise the importance of limiting the average global temperature rise to below the 2 degrees Celsius target. Furthermore, we commit to refraining from providing new financing to energy production or mining companies that are primarily dependent on thermal coal. We may continue to finance existing customers and will encourage them to transform to less carbon-intensive production.

One of our short-term sustainability goals was to establish a science-based target that puts focus on climate action in our entire value chain. In 2017 we therefore evaluated this possibility. However, there is a lack of established methods to create science-based targets for financial institutions that also include scope 3 emissions, i.e. emissions from downstream activities such as investments and financing. Since this is where we have our greatest impact, we are trying to find a way to include these in a science-based target, but have not yet succeeded. We will continue with this task in 2018 to see where it might lead us.

To reduce carbon footprint from our

own activities, we must take steps to mitigate contribution to carbon emissions, and in our operations we have committed to being a carbon-neutral company. This ambition is visible in three different ways. First, we strive to reduce emissions generated from our direct operations. Second, we ensure that energy used in our buildings is renewable. Third, for the remaining unavoidable emissions, in 2017 we continued with the offsetting activities we have carried out since 2015. The combination of measures ensures

that Nordea has a programme for being CarbonNeutral® certified in line with The CarbonNeutral Protocol.

For details on our carbon emissions, see note S3. on page 36-37.

### Sustainable financing

We aim to make sustainable financing decisions, providing credit based on sound banking practice. Our relationships with customers – households, corporates and institutions – are founded on our deep familiarity with their business.

Besides following all guidelines and principles applying to the industry, we have devised our own tools and processes for promoting a holistic approach in our credit decisions. Where relevant we include environmental issues, employee-related and social matters, human rights, anti-corruption and corporate governance when we make the decisions. Nordea's Code of Conduct is the key policy document for our financing together with the new principles on sustainable financing, investment and advice in our Sustainability Policy that was approved by the Board of Directors in June 2017.

In addition, we have industry-specific guidelines and principles for financing, with the purpose of establishing a common strategy for the distribution of our credit portfolio and improving risk management. Industry-specific guidelines are in place for the following sectors: Commercial real estate, Energy, Financial institutions, Leveraged Buy-Out (LBO), and Shipping, Offshore and Oil Services.

As an example, in June, we issued our first ever green bond. Since 2014 we have also been active as an arranger of green bonds.



### Investing responsibly

We believe companies that take environmental and social considerations seriously represent better long-term investments. In our approach to asset management, Nordea applies internationally recognised principles for responsible investment and active ownership and is a signatory to UN PRI.

Our Responsible Investment Policy commits us to screening our actively managed funds to ensure they do not include companies that have violated international norms on environmental protection, human rights, labour standards or business ethics. We review the investments in our funds twice a year to ensure they continue to meet our criteria for inclusion.

We expect companies we invest in to observe internationally recognised human rights principles and to prevent negative effects and manage their impact on human rights. Poor management conflicts with the long-term interest in promoting a responsible and sustainable development and may impact companies' licence to operate. Human rights-related issues include complicity in human rights abuses, modern slavery and child labour, occupational safety

### Nordea joins the banking initiative for Responsible Ship Recycling Standards (RSRS)

In November 2017 Nordea joined the initiative for RSRS together with other leading ship-financing banks. The recycling, or scrapping, of a ship at the end of its lifecycle potentially poses substantial social and environmental risks for the shipping industry, especially if so-called beaching practices are used, whereby ships are driven directly upon beaches and dismantled under difficult working conditions and with detrimental environmental consequences, as hazardous waste is deposited directly into the sea. The RSRS are voluntary industry principles that promote responsible ship recycling and aim to minimise the dangers associated with hazardous materials on board. The standards form guiding principles in the dialogue on responsible ship recycling between the financial sector and stakeholders in international shipping. Nordea is joining the banks participating in the RSRS to increase awareness of the environmental and social risks associated with recycling of ships, and to promote the standards for the sustainable recycling of ships.

and health, the rights of indigenous people and displacement of local communities, freedom of association and collective bargaining and international humanitarian law. Furthermore in 2017 Nordea was one of the founders of the Corporate Human Rights Benchmark (CHRB) which aims to drive better human rights performance through the creation of a transparent, credible and publicly available benchmark.

**Advising customers wisely**

Every customer is unique. We must fully understand our customers’ individual needs and ambitions before offering them any service, advice or product. Our advisors begin by sitting down with customers to discuss their current financial situation and future plans. This allows us to offer the best possible advice and services, tailored to every customer’s particular circumstances. We have a dedicated customer team for our corporate customers, who follow the

same approach. They gain a complete picture of the company’s needs before working together to decide on the services that will support that customer’s long-term business success.

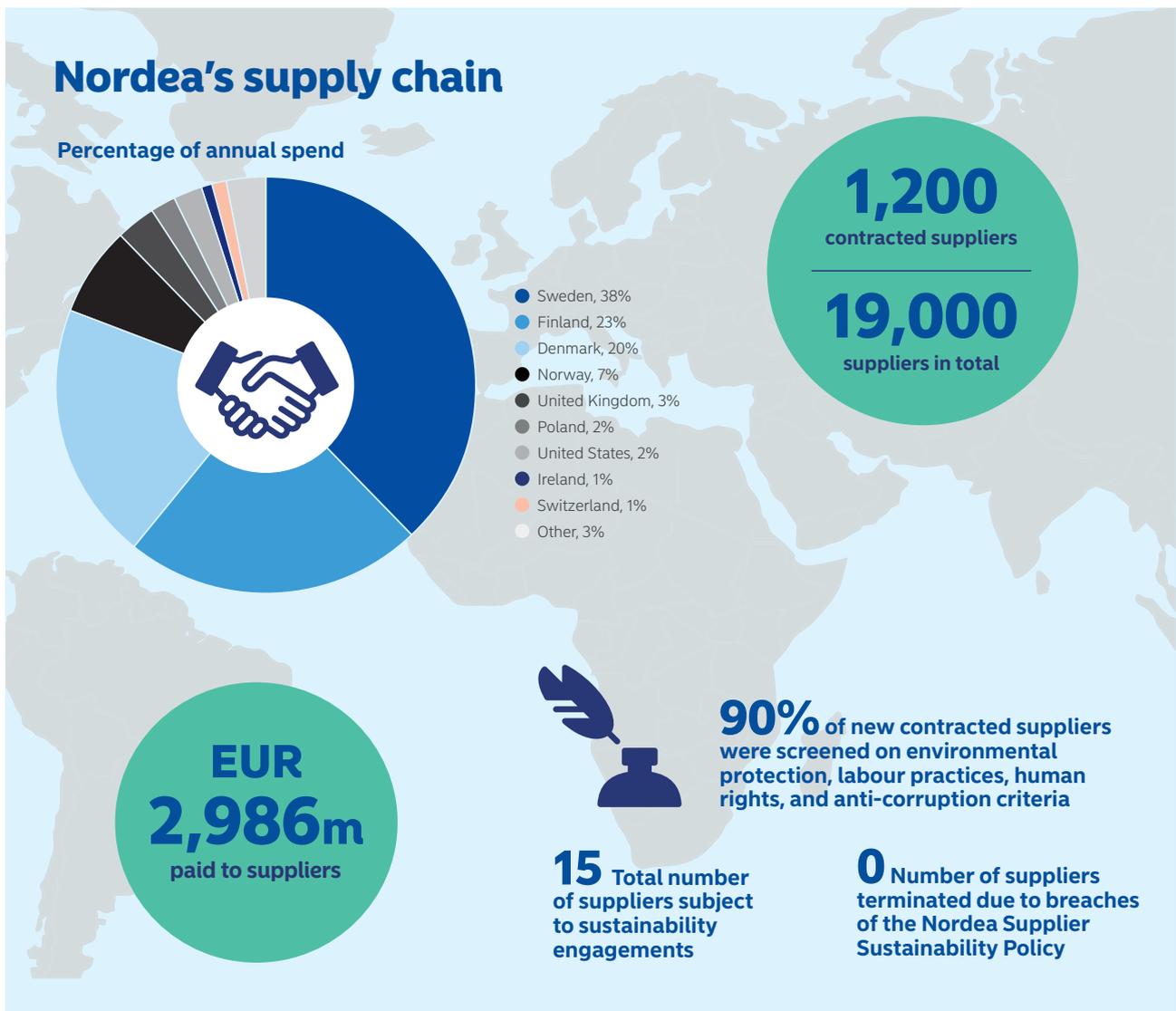
We are committed to ensuring that our customers have all the information they need to make decisions about their finances. Whenever we develop a new product, we follow a stringent process to ensure it is described fully and accurately and sold responsibly. Before launching any new product, the responsible unit and legal counsel closely review external marketing materials and communications for legal compliance.

**Engaging with suppliers**

Sustainable procurement is increasingly on the agenda and this awareness presents both risks and opportunities. One risk is that Nordea is linked to suppliers with questionable business models, potentially generating negative media

exposure. One opportunity, on the other hand, lies in the ability to emphasise to suppliers that a sustainable business model is not only the right thing to do, but also presents a business opportunity, providing them with a competitive advantage in their area.

Nordea’s Supplier Sustainability Policy is mandatory for all large contracted suppliers, i.e. with a contracted value of EUR 250,000 or more. It requires the supplier to adhere to the ten principles in the UN Global Compact which covers human rights, labour standards, environment and anti-corruption. The policy is an integral part of Nordea’s contract templates. Even if the contract with the supplier is not signed on a Nordea contract template, the policy is still mandatory and needs to be part of the agreement. This applies irrespective of the products we are buying. Hence, interaction with large suppliers regarding sustainability is mandatory before contract signing, and when renegotiating.



If, after the contract has been signed, we learn that the supplier is in potential breach of our Supplier Sustainability Policy, initiatives are taken to clarify the issue, potentially preparing a corrective action plan or ultimately terminating the contract. No contracts were terminated in 2017 due to breach of our Supplier Sustainability Policy.

In 2017, we held dialogues with a few suppliers regarding the signing of our Supplier Sustainability Policy. The dialogues were constructive and relationships maintained.

In 2017 we engaged with 15 of our suppliers on the phone, in physical meetings or as part of a sustainability review. Five of the 15 suppliers, e.g. an airline and a provider of IT solutions for portfolio management, were subject to sustainability reviews. As a result of these reviews, we developed mitigating action plans for three suppliers. Furthermore, efforts relating to engaging with high-risk suppliers were ongoing throughout the year.

In 2017 we completed several initiatives to ensure a continuing focus on formalising our process and embedding resilience into our supply chain. The qualifying questionnaire, to which large suppliers must respond before entering the procurement process, has been updated to ensure early involvement, as well as to capture hidden risks. This updated questionnaire will be rolled out in 2018. We have implemented a specific compliance catalyst tool with an extensive database to screen large suppliers before signing contracts.

Furthermore, we have updated our strategic priorities and targets which have led to updated governance as well as mandate clarification. Part of this has been transferring the Sustainable Sourcing Board into a working group to promote better agility. Standard certification of two Sustainable Procurement Managers has been completed and our engagement with industry peers is still developing, supporting the overall sustainable procurement focus.

Next year, we will focus on developing our existing sustainable procurement framework, exploring the benefits of engaging more with industry peers, and communicating more – both internally by facilitating awareness sessions, and externally by updating our supplier pages regarding sustainability on our website, [nordea.com](http://nordea.com). All of this has the overall aim of further integrating sus-

tainability into our sustainable procurement practices.

For details on scope for supplier-related data, see note S4. on page 37.

### Paying tax responsibly

At Nordea, we generate value for the societies in which we operate both through the taxes we pay in relation to our business, and by withholding taxes on dividends and interest for customers on behalf of the government.

We are committed to meeting the expectations on transparency with respect to our tax management. The transfer of the Nordea headquarters to Finland will have no impact on how we pay taxes or our commitment to transparency in how we manage taxes.

Nordea's policy is to pay taxes in accordance with local regulations in all countries in which we operate and, in so doing, to make an appropriate contribution to each society. We manage tax costs and risks carefully, and by paying and reporting taxes in due time, we aim to maintain a good local tax reputation. From 2016 we comply with the Country by Country reporting regulation and in addition, we will openly disclose our tax payments by country in this report, see note S5. on page 38.

At Nordea we strive to deliver great customer experience, and to build trust through acting with integrity. This includes upholding the ethical standards outlined in Nordea's Code of Con-

duct, Tax Policy on Customer Advice and Sustainability Policy when advising customers about the tax implications of different products. We also take care to comply with external regulations regarding the provision of proper information and not mislead customers in their decisions.

### Supporting inclusive societies

Community engagement is a key function for building up and developing the surrounding society and an integral part of our business. We focus on our core expertise in terms of building financial skills and supporting entrepreneurship in the communities in which we operate. We do this in our own programmes and through partnerships and sponsorships, and we are gradually shifting to partnerships that create a positive social impact. It is important to us not only to offer financial support for partnerships, but also to devote skills and time. This is a way for us to work towards a sustainable society, in which citizens have the skills they need to manage their personal finances and build successful businesses.

In 2017 we made extra efforts to put our new direction into practice. To support change management, we built a group-wide, cross-functional network of community engagement professionals. This enabled us to strengthen our partnership portfolio in all countries.

A major step forward was taken when we launched common guidelines for employee volunteering in September 2017. To encourage engagement, we give all employees the opportunity to volunteer two days a year during working hours. In 2017 1,569 employees seized the opportunity. For example, our employees taught essential financial skills to youths and children, and they participated in several activities to sup-



port the younger generation's entrepreneurial skills, and mentored entrepreneurs. We also helped the elderly to learn digital financial skills.

### Digitalisation as a driver for sustainability

Digitalisation is developing rapidly as the most important enabler for a more efficient and better society for all. With digitalisation as a basis, we can face many of the sustainability challenges that lie ahead.

