

Nordea



**Sustainability Report
2016**

About this report

Reading guide

Welcome to Nordea's Sustainability Report 2016. This is our invitation to share with you our opportunities, risks and progress made in the field of sustainability at Nordea during 2016. The report begins with a statement from our President and CEO, Casper von Koskull, followed by a bird's eye view of the Nordea Group with highlights and key data. We then take

a deeper dive into the sustainability impact in our group functions and business areas. We finish on the way forward for sustainability at Nordea.

Nordea is the largest financial services group in the Nordic and Baltic region and most household customers know us as their neighbourhood bank branch in which they hold a bank or savings account. However, Nordea is much more than that, we are a Swedish financial institution with a global reach. Therefore we offer you an insight into how Nordea operates, and the sustainability challenges and opportunities that our business areas face.

Boundaries

The Sustainability Report 2016 includes data from all countries, with some exceptions depending on accessibility to reliable data, due to insufficient systems. This is indicated in conjunction with presented data when applicable. The Sustainability Report refers to the period from January 1 to December 31, 2016. Nordea has chosen to set a new base year for People (HR) data and environmental data due to the increase of scope and changes in the data collection process. If one were to compare the 2016 figures with older figures it is important to remember that all countries of operations are included in the 2016 report.

When applicable, the indicators are reported on a business area level. Due to the characteristics of the business areas'

operations, certain indicators are not applicable to all business areas.

People data has been compiled using a Head Count and has been collected from Human Resources' systems. Nordea's Annual Report 2016 uses the unit FTE, Full Time Employees and because of that the People figures differ between the two reports. From a sustainability perspective it is advisable to use Head Count as it includes all the employees, regardless of whether or not they work full time. Due to the split from Retail Banking to Personal Banking and Commercial and Business Banking, the employee data for the new business areas has been calculated on the basis of the Q4 data (when the split was completed).

Emissions data was calculated by emissions factors provided by Nordea's environmental management system, Credit 360, the GHG protocol and third party reports for air travel.

Omission statement

We have made omissions for the following indicators: The total number of operations and the quantity of products and services provided have been omitted from G4-9, as the aggregated information is currently unavailable due to the organisational change.

Data on supervised workers for G4-10 cannot be disclosed because Nordea currently has multiple incomparable systems, full disclosure is planned for 2018. The G4-LA1 breakdown in age groups is currently unavailable. There is no data available for a breakdown on business area level for G4-LA1 for the Baltics and Poland. Nordea does not log specific types of injuries or specified reasons for absence regarding G4-LA6. For G4-LA9 we have only been able to disclose the training data organised on a group level. The training conducted by individual business areas and group functions is registered in separate and currently incomparable data systems.

G4-LA12 only holds data for the Nordic countries. Full disclosure requires consolidation of data storage systems and is planned for 2018. Due to privacy reasons the three top employee categories have been merged in the disclosure of G4-LA13, in order to protect individual privacy of female managers.

We are currently unable to disclose data for G4-EC3 outside of the Nordics, due to insufficient systems. It is currently not possible to calculate reliable aggregated data for G4-EC4 and the monetary value is thus not disclosed. Full disclosure for these two indicators is planned for 2018.

Wholesale Banking and Commercial and Business Banking report G4-SO3 since the indicator is especially applicable to corporate customers. Personal Banking and Wealth Management will develop a reliable method to disclose G4-SO3 in the 2018 report.

Because of the organisational split, it was not possible to disclose reliable data for Personal Banking's operations in the Baltics. Estonia, Latvia and Lithuania have thus been omitted. Further organisational changes are underway and full disclosure will be investigated when this has been finalised.

The figure for G4-FS11 regards assets under management for Asset Management (not Wealth Management as a whole). Index funds are excluded from the screenings since they track index. The figure includes equity funds only. An omission in regards to UN Global Compact COP criterion 20 has been made pending new reporting approval processes with respect to the Board of Directors.

Report profile

The report is produced in accordance with the guidelines from the Global Reporting Initiative, GRI-G4 (level Core, third party assured in its entirety) and is Nordea's COP (Communication on Progress) submission to the UN Global Compact. Nordea has adopted the Equator Principles (EP). This report partly fulfils the annual reporting requirements of the EP and serves as Nordea's EP status report for the financial year 2016. Detailed EP statistical information is available at www.nordea.com.

Nordea publishes a sustainability report on an annual basis; the previous one was published on February 12, 2016. For more information about sustainability at Nordea, please visit our website: www.nordea.com

We have compiled all of the abbreviations, definitions and initiatives commonly used throughout the report in the Glossary at the end. If you have any questions about the Sustainability Report you are welcome to address them to the Head of Sustainability, Åse Bergstedt at sustainability@nordea.com

Contents



Åse Bergstedt, Head of Sustainability, Casper von Koskull, President & CEO and Rodney Alfvén, Head of Investor Relations photographed at a Sida (Swedish International Development Cooperation Agency) event at Almedalen in July 2016.