Nordea has the ambition to be at the forefront of digitalisation within banking. Rapidly changing customer behaviour, new financial services, development of new technologies together with increasing regulatory demands create business opportunities and require us to have a clear strategic digital vision with strong execution capabilities. The intention of these measures is to make financial services accessible at affordable costs to all individuals and businesses, irrespective of net worth and size. This is what we call financial inclusion. In this context, digitalisation offers a method to pursue and develop our business as efficiently as possible with a clear focus on sustainability, inclusion and responsibility.

We will continue to drive this proactive approach forward with the intention of leading by example. We believe that modern technology and digitalisation form a key component in our ability to push for a rapid and effective sustainable transition, for society and for all. This requires a lot from people who work for a bank, and a great deal from customers. The challenges we face in this respect are affordability and the fact that not everyone has the right equipment to embrace digital services. We have attempted to address these challenges to some extent by installing "digital corners" at a number of branches in 2017.

### Sustainability Ambassadors Network

At the beginning of the summer of 2017, Nordea established the Sustainability Ambassadors Forum. It is a forum for Nordea employees across the organisation. The ambassadors are about 50 employees from nine countries working in various positions across Nordea with a passion for sustainability. The forum is an important part of integrating sustainability across the organisation. It is a way of making sustainability relevant in the business and for our customers.



## Community engagement to benefit future generations

A prominent feature of Nordic society is sharing a mindset of creative entrepreneurship. This entrepreneurial spirit has been a force behind some of the world's best music, games, designs, businesses and innovations.



**At Nordea** we consider it our privilege to ensure everyone has the financial skills they need to be successful. We want to share our core expertise in finance and entrepreneurship, and to fully support a positive impact on the communities in which we operate.

Me & MyCity is a learning concept aimed at sixth- and ninth-graders, covering different aspects of society, working life and entrepreneurship. It teaches vital skills for being a responsible citizen. The Me & MyCity learning environment simulates real-life situations tailored to fit the learning capabilities of sixth- or ninth-graders.

Anna Kosonen is Community Engagement Manager at Nordea.

"Being a partner to the Finnish education innovation initiative Me & MyCity embodies Nordea's strategy for community engagement. Employee volunteering is a key function in Nordea's collaboration with Me & MyCity. I am proud that hundreds of Nordea employees seized the opportunity to volunteer at the learning environment days in 2017," says Anna Kosonen.

In October 2017, Me & MyCity for ninth-graders was opened at the offices of Nordea Vallila headquarters. The learning environment will host as many as 5,000 annual visits for ninth-graders. It will make it easy for over 3,000 Nordea employees working in the campus area to volunteer and engage with the next generation.

The importance to society of the concept is remarkable. Each year, the Me & MyCity learning concept reaches 70% of all sixth- and ninth-graders in Finland. The pragmatic learning approach has been scientifically proven to be a successful method in teaching financial skills to children at a young age, generating long-term benefits.

"The learning concept is fantastic, but more importantly, pupils say it's the most amazing day they've ever had at school. This makes me believe that our community engagement actually is of benefit for future generations," concludes Anna Kosonen.

# Our business

As a financial institution, our business model is to create value for our customers, employees, shareholders and society in general. For a sustainable business model to succeed, value cannot only include monetary means, but must encompass environmental concern, social responsibility, employee-related matters, respect for human rights and anti-corruption. Responsible business is a means for remaining successful in a changing global environment.

**We build trusted** relationships through our strong engagement with both customers and society and through our broad expertise across the wide range of products, services and solutions we provide within banking, asset management and insurance.

As a bank, we contribute to progress

in society and sustainable development by making it easier for people to realise their dreams. We work for something greater than the bank and our customers, employees and shareholders – we work for a greater good, delivering value and generating positive impact on society. By measuring the output of our resources,

not just in terms of results, but of impact we can also show how we create human, social, environmental and intellectual value alongside financial value.

Our four main business areas are designed to support the relationship strategy for each specific customer segment. Having a single operating model

## Value Creation

For details on assumptions, calculations, estimations and limitations for this value creation model, see note S6. on page 38.



Financial

**EUR 548,296m** total liabilities  
**EUR 33,316m** total equity



Human

**33,170 employees**  
47% men, 53% women



Social and Relationship

**~10 million customers**  
**9.6 million household customers**  
**580,000 Corporates & Institutions**

Stakeholders, suppliers, NGOs, other banks and decision-makers. Our brand and reputation.



Intellectual

- Integration of sustainability within our core business
- Risk and compliance
- Purpose and values
- IT systems and processes



Natural

- Energy
- Paper
- Water

### Purpose

Together we lead the way, enabling dreams and everyday aspirations for a greater good.

### Values

- Collaboration
- Passion
- Courage
- Ownership

**Nordea is the leading bank in the Nordic countries and a major European bank.**

For a sustainable business model to succeed, value cannot only include monetary means, but must consider ESG factors.



Personal Banking



Commercial and Business Banking



Wholesale Banking



Wealth Management

**Our four business areas** are designed to support the relationship strategy for each specific customer segment. Having one operating model and an end-to-end value chain ensures suitable and optimal delivery, enabling maximising the time spent with our customers.

#### Our sustainable operations

- Know Your Customer (KYC)
- Sanctions screening
- ESG analysis
- Responsible investment
- Green bonds
- ESG screening of customers and suppliers
- IT development
- Business development and transformation

Resources

Our business



and an end-to-end value chain ensures appropriate and optimal delivery in terms of increasing time spent with customers.

**Personal Banking** serves Nordea's household customers with everyday banking services as well as products suited to customers' needs and circumstances, through approximately 600 branches and our 24/7 online and remote banking service.

In the digital era, we engage in educating our customers, not only in conducting their banking business on their smartphones or tablets, but in knowing how to use them for other purposes, hence promoting inclusion in the digital society.

**Commercial and Business Banking** serves Nordea's small and medium-sized corporate customers with services such as financial advisory and transaction banking services.

Every corporate customer is unique. We must fully understand their current financial situation and future plans before offering them any service, advice or product in order to support, in turn, their customers' long-term business and their possibility to be a sustainable contributor to society.

**Wholesale Banking** provides services and financial solutions to Nordea's largest corporate and institutional customers. Customers are served through a pan-Nordic platform supplemented by selected international branches.

The business area provides its customers with products and services in corporate banking, cash management and trade finance services, investment banking and capital markets products.

We share knowledge on the relevance to transform towards low-carbon and more resilient business models, and strive to provide relevant products to our customers. One such product is

green bonds, which enable customers to demonstrate their climate change-mitigating actions and sustainability approach in financing.

**Wealth Management** provides investment, savings, life insurance and risk management products. Customers are served through various channels including a pan-Nordic Private Banking platform. The business area manages customers' assets and provides financial advice to affluent and high net worth individuals as well as institutional investors.

While we screen our actively managed investments to ensure that the companies in which we invest act responsibly, customers wishing to go further can also choose funds with a higher level of responsible investment in their portfolio management, including proprietary ESG analysis.



## Total value contribution EUR 22,603m

We create wealth through our stakeholders by creating and distributing economic value.

- Total operating income EUR 9,469m
- Interest paid to customers EUR 367m
- Dividend to shareholders EUR 2,747m
- Interest paid to bond holders EUR 2,583m
- Salaries and pensions EUR 3,212m
- Payment to suppliers EUR 2,986m
- Tax contribution EUR 1,239m



We want to have a creative and inspiring environment for our employees with continued learning and further development.

- Internal hires 4,891
- External hires 4,718
- 465,811 training hours
- 44% female graduate hires



We are committed to combining financial performance with environmental and social responsibility as well as sound governance practices.

- Engaging 1,569 employees in community engagement
- Emissions from Global Climate and Environment Fund: 254.88 tonnes CO<sub>2</sub>/per million USD in sales
- More than 70% of Nordea's risk exposure for our largest corporate customers covered by ESG evaluation



## Total emission 22,738 CO<sub>2</sub>e

- From energy consumption 3,238 tonnes
- From air travel 19,500 tonnes

As a bank, we contribute to the development of communities and employment and play a fundamental role for enterprises to start up and grow. We also provide products and services to households to enable them to save and borrow at all stages of life.



**Financing home buyers:**  
Financing of 69,753 first-time home buyers



**Saving for the future:**  
Investing in our Emerging Stars fund reduces CO<sub>2</sub> emissions equal to 8,312 round trips Stockholm-Madrid by airplane



**Creating jobs:**  
Financing 1,300 new start-ups

### Results

### Impact

# Personal Banking

Our goal is for Personal Banking to be the market leader in delivering sustainable customer solutions. In 2017 we therefore continued to integrate sustainability into our core operations with the aim of making sustainability an inherent part of everything we do.



**To improve our** sustainability performance we have identified four main focus areas; Sustainable Products & Advice, Financial Skills, Digitalisation and Diversity & Inclusion. For each area, we will set specific goals from 2018 and beyond.

## Sustainable products and advice

Nordea aspires to take relevant ESG aspects into consideration in terms of business opportunities related to savings, financing and advice. We proactively raise the level of knowledge of our advisors and customers through training and communication. We are also legally obliged to present mandatory information to our customers, to ensure that we retain our licence and credibility. In terms of lending and granting mortgages, we use certain tools to make sustainable calculations

for households to ensure their finances could cope with higher interest rates, and we also perform credit checks to ensure our customers have amortisation capacity and don't assume excessive debt, while at the same time minimising the risk for the bank.

A great deal of choice in responsible investment is available to our customers. Our Personal Banking advisors are trained and can access e-learning modules on how we invest in general, and in our Stars funds in particular, so that they may offer relevant advice on our products.

## Financial skills

As a financial services company, Nordea is highly knowledgeable and skilled in promoting financial literacy. We cooperate with non-profit organisations in the Nordics and share our knowledge in

areas such as budgeting, making financial decisions and saving so as to give young people a good knowledge base in personal finances.

Money Week is an event arranged across Europe with the purpose of improving young people's financial capabilities. Focus this year was on digital security and how to behave online, with respect to shopping online, personal data, etc. In Denmark, Money Week is initiated by FinanceDenmark and more than 900 schools and 31,000 pupils participated in March 2017, marking an increase of 50% on 2016. Nordea played a major part by holding over a third of the guest presentations. More than 270 of the 750 guest lectures were held by a Nordea employee.

In Norway, we arranged our own event in September – Nordea in school. 70 volunteers participated and were out

visiting secondary schools, teaching students financial skills and discussing possible career choices. In Finland Nordea is one of more than 15 companies represented in the coordinated event Me & MyCity. In Sweden one of our initiatives regarding financial skills is Ekonomipejl – “Finances in Focus”. We visit students around the country to teach them about their personal finances. Volunteers visit schools and some have also been to young offender prisons to share their knowledge.

### Digitalisation

Digitalisation has been a driver of sustainability for some time. It continues to play an important role, both in terms of reducing the carbon footprint and increasing financial inclusion and accessibility to financial services. In Personal Banking we have continued to extend our online branches, affording us flexibility and giving our customers the opportunity to engage with us through remote meetings, anywhere and anytime. The most digitally excluded people are often those who are also the most socially and economically excluded, who could benefit a lot from making the online transition. As a bank with a significant digital agenda, we want to ensure that we bring digitalisation into everyone's lives.

Embracing digitalisation can sometimes require a helping hand and someone there to provide guidance. This year, the branch in Nyköping Sweden initiated recurring events, inviting people to digital workshops to help them enter the digital world. In Finland similar initiatives have been carried out. Digital mornings have been introduced at which customers are invited to the branch before opening hours to get an introduction to digital services as well as face-to-face meetings afterwards, with time set aside for practice and questions. In Denmark 60 employees from various functions in the bank now volunteer to serve as digital ambassadors. Their main task is to assist and inspire colleagues in customer-facing functions to become fully familiar with the wide range of digital solutions on offer, so colleagues can go to the digital ambassadors if they need suggestions and advice. The digital ambassadors also serve as a sounding board with respect to the development of our digital solutions.

**50,000  
coin bags**

**accepted from customers  
as part of the banknotes  
and coin changeover in  
Sweden in 2017**

### Diversity and inclusion

Diversity and inclusion is a part of our heritage in the Nordics. We want to reflect the society in which we operate. At the same time, several studies have shown that companies with a diverse workforce perform better. In Personal Banking, we have a particular challenge in terms of the gender balance. Among non-managerial employees, there is a substantial overbalance of women. A few steps up the hierarchy it's rather equal, but at the top of the pyramid, there is instead a significant overbalance of men. We would also like to integrate minority groups into Nordea to a greater extent, enabling us to build collective strength through better community engagement, and internal and external projects.

In 2017 we improved our engagement in diversity and inclusion by running a pilot scheme in Sweden with a focus on building competence, and specifically on awareness surrounding these issues. Several workshops were held with the heads of branch regions, at which detailed discussions on diversity and inclusion took place. Tools for recruitment, communication and work environment were devised with the aim of making us more inclusive in our daily work by building an inclusive culture and incorporating it into our transformation journey.

### Accessibility for vulnerable groups

Banks are often criticised for their lack of services for vulnerable groups, such as the elderly, people with disabilities and others with low access to digital services. We serve 10 million private customers and it's important to us that our services are available to everyone. In Norway we are legally obliged to make ATMs and ADMs accessible to everyone, especially the visually and physically impaired. Our ATM business in Finland and Sweden is outsourced – to Automatia in Finland and Bankomat in Sweden. In 2017 our vendor Automatia launched 50 new “Talking ATMs” to help visually impaired people use them. 200 of the new-generation ATMs in Finland are models compatible with the needs of physically disabled people. Also, in 2017 our mobile app was developed with a focus on creating a better voiceover function to assist the visually impaired.

### Working to improve customer satisfaction

Customer satisfaction is a top priority at Nordea. Surveys for Personal Banking show an unsatisfactory customer satisfaction development in Sweden, whereas we see a positive development in Finland. Scores in Denmark and Norway are at the same levels as 2016.

Improving customer satisfaction both in absolute terms and versus competition will be a key priority in 2018. Focus on the customer is vital, and listening more carefully to our customers is now the baseline for new initiatives. #wecare and #wefix are two well-structured processes that work towards constant improvement based on customer feedback.

Customer complaints are considered to be the most important source of information for increasing customer satisfaction in all areas, technical functionality, enhanced efficiency and not least in terms of being easy to deal with. Complaints are also used for learning purposes in coaching employees and training and feedback sessions. 97% of complaints are solved immediately for the customer in their first contact with the bank.

### Lowering the entry barrier to the financial market

At Nordea, we are dedicated to ensuring access to the financial market for everyone. We have customer programmes tailored to different customer segments and needs.

Young customers and students are two groups on which we are focusing in terms of providing a tailored customer programme whereby young customers and students receive discounts on our products and services as a social benefit helping them to establish themselves on the financial market.

In Denmark our Check-in and Ung+ savings accounts amount to EUR 297m (3% of our total savings accounts).

Our Check-in savings account in Finland amounts to EUR 481m (5% of total savings accounts).

In Norway we have specific student savings account amounting to EUR 194m (3% of total savings accounts).

In Sweden our Check-in and Student savings account amounts to EUR 602m (4% of total savings accounts).

# Commercial and Business Banking

Commercial and Business Banking is embracing Nordea's new purpose and values. By understanding our customers' needs, being a proactive business partner and making engagement count – while at the same time ensuring that everything we do is for a greater good – we aim to build the preferred relationship bank for the future.



**To achieve our** goals, many initiatives have been running in parallel throughout the year. These include our lending to the SME segment, ongoing hiring of graduates, and staff training. They also include the introduction of new applications such as “Visual Agenda” – aimed both at teaching financial skills and ensuring greater customer satisfaction, and “Remote Meetings” – allowing our customers more time to focus on their businesses while helping to reduce travel times.

## Implementing ESG criteria

In June 2017 the Board of Directors approved the new sustainable financing principles included in our Sustainability Policy. A sustainable financing implementation group was subsequently established, which includes Commercial and Business Banking (CBB). The task

of the working group is to perform a gap assessment and develop plans for how to implement the new principles. Findings and recommendations are currently being developed.

A project that has already started, aims to integrate ESG evaluations into the regular KYC process. This will enable CBB to identify and mitigate ESG risks among its high-risk customers. New customers will be targeted as part of on-boarding, while existing customers will be assessed during the regular due diligence processes. The process will consider all CBB customers according to their risk impact (i.e. customer size), and all customers with a relevant risk impact will be further assessed based on their risk level. The risk level is in turn determined based on multiple factors, including the industry segment in which the customer oper-

ates, and the countries to which it is exposed. It is planned that specific customers identified as being in a higher risk area will be engaged in a dialogue in order to mitigate identified risks.

A pilot including a number of high-risk customers was initiated in the autumn of 2017 to test and evaluate the process. The final development and implementation of the ESG evaluation process is expected in 2018.

## Green financing

Demand for green bonds from the investor community has steadily increased. In June 2017 Nordea issued its first ever green bond and, as part of the launch, CBB was a key participant in identifying and pooling assets backing the bond issuance. Out of a total EUR 500m issued, CBB customers made up EUR 130m of the green assets. The distribution per

sector was 'green buildings' (36%), 'renewable energy' (44%) and 'water and waste water treatment' (20%).

At the same time we have witnessed an increase in demand from our corporate customers to diversify their funding base to include green financing. In order to support their sustainability approach, CBB launched an initiative in September 2017 aiming at developing a green purpose-based loan product. By directly stimulating and promoting green purpose-based financing products, we sincerely believe that both our customers and society will benefit.

### Criteria for eligible assets for green loans

- Meet the social, environmental and life cycle criteria assigned to each category, i.e. aim to increase the positive, or reduce the negative, impact on the environment.
- Provide reports/documentation in order to evaluate the sustainability-related performance of the assets.
- Be consistent with the Green Bond Principles and the verifier's criteria.

### Encouraging entrepreneurship

Community engagement is an essential part of Nordea's sustainable business strategy and illustrates the important role we play in society as a bank. Building financial skills and enhancing entrepreneurship make up the core of our group-wide community engagement programme. CBB engages with entrepreneurs in many different ways, from mentoring and networking to start-up programmes and financial skills training, helping them achieve their goals and realise their visions. By encouraging entrepreneurship, we also help promote economic growth. Specific examples of initiatives in this area include:

#### Start-up & Growth units

Growth companies and new start-ups need support from the very beginning. In order to generate greater attention to this segment, Nordea has launched dedicated Start-up & Growth Units. These are currently in place in Finland and Denmark. Plans for setting it up in the other Nordic countries are well under way. In these units, CBB focuses solely on supporting the mobilisation of entrepreneurship in the Nordics and funding entrepreneurial ideas, thus contributing to the development of start-up and scale-up environments. CBB's role is to deliver sustainable services and products by sharing expertise in sustainable investments, risk management and business models, and even match-making between start-ups and inves-

tors to help the entrepreneurs realise their full potential.

#### The Norrskan foundation

Norrskan is run by a private foundation and focuses on supporting social-impact tech entrepreneurs and start-ups as well as their surrounding ecosystem. In their activities, they support and invest in both for-profit businesses and non-profit organisations. Currently based in Sweden, Norrskan has plans to expand internationally over the coming years. Nordea will have access to the Norrskan House for events and gatherings, and will also offer the entrepreneurs at Norrskan House financial expertise, knowledge and suitable services. The parties will jointly strive for Norrskan House entrepreneurs to have the opportunity to work together with Nordea employees through board appointments and similar undertakings. In our view this will benefit all concerned.

#### Young Entrepreneurship

Nordea is a key partner to the Norwegian association Young Entrepreneurship ("Ungt Entreprenørskap") and, for several years, has been playing a direct role in motivating young entrepreneurs and sharing valuable knowledge surrounding the role of banking – for example, when starting a company. In 2017, CBB employees served on the juries of both youth and student enter-

prises, helping decide the winners in the Best Enterprise category, and also selecting the Nordea Award winners for the best business plan. These are selected out of hundreds of business plans, firstly by finding regional winners and, in the second stage, by electing overall winners at the national championships. By engaging in Young Entrepreneurship, we get a unique opportunity to meet with hundreds of young entrepreneurs and students to discuss creativity and banking.

### Customer satisfaction – a top priority

Our customer surveys show improved customer satisfaction scores for our Commercial and Business Banking customers, bringing us back to levels comparable with 2015. We see a positive customer satisfaction trend in Denmark, Finland and Sweden. Scores in Norway remain at stable levels, comparable with 2016 and 2015.

We are on a journey to improve customer satisfaction both in absolute terms and versus competition, and this will remain a top priority for us. Many initiatives are being launched to improve customer satisfaction, one being a new enhanced process for systematically capturing and acting on customer feedback. It will support us in focusing on the right aspects – those that really matter to our customers. The process will be rolled out in 2018.

### Eligible areas for green loans

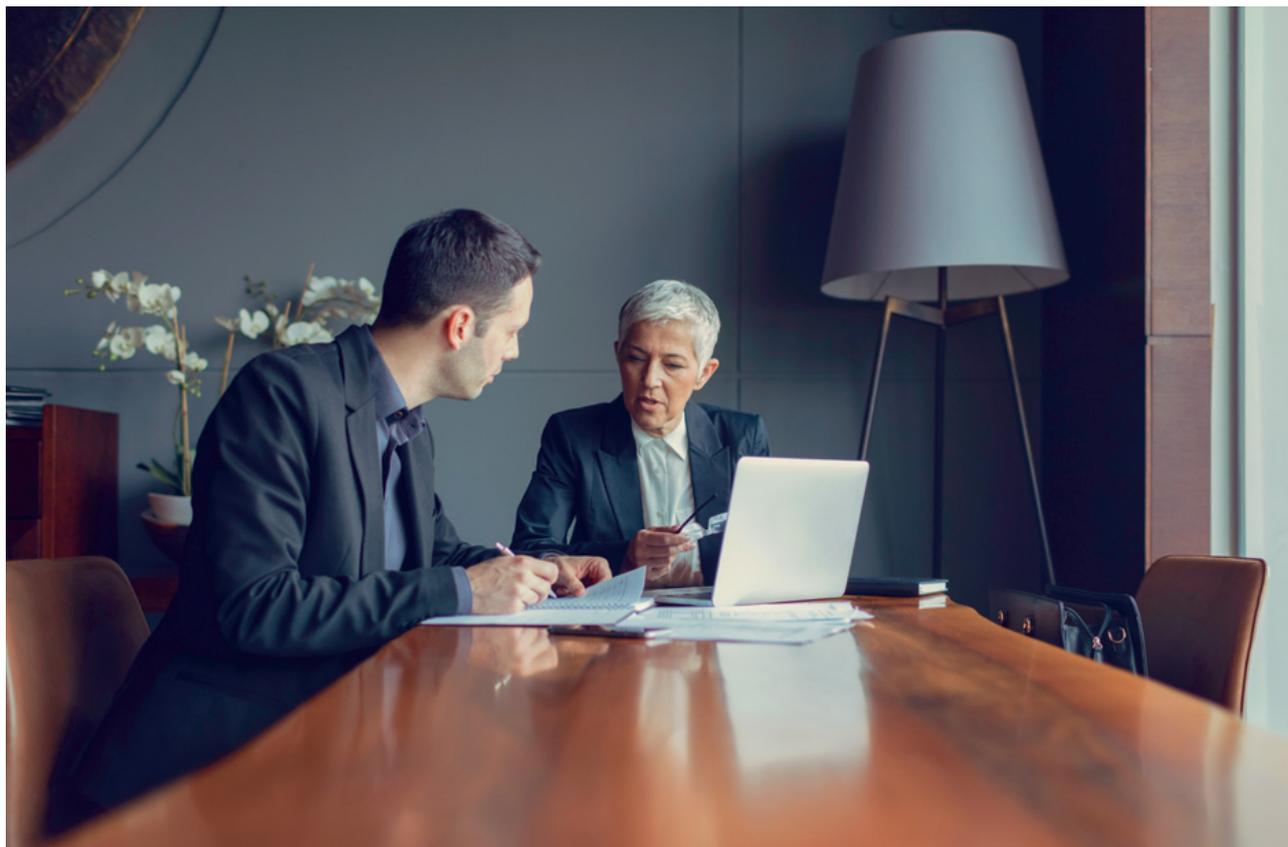
The table below provides an overview of the areas eligible for green loans and how the positive impact of the initiatives may be measured and communicated.

Green Bond Principles category	Nordea subcategory	Impact measurement indicators 1)	
Renewable Energy	Wind, Hydro and Solar	Installed renewable energy production capacity (MW)	Estimation of avoided CO <sub>2</sub> e emissions compared to baseline
Energy Efficiency	Smart grids, Energy storage, District heating	Amount of energy saved (MW)	Estimation of avoided CO <sub>2</sub> e emissions
Green Buildings	Certified buildings	Amount of energy saved (MW)	Estimation of avoided CO <sub>2</sub> e emissions
Pollution Prevention and Control	Pollution Prevention and Control Water and waste water management	Water withdrawals or treatment capacity (m <sup>3</sup> /day)	Number of people impacted
	Waste to energy	Production capacity (MW)	
Clean Transportation	Public transportation/Rail transportation	No. of passengers or amount of freight	
Sustainable Management of Living Natural Resources	Sustainable Forestry and Agriculture	Land area certified	

1) Note these are examples of impact measurement indicators

# Wholesale Banking

The way to approach sustainability in Wholesale Banking is to embed it into everything we do. We build understanding of the risks and opportunities presented by our customers' business, and support them with advice, relevant products and research, while managing our own business sustainably.



**Sustainability aspects** are included in our business decisions, product offering, risk management initiatives and customer dialogue. Sustainable conduct and training are also essential for attracting motivated and competent professionals to our teams. In 2017 we took major steps in integrating sustainability into our product offering and risk management. Attention to sustainability in the customer dialogue and general awareness-building among stakeholders were intensified.

## Green product offerings

Green financing forms part of the discussions about future financing opportunities with our corporate and institutional customers. The number of bilateral meetings and events at which green financing has a central role has clearly increased from last year with an accel-

eration seen during the latter part of the year. The topics range from the relevance of sustainability in equity markets, to product-specific guidance for each customer. This development has been supported by a monthly Nordea green bond letter and green bond investor and customer surveys. The surveys clearly point to increased interest in how to make sustainability operational in finance and the CFO functions of various corporates. This is particularly interesting for many Nordic companies that have placed sustainability at the core of their corporate strategies.

Nordea's position as the leading bank in the Nordics has enabled increased awareness of sustainability aspects among Nordic business leaders and European investors looking at the Nordic markets. Parallel work to support our customers in translating awareness

into tangible action continues. Green loans provide a broad group of customers with an opportunity to demonstrate their green credentials in financing. In a way similar to green bonds, green loans finance specific investments that have environmental benefits. The Green loan categories framework at Nordea is described on page 21. It is essentially the same as that used in the Nordea green bond described below. The category criteria are being developed and updated together with an independent external verifier. The first green customer loans have been signed and we will look into expanding green financing further to loan products next year.

We also provide advice on the topic of financing in a green or social format with sustainable bonds. Focus is on engaging with Nordea's full range of customers, including investors, in dis-

cussing sustainability in the context of finance. Throughout 2017, our investments paid off. In 2017 Nordea, was an arranger for 20 green bonds to a total deal value of almost USD 4bn – more than doubling the amount from previous years put together – including the inaugural EUR 500m Nordea Green Bond. We have moved from number nine in the Nordic league tables to a lead position.

### Cracking the ESG code

One way of advancing sustainability is research that provides hard facts in empirical data. Nordea Markets has invested in building up dedicated ESG research and published the inaugural ESG report “Cracking the ESG code”, which has become by far the most downloaded publication on nordeamarkets.com.

The study highlights the correlation between operational excellence and ESG performance (measured with MSCI ratings) and finds solid evidence that ESG matters, both to operational and share price performance.

The relative performance of the top versus bottom ESG performers was as much as 40% in 2012–2015.

### Focusing on ESG evaluation

The commitment to including ESG evaluation in Wholesale Banking’s internal decision-making operationalises the Code of Conduct and the updated Sustainability Policy. Integrating ESG risk evaluation into our credit decision-making not only mitigates risks, but also emphasises to our customers the importance of good ESG management and transparent reporting. ESG understanding gives us further insight into the risks and opportunities our customers face in their businesses. As part of the climate change position statement, we identified the handful of customers that we will follow on their transformation away from coal.

We have advanced in ESG risk evaluation according to plan but still have some way to go to realising our high ambition level. A dedicated centralised expert team evaluates the ESG risk of the large corporate customer groups in all countries including Russia. The work is structured by a specific ESG evaluation tool that has industry-specific questions, and also captures controversies. The ESG risk category is now included in credit memorandums.

Over 70% of Wholesale Banking exposure at risk, excluding financial institutions and most of shipping that will be addressed in 2018, was evaluated in 2017 and customers were allocat-

ed into one of the five ESG risk categories.

About 2–3% of the evaluated exposures fall into the highest risk category. In these cases, long-term financing is typically offered only for specific purposes on specific terms. Corporates assigned a high ESG risk will be escalated to a group-level credit committee which will in turn consult the BEVC in subjects concerning our values, ethics and reputational risk.

Clearly over 70% of the evaluated exposure belongs to one of the three lowest risk categories, which is in line with expectations for a predominantly Nordic portfolio.

In accordance with our strategy, the overall risk level and exposure in Russia have been taken down. Exposure in Russia is currently EUR 3bn, and is evaluated using the same principles and process as the rest of the portfolio.

### Measuring customer satisfaction

Relationships are at the core of our strategy and customer satisfaction is measured annually by external parties. In terms of customer satisfaction Wholesale Banking reached the shared number one position in the Nordic ranking with a notable improvement in three countries. The capital markets league tables confirm the leading number one position in all relevant Nordic capital markets areas.

### Knowing our customers

Financial crime, anti-money laundering, sanctions screening and other up-to-date KYC processes cover all Wholesale Banking units, and the latest legislation, such as the fourth Anti-Money Laundering (AML) Directive, is incorporated. The evaluation work is supported by new digital assistance with robots that scan various information sources and capture relevant input so that the experts can focus on analysing the data. Wholesale Banking’s governance structure supports insight into financial crime issues by introducing non-financial risk forums for each division and also KYC Evaluation Boards that handle, for example, high-risk customers in relevant units.

We expect the customers, and not only ourselves as their bank, to follow all relevant laws and regulations and obtain the relevant permits for their operations. The majority of our customers are headquartered in the Nordic

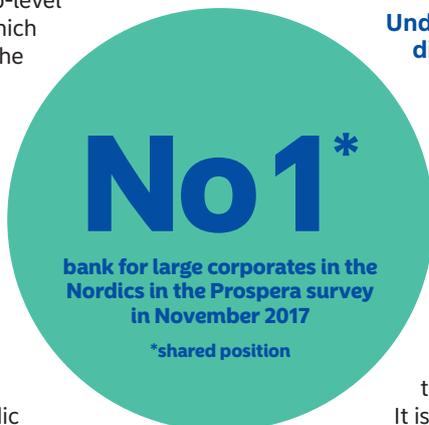
region and many of them follow the Nordic or highest EU/international standards also in their foreign operations. Furthermore, managing compliance risk is a key element in ensuring that risks are under control. We ask our customers to share their financial crime/sanctions policies if available.

### Understanding digitalisation

Digitalisation is reshaping all banking activities. We will integrate the ESG-related data and analysis into the information platforms available to the customer executives in the early part of 2018.

It is also about understanding how digitalisation and generally new technologies affect their business, their needs and their expectations for financial services.

New business ecosystems are being shaped in basically all industries, replacing the traditional value chain mentality. We still offer products and services in the traditional way but a greater emphasis is being put on co-development, not only with a given customer, but with several customers at a time involved in the same ecosystem. As a financial service provider, we will thus become more integrated into the industrial and business processes of our customers, and their sustainability-related issues will also become our own to an even greater extent.



### Nordea Sustainable Finance Conference

In September 2017 the Nordea Sustainable Finance conference in Stockholm gathered together 170 decision-makers from our core customers.

It became clear that sustainability is high on the strategic agenda in the Nordic region, and that corporates and investors are starting to realise that sustainability is crucial for long-term operating and financial success.

# Wealth Management

Our vision is to be the leading Nordic wealth manager, and to create sustainable returns for our customers, constantly advancing progress in terms of the environment and society. That means integrating sustainability across Wealth Management's core areas; investment and advisory.



**By advising our** customers and acting on their behalf, we can make important contributions to sustainable economic growth and prosperity, through capital allocation, interaction with companies and building partnerships. This is not only an opportunity, but also part of our fiduciary responsibility which, in turn, contributes to a greater good.

### **Sustainable investment and advice**

Integrating relevant and material ESG issues into the entire scope of Wealth Management's products and advice was an important focus area in 2017. The Nordea Group has developed a new infrastructure in which sustainable advice and investment are managed in working groups covering all aspects within Wealth Management.

The dedicated Responsible Investment team of nine people works

together from offices in Stockholm and Copenhagen. Our Responsible Investment policy in Asset Management is based on the UN PRI, which commits us to integrating ESG factors into our investment analysis, decision-making processes and ownership policies and practices. We have continued to develop our Responsible Investment policy in Asset Management to include a stricter position on coal companies and clarification on how we manage companies in conflict areas. Also, a number of actions have been taken to increase customer value. For example, we launched two new Stars funds – Swedish Bond Stars and European Stars. Stars funds have a higher level of responsible investing in their portfolio management, including proprietary ESG analysis that informs of investment selection and decisions. This positive

### **Awarded ESG process**

In 2017, Nordea Asset Management received the Capital Finance International (CFI)'s award for Best ESG process in Europe for the fourth year in a row.

screening identifies the most environmentally and socially responsible companies to invest in. As part of the concept for the Stars funds, we engage actively with companies on ESG risks and opportunities, where meeting with companies and also field trips are key in the assessment of how these risks and opportunities are managed. The proprietary analysis model used in the Stars funds was further developed in 2017 and our involvement in the Sustainable Accounting Standards Board consulta-

tion has been important in further encouraging companies to report on material ESG metrics.

At Nordea Life & Pension (NLP), we launched a responsible investment policy with a focus on integration of ESG factors and impact investments to reach the target of increasing the overall sustainability level. Developing ESG rating and carbon footprint measures is an essential element of the strategy. NLP has also published a Stable Pension Sustainability declaration together with a responsible investment report.

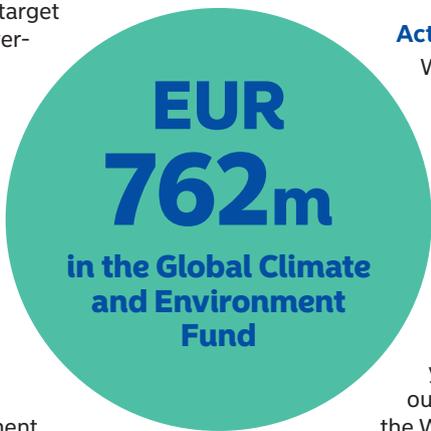
We have started to examine our savings offerings to identify how we can help customers make more sustainable choices in the future. As a part of this, all our private banking advisors in Sweden have undergone training on the merits of responsible investment.

**Satisfying our customers**

Wealth Management customers are in general very satisfied with our services, as they have been previous years. However, as our customers' satisfaction is a top priority for us we would still like to improve further.

In general, we are aiming to move closer to the customer by fully implementing initiatives such as e-branches which offer around-the-clock service and allow for flexibility. In Private Banking, the strategy has been fundamentally realigned to make the organisation more customer-centric. It is doing so by nurturing a culture around service excellence and developing high stan-

dards within the area. To further enhance the value delivered to our customers, we have transformed our wealth advice to offer a "One-Stop-Shop" with comprehensive legal advice and inheritance planning across markets.



**Active ownership**

We worked actively throughout the year with corporate engagement and stewardship, focusing on issues such as climate change, corruption, human rights and water. During the year we continued our work with CDP and the Water Europe report on the pharmaceutical industry's effect on water in India. We also established a new engagement with European Financial Roundtable, in which we have a representative in the core group together with Aviva, HSBC, the EFR Secretary General and the EU affairs manager. In March, Nordea was one of the founders of the Corporate Human Rights Benchmark. It provides an annual comparative snapshot of the world's largest companies looking at policies, processes and practices in

place to systematise their approach to human rights and serious allegations. Nordea's Group Sustainable Finance was elected as the Social Issues Representative of the Banking Committee in UNEP FI. We are further increasing transparency by enhancing the reporting on company engagements and voting records. This information will be available at nordea.com.

**Female leaders in the lead**

In 2017, Nordea Asset Management analysed nearly 11,000 companies traded publicly across the globe over the last eight years. The results showed that, on average, companies with a female chief executive officer or a female chair of the board of directors have had a 25% annualised return since 2009, more than double the 11% delivered by the MSCI World Index.

**Digitalisation to create value**

In Wealth Management we have put digitalisation at the heart of our strategy to fundamentally improve our value proposition. Initiatives such as robo-advice and e-branches offer new and exciting ways to interact with customers, reaching a new generation and previously untapped segments by offering low-fee automated financial advice.

In December 2017, we released our new robo-advice solution NORA in Sweden. It will be rolled out in other countries in the first half of 2018. Another focus area is robotics, which is revolutionising processes by enhancing efficiency in areas such as KYC and product development. In our view, digitalisation offers a significant opportunity to provide our customers with modern solutions with a clear focus on sustainability, inclusion and responsibility.

**Successful Stars**

The Stars funds had another successful year, exhibiting strong growth as total assets under management (AuM) in the Stars funds grew by 61% in 2017. Swedish Stars was the best performing Swedish equity fund in 2017 in the market and Emerging Stars is a five-star fund according to Morningstar.

**2.2%**

of total assets have been subject to positive environmental and/or social screening

**Positive screening**

Analysis aimed at identifying companies with well-managed ESG risks and opportunities. The ambition is to create shareholder value through identifying companies that have strong capabilities for integrating ESG metrics into business decisions.

**86%**

of total assets have been subject to negative environmental and/or social screening

**Negative screening**

Analysis aimed at identifying companies involved in controversial activities and/or sectors and/or involved in the violation of international norms.

**5,309**

companies in the portfolio

We have interacted on environmental and social issues with 134 companies =

**2.5%**

# Governance

In the last two years, we have implemented a new sustainability governance structure providing a solid foundation that enables developing and anchoring our sustainability strategy and agenda.

**The Board of Directors** decides on Nordea’s Code of Conduct and Sustainability Policy and approves the Statutory Sustainability Report that is published in the Board of Directors’ Report in the Annual Report in accordance with the Swedish Annual Accounts Act of 2017. A dedicated Board Committee assists the Board of Directors in fulfilling its oversight responsibilities in terms of conduct, sustainability, compliance and operations/systems, as well as related frameworks and processes.

CEO in Group Executive Management decides on the sustainability strategy including plans, targets and performance indicators. The decision-making body for sustainability-related matters is the Business Ethics and Values Committee (BEVC), chaired by the CEO. BEVC decides on Nordea’s values and ethical aspects to be considered in business decisions and sustainability issues.

Each business area and group function is represented in the Sustainability Committee. The committee prepares sustainability issues related to policies, guidelines and strategy, which are submitted to BEVC for approval. Business areas and group functions are responsible for implementing sustainability policies, products and risk management processes in the business.

To enhance progress in certain strategic sustainability areas, we have seven working groups focusing on one specific sustainability issue each such as procurement, community engagement, diversity & inclusion, digitalisation, financing, investment and advice including tax. The working groups report to the Sustainability Committee.

We have established two group functions responsible for sustainability – Group Sustainability and Group Sustainable Finance. Group Sustainability is

responsible for the strategic agenda and execution of the sustainability strategy. Focus is on issues related to our direct sustainability impact, such as how we treat our employees and suppliers, our own emissions, etc.

Group Sustainable Finance supports the business areas in implementing policies and processes in the business, i.e. how to integrate sustainability into products and offerings in financing, investment and advice.

From February 2018 the two functions were merged into one Group Sustainable Finance team.

In 2017 we increased our resources committed to working with sustainability, both at group level and in the business areas. For Nordea’s whole governance structure, please see the Corporate Governance Report in the Nordea Annual Report 2017.

## Nordea’s Sustainability Governance



### Managing sustainability-related risks

Sustainability can be included as an aspect in any of our risk categories such as credit risk, market risk, operational risk and compliance risk, and managed as part of these risk streams. The Board of Directors bears ultimate responsibility for limiting and monitoring our risk exposures. The key principle for our management of risks is the three lines of defence (LoD), with the business areas constituting the first LoD, Group Compliance and Group Risk Management & Control the second LoD, and Group Internal Audit the third LoD.

Failure to meet stakeholders' expectations on how we are to behave as a sustainable entity on the financial market and as a responsible corporate citizen poses a sustainability-related risk. It's not just about complying with prevailing laws and regulations, but about acting ethically, which may extend beyond the law; otherwise, we run the risk of a negative effect on our brand. Failure to comply with laws, regulations and ethical standards that regulate Nordea's operations in a country, and which could result in significant financial loss, bad reputation, remarks or penalties from authorities, constitutes a compliance risk.

Our stakeholders have identified reputational risk, risks related to corruption, climate change and insufficient ESG due diligence processes, amongst others, as sustainability-related risks. We agree on their conclusion and realise that these risks require further analysis and attention.

To ensure that we identify our key sustainability-related risks in the value chain and also manage them in the most efficient way, one of our short-term sustainability goals was to launch a risk assessment framework. This task was more comprehensive than we anticipated and the work is still in progress and will continue during 2018.

### Nordea ranked as one of the world's most sustainable corporations

Nordea Bank AB has ranked among Corporate Knights' 2018 Global 100 Most Sustainable Corporations in the World. The ranking was presented at the World Economic Forum in Davos in January 2018. Global 100 companies represent the top 2% in the world on sustainability performance.

To determine the ranking, Corporate Knights analyzed 7,425 companies against global industry peers on a suite of 17 quantitative key performance indicators.



## Supporting Nordic entrepreneurs with dedicated Start-up & Growth units

Growth companies and new start-ups need financial services, support and advice from day one. Through close collaboration and mentoring, Nordea helps these companies to grow and create important networking contacts with relevant service providers, equity investors, business angels, accelerators and start-up hubs around the world.

**Nordea has developed** a very flexible loan model for start-ups in Finland, which includes the active role of private investors. We combine and tailor traditional loan products so that they fit high-growth situations. Typically, we combine our partners' guarantee solutions with junior loan solutions and other suitable instruments and create a package that fits the customer's needs and situation.

Therefore, our role in cooperating with private investors has become very important for the ecosystem. Via our new cooperation with NordicBAN, Nordic Business Angel Network, the mission is to actively connect and introduce business angels on the Nordic level and match syndication-ready start-ups with an active lead investor. The Nordic region has tremendous potential in building a tight co-investment ecosystem, and Nordea brings value via leveraging finance solutions and providing a strong network for

both the business angels and the start-ups in NordicBAN.

After a period of gradually increasing our activities in the Nordic start-up ecosystem, Nordea Finland was first out with launching a dedicated Start-up & Growth unit with a nationwide offering last year in Finland. The unit is specialised in fast-growing companies as well as in cooperating with private equity investors, large corporates and accelerators. Many of Nordea's large corporate customers have asked the Nordea Start-up & Growth team to search for potential acquisitions and investment opportunities from among the start-up and growth companies that suit their growth or innovation needs.

Vesa Riihimäki is Head of Start-up & Growth in Finland.

"Our relatively long experience in the start-up field and the fact that we currently have 1,300 start-ups with a loan solution in use solely in Finland, give us a strong base to recommend great companies that we strongly believe in, for venture capital funds, business angels and large corporates."

With the success in Finland the other Nordic countries are following with similar units being established in Sweden, Denmark and Norway.

"I am happy to announce that Nordea's start-up and growth activities are now ramping up in all the Nordic countries. Our start-up deal flow will be highly valuable for Nordic investors and our door-opening role to large Nordic investors will also be valuable for start-ups in all the four Nordic countries going forward," concludes Vesa Riihimäki.



# Risk and Compliance

Good risk management is a key success factor in the financial services industry. To create value for Nordea's shareholders and customers, it is important that our risks are under control. Compliance with laws and regulations is essential for Nordea; we want to be a good corporate citizen, ensuring fair treatment of our customers and aiding society in preventing the banking system from being used for illegal activity.

## Focusing on controls

It is fundamental that banks have strong internal controls in place. History has shown multiple examples of the damaging consequences of weak internal controls – ranging from severe losses to bankruptcy.

Nordea's independent risk and compliance functions share the important purpose to control risks to protect shareholders, customers, employees, taxpayers, etc., from unwanted surprises, hence ensuring we run a sustainable business. These functions have been substantially strengthened over the last couple of years to ensure that we not only have the right number of people working with internal controls, but also a high level of expertise.

Risk and compliance are top priorities for Nordea. As a result of the decision to relocate the headquarters to Finland, we will be moving into another regulatory regime with high standards, in this case

set by the European Central Bank (ECB) Banking Supervision (SSM). Efforts are ongoing to fully prepare for SSM supervision in both risk and compliance areas.

## Strengthening our internal control framework

The independent risk function has taken significant steps to ensure strong control of risks including notably strengthening the risk models organisation and governance. Risk modelling activities have been centralised to achieve a consistent and coherent approach to model governance across risk types, creating a centre of expertise for modelling and working in close collaboration with key stakeholders and business partners. Risk models are fundamental to our ability to identify and measure risk, and hence to price our products. Precise models entail accurate prices for customers and effective management and control of risk.

A lesson learned from the "Panama Papers" was the need to strengthen oversight of subsidiaries. Our independent risk function has established clear governance for the oversight of branches and subsidiaries as well as regular and timely reporting by these to Nordea's Chief Risk Officer. Similar changes have been implemented by the independent compliance function.

Our independent compliance function has implemented a strong operating model and we have established a compliance risk policy, covering all Nordea staff. The policy outlines principles as well as roles and responsibilities in relation to compliance risk. Core compliance processes have been identified, established and documented. Compliance risk groups have also been established and address our key compliance risks across the line organisation and processes. An example of a core process is our risk assessment process.



## Assessing risks and controls

A risk and control self-assessment covering both compliance and operational risk is conducted annually and covers the whole Nordea Group. Self-assessment data is collected from each business area and group function. Based on the self-assessment, operational risk officers independently monitor and challenge the identified risks and management thereof. In parallel with the self-assessment, compliance officers perform their own independent risk assessments based on a set of identified key regulatory risks. For each identified risk, the significance of the risk is estimated and controls in place to mitigate the risk are assessed. If additional mitigating actions are required, these are identified and implemented.

## Combating financial crime risk

An example of a key risk is financial crime, which is a serious threat to the security and integrity of the global financial system, including Nordea. We are committed to preventing Nordea from being used for any illegal activity. We have established group-wide financial crime policies in order to achieve robust and consistent standards of compliance. These policies support the broader customer strategy, values and vision, and provide a uniform set of financial crime risk management principles and mandatory standards for financial crime prevention throughout the Nordea Group.

To control the risk, it is essential that we know our customers well. We therefore perform due diligence both when we on-board new customers, and on an ongoing basis. Furthermore, for customers assessed as high-risk, enhanced due diligence is performed. On the basis of knowing our customers well, we are able to perform efficient screening and monitoring activities to detect suspicions of criminal behaviour, which is reported to the police for further investigation.

The Board of Directors is regularly updated on risk and compliance matters. Monthly risk reports as well as quarterly risk appetite and compliance risk reports are presented to the Group board. These reports cover the whole Nordea Group and track key risks, controls and recommendations.

## Upholding a risk and compliance culture

Nordea's Code of Conduct and corporate values guide individual behaviour at Nordea, and all staff are regularly trained on this topic. Compliance with applicable laws and regulations, market standards and business ethics is a fundamental aspect of our corporate cul-

ture. Rules and regulations provide the overall framework for how we operate as a bank, and failure to comply therewith may lead to the authorities imposing sanctions on us. Our internal group-level directives (including our Code of Conduct) are reviewed and updated at least annually and approved either at the CEO or group board level.

To ensure a consistent approach to risk and compliance training and communication, a joint risk and compliance training and culture team has been formed. We have also established a governance body to define the training needed both in the on-boarding of staff as well as in the continuous training of each employee to renew their licences to work. Examples of training activities include team discussions, e-learning modules and classroom training. Furthermore, as part of strengthening the independent compliance function, a conduct risk unit has been established. This unit is responsible for various conduct and investor protection initiatives and for implementing our Code of Conduct.

## Licence to Work

The Nordea Code of Conduct, anti-bribery and corruption as well as risk and compliance awareness are part of Nordea's mandatory training Licence to Work. This training is assigned to all new employees. In 2017, 97% (88%) of all new employees completed the training. All Nordea employees have to renew this mandatory training on a regular basis. In 2016, 93% of all staff completed the training. The training was launched again in late 2017 with deadline in February 2018.

Details in scope regarding the above data is found in note S8. on page 39.

## Learning from past mistakes

It is part of our culture to take ownership and learn from past mistakes.

In 2017, sanctions issued by Financial Supervisory Authorities (FSA) affected three companies in the Nordea Group. Nordea Bank AB (publ), Finnish Branch received a penalty payment of EUR 1m and a public warning from the Finnish FSA due to non-compliance with the provisions of the Investment Services Act and the regulations issued by the authority. Nordea Funds Oy was issued with an administrative fee of SEK 0.45m from the Swedish FSA for late notification of changes in major shareholdings. The Luxembourg Financial Supervisory Authority announced that it had imposed fines in the aggregate amount of EUR 2m on nine supervised entities, including Nordea Bank S.A., for breaches of Luxembourg laws and regulations. We take these incidents very seriously indeed and implement corrective

actions so that similar events can be prevented in future.

We have one legal action pending during the reporting period regarding anti-competitive behaviour or violations of antitrust and monopoly legislation. In 2015, the EFTA Surveillance Authority (ESA) received a complaint from the Swedish company Trustly, a provider of e-payment solutions, regarding the alleged blocking of its ability to provide its service in Norway. In October 2016, it was announced that ESA has opened proceedings against DNB, Nordea, Finance Norway and BankID for suspected breaches of the competition rules in the EEA Agreement.

## Emphasising personal accountability

We emphasise personal accountability and if behaviour is observed that is not in line with Code of Conduct or corporate values, this is addressed and action is taken.

As an example, the independent risk and compliance functions, together with Internal Audit, have established a Consequence Management Committee. The committee discusses, evaluates and takes actions on inappropriate behaviour or poor risk and compliance performance in terms of adjustments to remuneration. Nordea has also a channel through which employees can raise any concerns they may have anonymously.

## Raise Your Concern

Nordea's whistleblowing function Raise Your Concern was established in 2012. It encourages employees to speak up if they have concerns about any misconduct or irregularities. This includes any action that constitutes a violation of laws or regulations, or of Nordea's internal policies, instructions or guidelines.

Raise Your Concern aims to ensure our compliance with global and national legislation and guidelines. It also includes actions that could cause harm to Nordea's business or reputation, or to the health and security of our employees and customers.

In 2017 the possibility to report, both internally as well as externally, on misconduct and irregularities was strengthened by implementing an electronic reporting channel called WhistleB.

The total number of reported cases for 2017 is 221. All of these concern employees. Actions, being verbal warning, written warning or dismissal, were carried out in 48 of the cases. Six of the cases were sustainability-related; three concerned fraud and three concerned AML. No cases regarding corruption or bribery were reported during the year.

# People

We believe that there will be no business transformation without a human transformation. To fully succeed, we are changing not only our structure and governance as well as our strategy and direction, but also our culture and leadership and our performance and reward strategy.

**This huge** transformation means a significant shift in workforce. Our priority is on supporting our people and people leaders on this journey, creating a high-performance culture, building a future-fit organisation and equipping our people with the competences needed for the future. In 2017, we announced that we will be significantly fewer people in the years to come. We will do our utmost to support those who will need to find a new path outside Nordea. We have therefore established a job mobility team, dedicated to supporting the next steps for the people who will leave Nordea in the years to come.

## Leading from heart, purpose and values

Our culture invites us to lead from the heart, purpose and values – the heart signifying the invitation to bring our full selves to work and to always connect our business decisions to our purpose and act in accordance with our values. We launched our new purpose and values in May 2017, and more than 7,000 people engaged in the development process. We conducted a value survey, workshops, interviews and stakeholder focus groups and the collected data was used to form our new purpose and four values. Since May, more than 31,000 Nordea people have engaged in sessions to discuss and adopt the new purpose and values. By living our values of passion, collaboration, ownership and courage, we can build an adaptive and resilient culture with a customer-first mindset, which will put us ahead of our competitors and help us build an adaptive and resilient organisation.

## Empowering our people to contribute, grow and enjoy

Transforming Nordea requires also transforming how we lead – becoming

more agile and less hierarchical means that we want everyone to step into leadership; leading ourselves, our peers, and the work we are responsible for. Leadership is about unlocking potential in ourselves, our teams, Nordea and society – guided by new leadership principles: We Lead From Within, We Enable Others, We Serve the Whole, We Create Sustainable Impact and Everything is Learning. To bring these principles to life, they will be embedded in how we recruit, assess, develop, reward and promote leaders at Nordea.

## Partnering for performance and learning

We want our people to feel safe, enabled and supported to feel ownership of their own contribution, growth and enjoyment. We expect our people leaders to create clarity, alignment and focus for their team to deliver our group-wide goals and to enable their team individually and collectively to continuously learn.

In 2017, we also reviewed our reward strategy. The aim of the reward strategy is to support Nordea's ability to transform while performing, and realise our group-wide strategic objectives. Its aim is to deliver fair, equal and market-aligned total remuneration for our people based on their roles and contribution. Attracting and retaining the most capable people globally is central to our reward strategy.

## Rethinking our ways of working

To implement our transformation, we want to create a simpler structure and the future will build on common platforms for the entire bank and centres of excellence to ensure alignment, improve quality and speed and facilitate compliance. Processes will be the same for all.

We are rethinking our ways of working by moving into a more network-based structure. Inspired by the agile principles, we want to have a simpler and flatter organisation with less hierarchy, faster decision-making processes and better communication. And we will provide people with great opportunities to learn from each other and continuously develop in their roles.

## The continuous learning mindset

We are transforming the way we perceive and engage in learning to rapidly and efficiently build the competence needed for today and tomorrow. In 2017, we took the first steps towards becoming a continuously learning organisation. A new Learning function headed by a new Chief Learning Officer was created.

We want learning to be integrated as part of our day-to-day roles through coaching and feedback as well as social and formal learning interventions. This model for learning will open new possibilities for everyone at Nordea.

## Capturing our peoples' voices

We will introduce a new survey, Our Transformation Survey (OTS) in 2018. The results will be used as input for quarterly team-based performance and learning dialogues helping teams gain a deeper understanding of the different dynamics at play in their team. It will also help us monitor the progress of our transformational journey. It will allow for more frequent feedback in more flexible settings and expand the feedback culture from between people leader and team member to include the whole team.

## Acknowledged gender equality efforts

In 2017, Nordea became one of 50 members of the Bloomberg Financial Services Gender Equality Index, which recognises companies demonstrating dedication to disclosure and best-in-class social policies and practices in the fields of gender balance and equality.





### Focus on equal pay

In 2017, we launched a working group to understand market best practices, conduct country-specific investigations and take various actions to narrow our gender pay gap. This included reviewing remuneration in our recruitments as well as creating an equality pay pool and participating in the industry-wide equal pay project "Lika Lön" in Sweden.

We also performed a more in-depth analysis to better understand the underlying reasons for the gender pay gap. To address the fact that we have an uneven representation of women and men at different levels and areas of the bank, we have launched several talent and succession planning initiatives to promote more women to senior managerial positions, which typically qualify for higher pay.

While these initiatives have had a positive impact on our gender pay gap figure, we have chosen not to disclose the figure in this year's report, as it reflects a structural imbalance and does not present the key aspects of differences in pay between men and women. We believe that, to truly get to the heart of the issue, we need to undertake a more meaningful comparison of people's

roles, whereby we take job function, seniority and geography into consideration.

We will therefore initiate a pay benchmarking project across Nordea that will allow us to identify specific areas in which we have an equal pay concern for comparable roles, thereby enabling us to take appropriate remedial action. The pay benchmarking project will allow us to disclose more relevant metrics reflecting gender differences in pay in the 2018 Sustainability Report.

### Broadening the definition of diversity and inclusion

Setting clear requirements and creating transparency are key factors in our diversity and inclusion strategy. We track our progress so that we can focus our efforts.

We did not succeed as well as in the previous year with our objective that both genders should always be represented among the final three candidates when recruiting to managerial positions. We reached 68% in 2017, compared to 76% in 2016. However, concerning our target for the graduate seats, we made progress and reached the goal. This year, 44% of our graduates were women and 56% men.

### All-time-high evaluation of equal opportunities

Since 2003 we have asked our people how they perceive equal opportunities at Nordea. In 2017 the score reached the highest level in 15 years. Both female and male employees evaluate equal opportunities higher than in 2016. However, male employees score equal opportunities significantly higher than female employees – index 88 vs. 75.

We have succeeded in broadening the definition of diversity, beyond gender, in our daily practices. People from many parts of the organisation together created practical tools for inclusiveness in everyday situations, such as recruitment, meetings and communication. We initiated employee resource groups with a focus on various diversity perspectives, and our people became the advisory board to guide us with practical needs within the area of diversity.

In 2017, we also continued embedding diversity and inclusion into our organisational practices and processes, for example in our training for recruiters. In 2017, we launched a new Well-being at Work survey. It shows that 78% of our people experience an inclusive climate where everyone, regardless of

### Engaging in Pride events

The most visible Diversity & Inclusion action in 2017 was attending and sponsoring Pride Stockholm. We stand up for our belief in equality, and attending and sponsoring the largest Pride festival in the Nordics is an excellent forum for communicating these beliefs. Nordea was the only bank that participated through several seminars and activities during the week, and of course by joining the parade.

Nordea also sponsored Copenhagen Pride Week, again showing that we are an open, tolerant and inclusive bank where it's okay to be who you are. Also Nordea's ATMs along the parade route were decorated and renamed "gAyTMs" for the day's event.

gender, age, tenure and education, can contribute to our development. However, our leaders rate the inclusive approach at a higher level than our employees.

Going forward, we will continue to further increase our commitment to diversity and inclusion as an important part of our cultural transformation, and

create new and agile methods of implementing and measuring the progress.

### Strengthened support for speaking up

We condemn harassment, sexual harassment, bullying and similar violations at Nordea. All our people have the right to be treated with respect, without fear of any type of victimisation.

In 2017, we strengthened our focus on this area even more, and created new guidelines and support for our managers. Our reporting structure was improved and additional options to escalate incidents were created. Our systems allow any employee to report incidents openly or anonymously. Furthermore, we have reviewed our processes to search deeper for potential risks of discrimination of any kind, and will continue to keep doing so.

We welcome the #metoo movement and have used the increased focus to create more awareness around our own systems and processes. We believe that this focus can give us added value and opportunities to improve our working climate and our performance, and we encourage our people to speak up if they notice situations that are unacceptable in the workplace. Our Code of Conduct and our values fully support this.

### Securing employability for our people

As we are now accelerating our transformation, we are in the midst of organisational changes in terms of creating a simpler structure based on shared approaches serving the whole of Nordea, transferring parts of our tasks to Poland, developing robotics solutions for taking over many of the operational tasks to stay competitive and serving our customers digitally, and we are working in new ways across the bank.

This means a shift in how we organise and lead the bank and which kind of people and competences we are looking for now and in the future. It also means that many of us will need to build new competences and adapt to new roles. We will continue to invest in building the capabilities we need in the future, and we will do our utmost to support those who will need to find a new path outside Nordea for sustainable employment.

In 2017, we built a common approach to job mobility to take good care of the people affected by our transformation. We established a job mobility team to offer as much choice and support as possible in developing new competences to improve the probability of finding another job within or outside of Nordea.



Employee training	2017	2016
Number of hours	465,811	404,366
Average number of hours/employee	14.0	11.6

Number of employees as at 31 December 2017

	Men	Women	Total
Nordea Group	15,630	17,540	33,170
Permanent contract	14,756	16,532	31,288
-full-time	14,336	14,944	29,280
-part-time	420	1,588	2,008
Temporary contract	874	1,008	1,882

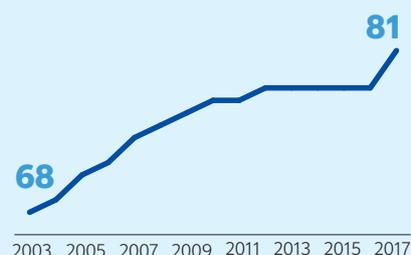
Composition of governance bodies as at 31 December 2017, %

	Men	Women	Age <30	Age 30-50	Age >50
Board of Directors	5	4		2	7
Group Executive Managers	8	2		6	4
People leaders	2,233	1,514	113	2,459	1175
Employees	13,389	16,024	6,297	14,396	8720

People leaders refers to managers.

**79.4%**  
Share of employees covered by collective bargaining agreements

Development of employee perception that Nordea gives equal opportunities to female and male employees, Index



We also ensure that we recruit responsibly, so we do not let anyone go if we have a role that fits.

This phase of our transformation also marks a shift in how we collaborate with our union partners at Nordea. We have embraced a more collaborative and transparent approach whereby we involve our union partners earlier to be able to co-create sustainable solutions for people and society.

### A healthy working environment

A sustainable work-life balance is a prerequisite for great performance. And as a responsible employer, it is important for us to provide an inclusive and healthy working environment that will provide the best conditions for each individual.

We believe that when our people feel good at work, we can best create a culture in which our people can flourish and thrive, and we have full focus on continuously improving the physical, social and organisational work environment that promotes work-life balance and health. Our sickness rate (3.38%) has remained similar to that of 2016 (3.65%).

The new Well-being at Work survey, gives us valuable information about our peoples' perceived work situation. The survey will help us take a firm grip on measuring violence and threats, bullying, discrimination, harassment and sexual harassment with regards to sex, gender identity or expression, sexual orientation, ethnicity, religion, ability-variations, age, or other grounds. According to the results of the first survey, 4% of those who answered (69% of our people) have experienced some kind of discrimination. 82% of them have occurred internally and 18% are customer-related. Gender and age are perceived as the characteristics that are most exposed to such actions.

For details regarding disclosure of data related to our employees, see note S9. on page 39.



## Empowering customers in digital corners

In an increasingly digitalised world, many of us use smartphones and tablets for conducting banking business, shopping online, obtaining medical advice, etc. For some people, however, it's difficult to make the digital transition, impeding customers' use of our digital solutions that enable better convenience and access to the bank.

**To assist such** customers, Nordea has launched "digital corners" at branches in all markets. The concept was first piloted at six branches in Denmark. Now, six more branches – in Sweden, Norway and Finland – have introduced digital corners and more will come. By the end of 2018, we expect to have installed digital corners in approximately 15% of our branch locations.

A digital corner is a dedicated area in the branch that is equipped with digital devices and wifi that customers can use, either by themselves or guided by a staff member. The purpose of digital corners is to promote our digital solutions and to show our customers how to use them, thus enhancing accessibility to the bank.

Customers' perception of digital corners and the assistance of our front-end staff is very positive. Our surveys

show that customers have been able to conduct 89% of their banking errands when visiting the branch and the digital corners. Our surveys also show that four out of five customers who have visited the digital corner are comfortable with using digital solutions on their own going forward.

Morten Olsen is Head of Branch Network and ATM/Cash development at Nordea.

"Many customers say that their experience was very good, and that they learned of new possibilities. In our view, digital corners are a good way of creating value for our customers. They are learning and becoming more knowledgeable, making them more comfortable with capitalising on the digital opportunities offered by both Nordea and society in general. It helps prepare them to meet the new digital era," says Morten Olsen.



# Sustainability notes

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## About this report

Nordea's Sustainability Report 2017 has been prepared in accordance with GRI G4, core level and in accordance with relevant parts of GRI G4 Financial Services Sector Disclosures. Similar to the financial statements, this report covers Nordea Bank AB and all its subsidiaries unless otherwise stated.

We report our sustainability performance on an annual basis. The Sustainability Report 2017 refers to the period 1 January to 31 December 2017, i.e. Nordea's financial year. The previous report covered our financial year 2016 and was published in February 2017.

The report has been subject to third-party assurance by PwC. The assurance statement can be found on page 46.

Nordea's Sustainability Report 2017 is our Communication on Progress (COP) submission to the UN Global Compact, of which Nordea has been a participant since 2004. It also partly fulfils the reporting requirements of the Equator Principles (EP), which Nordea endorsed in 2007. For full EP reporting, see Nordea Equator Principles Reporting at nordea.com.

Data in the report has been gathered from all business areas and group functions in all countries, with some exceptions due to availability of reliable data due to insufficient reporting systems. This is indicated in conjunction with presented data where we also present restatements.

The Sustainability Report is divided into two sections. In the first section, pages 4–33, we tell our sustainability story. In the second section, the sustainability notes on pages 34–45, supplementary information is provided regarding disclosures in the front section, as well as all data and information regarding the fulfilment of GRI G4 and the GRI Index. We also report here on limitations in scope and omission statements according to GRI, where relevant.

In August 2016, Nordea Bank AB (publ) and DNB Bank ASA entered into an agreement to combine their operations in Estonia, Latvia and Lithuania in order to create a leading independent financial entity in the Baltics – Luminor.

The transaction closed on 1 October 2017 when both banks combined their business operations. Due to the change in organisational structure, data regarding operations now part of Luminor is not included in this Sustainability Report.

## S1. Materiality analysis

To effectively identify and prioritise key sustainable aspects, we regularly conduct a materiality analysis based on internal and external dialogues.

When performing the materiality analysis, we strive to engage as many stakeholders as possible, identified based on their relation to Nordea, as well as the financial sector at large.

Our most recent materiality analysis was conducted in 2016. In 2017, we upgraded our sustainability approach and started to develop a long-term sustainability roadmap. Based on our roadmap, we will renew our materiality analysis in 2018. This will ensure that we continue to focus on the sustainability aspects most relevant to our business, from an impact perspective as well as from a value creation perspective.

In 2016 we conducted stakeholder dialogues with eight key stakeholder groups. The input provided by the identified key stakeholders was either direct or indirect. Direct input means a dialogue held through forums, surveys and interviews and indirect input refers to a desktop analysis of reports, publications, articles, other published content and meetings. To identify the material aspects, the dialogues focused on Nordea's sustainability performance, risks, opportunities, communication and governance. In total 176 stakeholders participated in the dialogue and shared their perspective on which sustainability aspects they deem important and what they as stakeholders expect of Nordea. The result from the dialogues and the desktop analysis were coupled with internal factors such as Nordea's strategy, targets and performance. This broad mapping enabled Nordea to determine which aspects are

### Results from materiality analysis shown in pyramid form

Trust and credibility-building aspects.

**Trust**

1. Commitment from the Board and GEM on sustainability
2. Transparent and credible communication externally & internally
3. Consequent responsible investment practices

Business-critical areas that are prerequisites for trust and credibility-building aspects.

**Significant**

4. Climate change knowledge and preparedness
5. KPI follow-up on targets & actions
6. Systemised ESG screening
7. Clear governance of sustainability & aligned compliance process
8. Implement responsible lending practices

Issues that must be addressed to reach elementary level.

**Base**

9. Training and competence development
10. Common set of ethical values
11. Transparent tax management
12. Responsible value chain (suppliers, partners & associates)
13. Increase employee diversity
14. Digitalisation
15. Proactive anti-corruption management
16. Anti-money laundering practices
17. Ethical & responsible advisory
18. Community involvement

material for the organisation and to set our short-term sustainability goals that were to be addressed during 2017.

The result of the materiality analysis was illustrated in a position pyramid, see previous page. As shown, commitment from the Board and GEM on sustainability, transparency and communication, and responsible investment were the most valued material aspects, closely followed by aspects such as climate change and governance. Another important outcome of the materiality analysis is our renewed and strengthened understanding of sustainability risks that are relevant to Nordea. The stakeholders have identified reputational risk, risks related to corruption, climate change and insufficient ESG due diligence processes, amongst others, as risks requiring further analysis and attention and the driver for us to launch a risk assessment framework.

One overarching conclusion of the materiality analysis is that both internal and external stakeholders are very interested in sustainability, and eager to contribute to Nordea's sustainability work. Our employees want to learn more about sustainability and consistently work to strengthen Nordea as a sustainable financial entity. All identified material aspects are relevant for Nordea's internal operations under the limitations of contracts, agreements and/or employment. The material aspects identified are controlled by Nordea, and thus no aspect is relevant solely from an external perspective.

In 2017, we revised the materiality analysis performed in 2016 with internal stakeholders and with input from our continuous stakeholder dialogues. No changes have been made to our 18 material aspects but we have made some changes to which indicators to report on in order to properly cover the material aspects. We have added 13 indicators and at the same time deleted three indicators.

- To meet the increased demands globally on transparency regarding tax, we have decided to revert to reporting tax in the same way as we did for 2015 and 2014. We will disclose taxes paid by country and per tax type. This disclosure will not be added as a GRI Indicator but as a data point.
- Energy intensity (EN5) has been added since we work to improve the energy efficiency of our buildings which we think is best shown as a ratio.
- Four indicators regarding supplier assessment (EN33, HR11, SO9, SO10) have been added in order to cover all aspects of our Supplier Code of Conduct which is based on UN Global Compact's ten principles (environment, labour, human rights and anti-corruption) and to disclose our sustainable procurement process in a more consistent and transparent way.
- Seven indicators referring to our Code of Conduct (EN29, EN34, LA16, HR3, HR12, SO5 and SO7) have been included to enhance transparency for the report.
- Coverage of benefit plan obligations was only partly reported in the Sustainability Report 2016. Retirement benefit obligations are reported in the Annual Report in accordance with legal requirements, and we have therefore chosen not to disclose coverage of benefit plan obligation in the Sustainability Report in accordance with GRI. Hence EC3 is not reported this year.
- Financial assistance received from government was only partly reported last year and was a way of disclosing our tax contributions which will be covered by our tax reporting this year. Hence, EC4 is not reported this year.
- The indicator regarding operations assessed for corruption risks (SO3) was only partly reported last year and data reported from the reporting BAs (two out of four) was not possible to compare. Instead, we disclose our work with risk assessments on a more general level on pages 28–29.

## S2. Stakeholder engagement

In 2017 we revised the stakeholder analysis performed in 2016 and excluded social media as a stakeholder group based on that social media is a channel through which we engage with our stakeholders, not a stakeholder itself. We added suppliers as a key stakeholder group given the significant size of our annual spend.

In 2017, we engaged in dialogues in different ways with all our key stakeholders. We believe stakeholder dialogues are a good way of collecting valuable input for our sustainability agenda. Issues raised in these dialogues, as shown in the table below, have been taken into consideration when writing this report.

Stakeholder	Type of dialogue/channel	Main aspects
Employees	Well-being at work survey Culture carpet conversations	Health and well-being Culture transformation
Management	GEM BEVC SC Continuous dialogues	Sustainability Policy Sustainability roadmap Climate position statement Sustainability risks Short-term goals Sustainability Report
Board of Directors	Meetings	Sustainability Policy Sustainability risks Short-term goals Sustainability Report
Customers	Customer satisfaction surveys Net Promoter Score Individual customer meetings Customer contact centre Round table discussions	Decreasing customer satisfaction Sustainable business solutions, e.g. green bonds Change of domicile Sustainability reporting
Owners	Annual General Meeting Meeting with international investors Investor questionnaires	Well-being (sick leave) Climate-related issues
Suppliers	Qualifying questionnaire Supplier audits Individual dialogues	Content of Nordea Supplier Sustainability Policy Adherence to UN Global Compact
Regulators	Peer group meetings with FSA and the Swedish government	Climate-related risks in lending portfolios (TCFD)
NGOs	CEO Round table Individual NGO meetings	Increased transparency regarding impact on companies Proactivity
Media	Interviews Press releases	Responsible investment Supply chain management Change of domicile

## S3. Climate

To reduce the carbon footprint from our own activities, we must take steps to mitigate contribution to carbon emissions, and in our operations we have committed to being a carbon-neutral company. This ambition is visible in three different ways.

First, we strive to reduce emissions generated from our direct operations. New travel guidelines, printing policy, waste reduction, digital subscriptions and a reduction in paper documentation sent to customers are examples of ongoing activities to reduce emissions.

Second, we ensure that energy used in our buildings is renewable. Since 2011, we have purchased 100% renewable electricity through Guarantees of Origin equal to our electricity consumption in the Nordic region, extending the commitment over the years to include our operations in Poland and Russia too. CO<sub>2</sub>e emissions from electricity in the table below is our net emissions, i.e. after buying Guarantees of Origin. We do have a challenge in terms of achieving significant energy reductions in our larger Nordic offices. They are built to state-of-the-art construction standards and based on stringent environmental requirements set by Nordea as long-term leaseholders. Many of our Nordic premises are already LEED certified.

Third, for the remaining unavoidable emissions in 2017 we continued with the offsetting activities we have carried out since 2015. The combination of measures ensures that Nordea has a programme for being CarbonNeutral<sup>®</sup> certified in line with The CarbonNeutral Protocol.

Climate impact	2017	2016
Total energy consumption (MWh)	132,933	137,506
-electricity	95,434	97,929
-heating	32,266	33,618
-district cooling	5,233	5,958
Energy intensity (MWh/EURm of total operating income)	14.0	13.9
Total CO <sub>2</sub> e emissions (tonnes)	22,738	17,033
-diesel generators (scope 1)	51	48
-electricity, heating, district cooling (scope 2)	3,187	3,409
-business travel (scope 3)	19,500	13,576
CO <sub>2</sub> e emission intensity (tonnes/EURm of total operating income)	2.4	1.7

All electricity figures for 2016 in the climate impact table above have been restated due to the availability of more accurate electricity data directly from our electricity portfolio manager. We have also been able to include previously unavailable heating and cooling data for headquarter buildings in Sweden. We estimate that the data covers approximately 90% of Nordea's total energy consumption and CO<sub>2</sub>e emissions.

We report energy consumption in MWh instead of in GJ as required by GRI G4 regarding EN3. All electricity is renewable. Heating and district cooling is a mix of renewable and non-renewable.

Energy consumption data covers Denmark, Finland, Norway, Sweden, Estonia, Latvia, Lithuania, Poland and Russia. The Baltic data only covers the first and second quarters of 2017 as these were subsumed into Luminor Bank during the latter half of 2017. In 2016, data from international offices were included but we have not been able to compile that data this year.

Energy intensity (EN5) is calculated as total energy consumption in relation to total operating income for the Nordea Group.

We report scope 1–3 emissions according to GHG Protocol. Our scope 1 emissions stem from diesel generators for business continuity which must be tested on a regular basis to ensure they will function in the event of an emergency outage. The conversion calculation is based on the latest DEFRA emissions factors.

For 2017, CO<sub>2</sub>e emissions from business travel include air travel for our operations in Denmark, Finland, Norway and Sweden and rail travel for our operations in Sweden while the figure for 2016 included all countries of operation and air travel, rail travel and car travel. Hence, comparison between the

years shall be made with caution. The reason for the change of scope for 2017 is due to limitations in the data collection process.

Greenhouse gas emission intensity (EN18) is calculated as total CO<sub>2</sub>e emissions in relation to total operating income for the Nordea Group.

We recognise we still have certain challenges related to reporting our climate impact. While collecting data from our larger offices is a fairly straightforward process, data from our branch network can be far more complex as we lease spaces within larger buildings and therefore our energy usage is often combined with that of other companies. This is a situation we acknowledge but one which is difficult for us to fully remedy due to the nature of our branch network set-up.

## S4. Suppliers

Nordea has approximately 19,000 suppliers in total. 52% of them are suppliers with which we interacted multiple times in 2017. 48% of them are suppliers we interacted with only once in 2017.

The number of contracted suppliers in our supply chain changed from 700 in 2016 to 1,200 for 2017. The explanation for this is that we worked to consolidate our contract data in Nordea in 2017, providing us with a more comprehensive number of our contracts.

The percentage of new contracted suppliers that were screened for sustainability issues is calculated based on the 165 new suppliers that were registered in our systems in 2017.

The indicators EN33, LA15, HR11 and SO10 are not reported as required by GRI G4. First, we don't disclose what type of sustainability impact we have identified in our supply chain. Second, we only report the total number, and not the percentage, of suppliers identified as having significant actual and potential negative sustainability impacts with which improvements were agreed upon as a result of assessment.

Our third-party risk assessment system that was mentioned in the 2016 Sustainability Report was not implemented in 2017 but will be in 2018.

We are constantly working to develop our processes with regards to sustainable procurement and aim to be able to include more comprehensive data in the near future.

## S5. Tax

We are a substantial corporate income tax payer in our main countries of operation – Denmark, Finland, Norway and Sweden – and we also pay social security contributions and bank levies in the countries where we operate. Local corporate tax payments will not be impacted by the transfer of our headquarters to Finland. Statutory tax rates, contributions and levies vary in our countries of operation, as does the size of Nordea's business operations in each country. The total amount of tax paid in each country is determined by a combination of these variables. Corporate income tax includes current taxes booked as an expense for the year and adjustments to the previous year's current taxes.

Tax payments (EURm)	31 Dec 2017	31 Dec 2016
Total	1,728	1,588
By country		
-Denmark	422	387
-Finland	261	291
-Norway	284	328
-Sweden	585	405
-Others	176	177
By tax type		
-Corporate income tax	1,017	1,015
-Social security fees	489	429
-Bank levy	222	144

## S6. Value creation

2017 is the first year for which we try to illustrate the value we create in a model. The model is divided into four sections; Resources, Our business, Results and Impact, and will be developed further each year. The model is based on a number of assumptions, calculations, estimations and limitations which are found below, divided into the four sections. Decisions based on the model should therefore be made with considerable caution.

- **Resources:** Figures can be found in Nordea's Annual Report 2017.
- **Results:** Reported figures can be found in other sections of this Sustainability Report and in Nordea's Annual Report 2017.
 

Tax contribution consists of corporate income taxes and bank levies.

Data regarding carbon emissions from Global Climate and Environment Fund provides a historical picture of how much CO<sub>2</sub> the companies invested in released during the past twelve months. The measure reflects the emissions in relation to the revenue that corresponds to the fund's ownership interest in the companies. The measure is reported as tonnes of CO<sub>2</sub> per million in sales (USD) and is updated monthly. The figure was published in January 2018. The calculations are not comprehensive and indirect emissions are not covered. Therefore, it is important to see this as indicative information about the impact of the Global Climate and Environment Fund.
- **Impact:** The number of first-time home buyers is calculated on all new household loans that were granted by Nordea in 2017. Criteria have been set whereby only customers below 35 years of age are included in the selection. All Nordic countries are included.

The total carbon emissions saved for one person from switching from an index fund tracking MSCI Emerging Markets to Nordea Emerging Stars assuming a monthly savings plan of SEK 2,000 per person per year for a period of 42 years (average working life period) with a yearly average annual return of 9.30%, is 3,672.183 tonnes CO<sub>2</sub>. A round trip Stockholm-Madrid by airplane emits 0.4418 tonnes CO<sub>2</sub> per person according to ICAO Emission Calculator. This gives us  $3,672.183/0.4418=8,312$  round trips.

In Finland we have 2,500 start-ups and growth companies as our customers. Approximately half of them, i.e. 1,300, have a loan solution in use today which are the ones included in the model. The figure is currently not possible to gather on a Nordic level.

## S7. Responsible business

The monetary value of products and services designed to deliver a specific social benefit (FS7) covers Personal Banking. The monetary value of products and services designed to deliver a specific environmental benefit (FS8) covers Wholesale Banking and Wealth Management. Commercial and Business Banking does not develop products itself but mediates products developed in other business areas.

Data regarding companies held in Nordea's portfolio with which we have interacted on social or environmental issues (FS10) are reported differently for the business areas for which the indicator is relevant and not as a percentage as prescribed by GRI G4. Personal Banking does not report on this indicator. Commercial and Business Banking has more than 300,000 unique customer advisor meetings per year and the content of those varies but includes sustainability issues if that is relevant for the customer. The ambition for 2018 is to focus further on interacting with as many customers as possible regarding sustainability issues and to also use our digital channels to raise awareness about environmental and social issues. Wholesale Banking discusses sustainability issues as an integral part of the customer relationship and does not keep track of it separately. The number of meetings focusing on green financing increased in 2017. Wealth Management reports the number of companies in the portfolio with which Asset Management had interaction in the form of meetings, calls, field visits, etc. regarding ESG matters in 2017 as an absolute number (134) and as a share (2.5%) of the total number of companies (5,309). The total number of companies consists of all Asset Management's holdings in individual companies.

The number of assets subject to positive and/or negative environmental and/or social screening (FS11) is only reported by Wealth Management. Total AuM for Asset Management (AM) within Wealth Management is EUR 224bn for 2017. Assets subject to positive screening covers 2.2% and is calculated as share of total AuM for AM. Assets subject to negative screening covers AuM in funds and discretionary mandates and is calculated as a share of total AuM for AM. The increase in share of negative screened assets, from 71% to 86% between 2016 and 2017, is mainly due to the fact that this year includes AuM in discretionary mandates where customers have chosen their portfolios to be subject to negative screening.

Personal Banking is the only business area that reports on initiatives to improve access to financial services for disadvantaged people (FS14). The reason for this is that it is in this business area where the greatest impact of such initiatives is found, and where tracking is possible.

## S8. Compliance

Data regarding the mandatory training Licence to Work is our disclosure on indicator SO4 since that training includes our anti-corruption policies and procedures. We report the number of employees who have completed their Licence to Work training as a percentage of the total workforce, which includes all employees regardless of region and employee category, hence not specified in accordance with the requirements for SO4 in GRI G4. The training Licence to Work is only for employees, hence no business partners have been trained in our anti-corruption policies and procedures. However, our large suppliers are covered by the Nordea Supplier Sustainability Policy in which adherence to anti-corruption as stated in UN Global Compact is a requirement.

The number of grievances regarding environmental impact (EN34), labour rights impact (LA16) and human rights impact (HR12) is related to the Nordea Code of Conduct. We monitor breaches of our Code of Conduct and other irregularities via our whistleblowing system. We have not yet been able to systematically categorise the breaches to fully correlate with the content of our Code of Conduct. This year we cannot therefore disclose the number of breaches in relation to the three indicators above, and we therefore cannot report the three aforementioned indicators as required by GRI G4. Our ambition is to be able to do so in the near future.

During the year Nordea was not charged any significant fines or non-monetary sanctions for non-compliance with environmental laws and regulations (EN29).

## S9. People

Employee-related data is disclosed as headcounts in this Sustainability Report which is different from the Nordea Annual Report in which data is disclosed as FTE (full-time equivalents). However, employee turnover rate is based on FTE.

Number of employees by country of operation	2017			2016		
	Men	Women	Total	Men	Women	Total
Nordea Group	15,630	17,540	33,170	15,888	18,946	34,834
Sweden	3,866	4,288	8,154	3,811	4,319	8,130
Denmark	5,413	4,542	9,955	5,290	4,491	9,781
Norway	1,736	1,565	3,301	1,767	1,622	3,389
Finland	2,642	5,013	7,655	2,567	5,342	7,909
Estonia	41	121	162	125	529	654
Poland	1,284	1,250	2,534	884	974	1,858
Russia	165	371	536	272	610	882
International offices	483	390	873	1,172	1,059	2,231

In 2017, 79.4% of our employees were covered by collective bargaining agreements. This figure is valid for the Nordic countries. In 2016 we disclosed the percentage of Nordea employees covered by alternative agreements of equal or better standard than the collective bargaining agreements. This figure is not disclosed for 2017 due to new limitations in the data collection process.

Our employee turnover rate for 2017 was 8.1%. We do not report on LA1 according to the requirements in GRI G4. We report the employee turnover rate according to the following definition: Number of permanent FTEs who have left Nordea on own request divided by average number of FTEs within a chosen period. We do not report employee turnover in absolute numbers, by gender or by age group. We do not report on new hires as we do not have that number for the entire Group.

LA6 covers sick leave, as we deem that to be most relevant for Nordea to report on due to the nature of our business. We don't report injury, injury rate, occupational diseases rate, lost day rate, absentee rate and work-related fatalities in accordance with requirements in GRI G4. We have changed the way we report on sick leave 2017 compared to 2016. In 2016 we reported it as total number of days employees were absent from work. For 2017, we report it as the total number of sick-leave days divided by total number of working days. We have restated the figure for 2016 to be comparable to 2017.

The number of training hours (LA9) covers all training (e-learning, classroom and online courses) initiated at Group level, such as e.g. Licence to Work. All Nordea countries are included. It is not possible to split data into employee category or gender as required by GRI G4. The number of hours for local training sessions, which are extensive in a large organisation like Nordea, is not registered centrally and is thus not possible to track and report.

Disclosure on composition of governance bodies (LA12) has been changed to enhance readability and understanding of the reported figures and now only contains four categories in comparison to eight categories in the Sustainability Report 2016.

This year we have chosen not to disclose the salary ratio women to men (LA13) as it reflects a structural imbalance and does not reveal the key aspects of differences in pay between men and women. We believe that to truly get to the core of the issue, we need to undertake a more meaningful comparison of people's roles where we take into consideration job function, seniority and geography.

Discrimination (HR3) is reported as a percentage of how many of the respondents to the well-being survey experienced any form of discrimination or harassment at any point in time and not specifically in 2017, and is therefore not reported in accordance with GRI G4 requirements.

## S10. Other disclosures

### External charters and initiatives signed

As the largest financial services group in the Nordic region, we seek to encourage best practice through active participation in international initiatives. See the table below for some examples.

#### External charters, principles and other initiatives

##### CDP

Nordea is a signatory to the CDP, a project that aims to collect and share information on greenhouse gas emissions and climate change strategies. The CDP is a cooperation arrangement between 655 institutional investors with a combined asset holding of USD 78 trillion. We use the database information in our ESG analysis.

##### Equator Principles

Nordea was the first Nordic bank to adopt the Equator Principles, endorsing them in 2007. It is a set of guidelines on how to prevent, manage and mitigate environmental and social risks in project financing. The Equator Principles apply globally to projects across all sectors, where total project capital costs exceed USD 10m and the project is assessed to have a potential adverse social or environmental impact. However, the long-term trend to reduce project finance activities has continued and no new Equator Principles transactions were signed by Nordea in 2017.

##### Sustainable Investment Forums

Nordea actively participates in local sustainable investment forums – the so-called SIFs – which are independent national forums that promote responsible investment. Nordea became a member of SWESIF in 2008 and DANSIF in 2010. Furthermore, we were a founding member of FINSIF launched in June 2010 and NORSIF launched in February 2013.

##### The Montreal Carbon Pledge

Nordea signed the Montreal Pledge in 2014 as one of the first signatories. The Pledge commits us to disclose the carbon footprints of our equity funds.

##### UNEP FI

Nordea signed the UN Environmental Programme Finance Initiative (UNEP FI) in 1994. UNEP FI is a partnership between United Nations Environmental Programme and the global financial sector created in the wake of the 1992 Earth Summit with a mission to promote sustainable finance. More than 200 financial institutions, including banks, insurers, and investors, work with UNEP FI to understand today's environmental, social and governance challenges, why they matter to finance, and how to actively participate in addressing them.

UNEP Statement of Commitment by Financial Institutions on Sustainable Development represents the backbone of the initiative. By signing up to the statement, financial institutions openly recognize the role of the financial services sector in making our economy and lifestyles sustainable and commit to the integration of environmental and social considerations into all aspects of their operations.

##### UNGC

The United Nations Global Compact (UNGC) was initiated by the UN to encourage businesses to align their strategies and operations with ten universal principles building on UN conventions in the fields of human rights, labour standards, environment and anti-corruption. Nordea became a signatory to the UN Global Compact in 2002, first through Nordea Bank Finland. From December 2004 the coverage was extended to the whole Group as the signatory role was transferred to Nordea Bank AB (publ.).

##### UNGP

United Nations Guiding Principles on Business and Human Rights (UNGP) from 2011 is the first global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity, and continue to provide the internationally accepted framework for enhancing standards and practice regarding business and human rights.

##### UN PRI

As one of the first major banks in the Nordic countries, Nordea signed the United Nations Principles for Responsible Investment (UN PRI) in 2007. At the same time, we also launched our own policy for responsible investment. The policy shows how we adhere to these principles, report on our activities and progress in implementing the PRI. The report is public and available on the PRI website.

### Memberships of associations

Nordea is member of a number of associations, see examples in the table below. Besides holding a position as a board member, we also often participate in working groups and committees.

Association/Forum	Type of engagement
Swedish Bankers' Association	Board member
Finance Denmark	Board member
FFI - Federation of Finnish Financial Services	Board member
Finance Norway	Board member
European Banking Federation	Nordea is represented via the local bankers' associations who are members.
GFMA - Global Financial Markets Association	Board members
EFR - European Financial Roundtable	Member
EBG - European Banking Group	Member
AFME - Association for Financial Markets in Europe	Member
Swedish Securities Dealers' Association	Board member
FEAM Forum for European Asset Managers	Member
EFAMA - European Fund and Asset Management Association	Board member

### Product and service information requirements

As a responsible bank, we are bound to guide our customers to sound economic choices. All our customers, both private and corporate, should be accurately informed before doing business.

In Personal Banking our product approval process ensures that relevant rules and regulations are followed and that we state the correct required product information in the terms and conditions. Our terms and conditions for existing products are revised on a continuous basis.

Commercial and Business Banking follows the Markets in Financial Instruments Directive (MiFID) & MiFID II, which covers 100% of customers trading in financial instruments.

Wholesale Banking follows national legislation, MiFID processes as well as Products and Risk Descriptions to inform customers of risks and characteristics of our products. This applies to 100% of our significant products.

In Wealth Management, we follow the Ethical Principles for Marketing of Funds, ensuring that we communicate transparently and accurately to our customers, done annually for all existing customers.

### Customer satisfaction surveys

For three of our business areas, Personal Banking, Commercial and Business Banking and Wealth Management, we measure overall customer satisfaction in our Customer Proposition Survey every year. For Wealth Management, the result of customer surveys refers only to Private Banking customers.

In Wholesale Banking, customer satisfaction is measured annually by external service providers with extensive questionnaires and interviews.

**Complaints regarding breaches of customer privacy and losses of customer data**

In 2017 there were 110,398 (141,619) complaints registered in the Nordic countries for the business areas Personal Banking and Commercial and Business Banking. The categorisation in the system does not allow us to identify which complaints that concerns breaches of customer privacy.

In Wholesale Banking no general complaints or substantiated complaints regarding breaches of privacy were reported in 2017.

In Wealth Management, no substantiated complaints concerning breaches of customer privacy were reported in 2017. In total six leaks, or possible leaks, of customer data were reported during the year.

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## Glossary

- A AML** – Nordea’s Anti-Money Laundering work is based on international regulations with the ultimate goal of ensuring that funds from illegal sources cannot be laundered through the banking system or used to finance terrorism or illegal operations of any kind. The purpose of AML is to protect not only the financial system and our customers, but also society at large.
- C CDP** – Carbon Disclosure Project, a project that aims to collect and share information on greenhouse gas emissions and climate change strategies.
- COP** – Communication on Progress is the report that all signatories to the UNGC have to submit every year.
- E ESG** – This term refers to how environmental, social, and governance issues can affect the performance of investment portfolios (to varying degrees across companies, sectors, regions, asset classes and over time). ESG screenings are used in evaluations of partners and suppliers.
- G Green Bond Principles** – Green Bond Principles of the International Capital Markets Association, are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market by clarifying the approach for issuance of a Green Bond.
- K KYC** – Know Your Customer is Nordea’s practice to identify and know the customer, the nature of the customer’s business and use of services or products, volumes and origins of customers’ funds, wealth and transactions. The KYC process is used to give proper customer advisory and minimise the risk of terrorist financing and money laundering.
- M MiFID** – Markets in Financial Instruments Directive, is a regulation that increases transparency across the EU’s financial markets.
- U UNEP FI** – The United Nations Environmental Programme Finance Initiative is a global partnership between UNEP and the financial sector, working to understand the impacts of environmental and social considerations on financial performance.
- UNGC** – The United Nations Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.
- UNGP** – The United Nations Guiding Principles on Business and Human Rights is a global standard for preventing and addressing the risk of adverse impacts on human rights linked to business activity.
- UN PRI** – The United Nations Principles for Responsible Investment is an initiative in partnership with UNEP FI and UNGC consisting of six principles regarding ESG issues.

# Independent Auditor's Limited Assurance Report on Nordea's Sustainability Report

To Nordea AB (publ)

## Introduction

We have been engaged by the Group Executive Management of Nordea AB (publ) ("Nordea") to undertake a limited assurance engagement of Nordea's Sustainability Report for the year 2017.

## Responsibilities of the Board and Management for the Sustainability Report

The Board of Directors and Group Executive Management are responsible for the preparation of the Sustainability Report in accordance with the applicable criteria, as explained on page 35 of the Sustainability Report and are the parts of the Sustainability Reporting Guidelines (published by The Global Reporting Initiative, GRI) which are applicable to the Sustainability Report, as well as the accounting and calculation principles that Nordea has developed. This responsibility includes the internal control relevant to the preparation of a Sustainability Report that is free from material misstatements, whether due to fraud or error.

## Responsibilities of the Auditor

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

We conducted our limited assurance engagement in accordance with ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information. A limited assurance engagement consists of making inquiries, primarily of persons responsible for the preparation of the Sustainability Report, and applying analytical and other limited assurance procedures. The procedures performed in a limited assurance engagement vary in nature from, and are less in extent than for, a reasonable assurance engagement conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance conclusion.

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

and applicable legal and regulatory requirements.

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

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

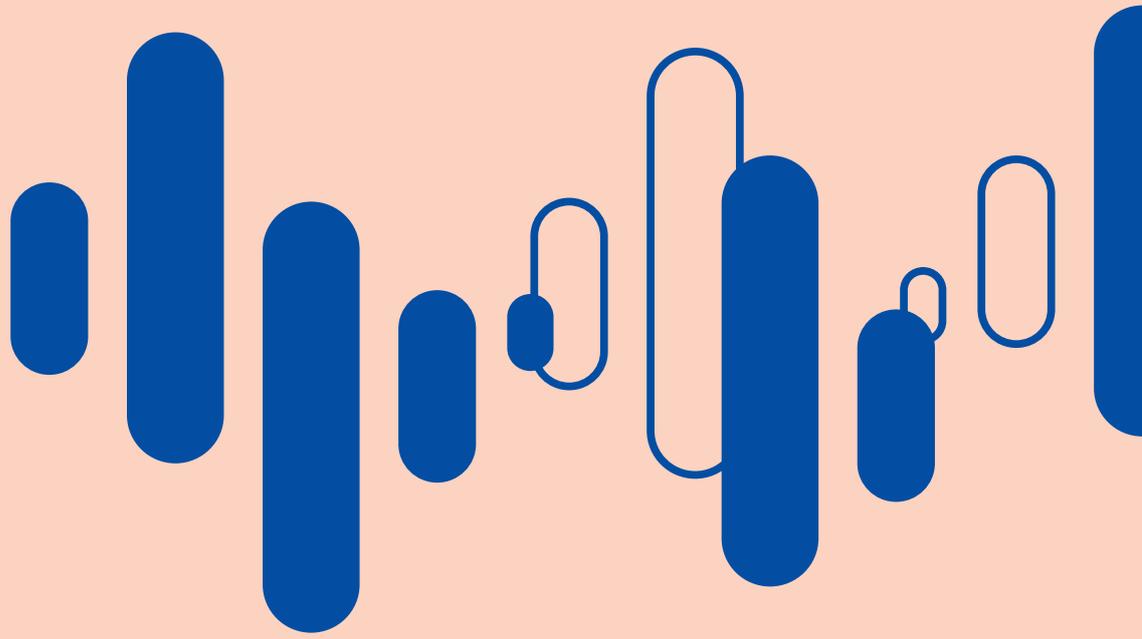
## Conclusion

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

Stockholm February 9 2018  
Öhrlings PricewaterhouseCoopers AB

Catarina Ericsson  
Authorised Public Accountant

Eric Lindholm  
Expert Member of FAR



The Nordea Sustainability Report 2017 has  
been produced by Nordea in collaboration with:  
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Chimney Group: layout and production



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