4	Statement from the CEO
6	This is Nordea
8	Governance
10	Nordea and sustainability
14	Materiality and stakeholder dialogues
16	People
20	Compliance
22	Responding to civil society
23	Business Area Overview
24	Personal Banking
26	Commercial and Business Banking
28	Wholesale Banking
30	Wealth Management
32	Statement from the Head of Sustainability
33	Stakeholder Address
34	Moving Forward
37	Interacting for sustainable finances
38	GRI Index
42	Glossary
43	Assurance Statement

Statement from the CEO



In 2016 Nordea was on a significant change journey to integrate sustainability into all group functions and business areas. This report presents the significant progress made during the year to embed the aspects of human rights, labour rights, environmental protection, anticorruption and ethical business practices into the heart of our core operations. I am very proud to share with you a transparent disclosure of how far we have come.

In our 2015 Sustainability Report, we presented our approach for enhanced compliance. During 2016 we have taken the next step and implemented a proactive approach that acknowledges the importance of integrating sustainability into all parts of Nordea, defining a united outlook.

This year the public agenda has made a call for action, demanding that we act more strongly and step up as a sustain-

able financial actor. We have answered this public call with a number of concrete actions taken during the year, realising that sustainability is key to success. We believe that by taking this into full consideration, we enhance our ability to grow and strengthen trust.

Enhanced focus in management

Nordea made several significant changes in 2016 to meet the requirements for

a stronger link between corporate and societal value creation. We have put consistent focus on governance and implementation, resulting in a number of concrete actions and appointments. We have established the Business Ethics & Value Committee, appointed a new Head of Sustainability, a new Chief Compliance Officer, and a new Chief People Officer – who all represent key functions in leading our proactive agen-

da. These are welcomed appointments that strengthen the management in our objective to lead by example. Issues related to sustainability and compliance can never be isolated from the rest of the business, they are intertwined with their surroundings and they must be rooted in our organisation to create commitment to the common goal and increase business resilience. This new, more distinct leadership will help us to successfully implement new policies, guidelines and frameworks.

Earning trust from customers and society

Our aim with the measures taken during the year is to consolidate more common processes in all our business areas in terms of enhanced compliance, resilience and transparency. Transparency and openness are key components to earn trust from society. During the year, Nordea has encountered incidents that bruised our customers' trust in us. In April, Nordea was pointed out as one of several actors in the "Panama Papers", where the media portrayed financial advice given regarding tax structures as unethical. The Nordea management took this criticism very seriously and a number of actions were carried out to strengthen our compliance culture and bolster our efforts to combat any potential financial crime. Nordea can never accept even the slightest doubt in our ethics, as we hold trust and compliance as key considerations in all our actions and transitions. We understand that the public perception of compliance goes beyond regulatory requirements, and re-strengthening customer trust is our very top priority.

Combating climate change

When we reflect upon 2016 the issue of climate change is top of mind with the historic Paris Agreement that entered into force in November 2016. Climate change is one of the biggest threats to humanity, and Nordea is closely monitoring the development of the political, scientific and industry agenda. We recognise the need for leaving fossil fuels in the ground as stranded assets and instead promoting businesses and innovations with sustainable solutions on energy and infrastructure. This is a priority in our investment and lending policies and guidelines.

"This year the public agenda has made a call for action, demanding that we act more strongly and step up as a sustainable financial actor. We have answered this public call with a number of concrete actions taken during the year, realising that sustainability is key to success. We believe that by taking this into full consideration, we enhance our ability to grow and strengthen trust."

A diverse workforce benefits everyone

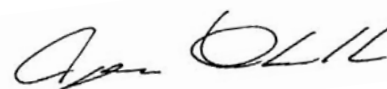
Every day our approximate 34,500 employees are the ones driving Nordea forward. It is extremely important for us that our people are united around a strong culture that stimulates each and every one to perform at their best. During the year, we developed a new People Agenda, striving for healthy people with future-fit competencies in a diverse culture. We believe that a diverse and inclusive workplace stimulates and benefits everyone, while at the same time making us better prepared for tomorrow's challenges and opportunities. Our perception of diversity ranges from background, education and gender. We are dedicated and understand the hard work it requires to achieve diversity on all levels, and we have therefore combined targets with training for managers to help recognize unconscious bias in all our people decisions. Establishing a balanced workforce will make us a stronger company and better able to serve our diverse customer base.

Listening and partnering for the future

The past years have seen increased public demand for long-term sustainable, transparent and ethical business practices that benefit everyone. For us to be able to meet ever-changing demands and expectations on Nordea, we have carried out extensive stakeholder dialogues with our internal and external stakeholders during the year. The result from these dialogues guides us strategically in adjusting our business practices and adapting a more long-term risk management approach, taking complex sustainability issues into consideration.

Our stakeholder dialogues display key areas of importance for our stakeholders. These key areas have guided us in clarifying our strategic challenges and to set

clear, well defined goals. Our goals and targets are also set in alignment with the sustainable development goals (SDGs) within the Agenda 2030. The adoption of the agenda marks a significant navigation change within the political system, private sector and civil society. We especially welcome the agenda's emphasis on multi-stakeholder partnerships to ensure sufficient sustainability focus across all areas. The UN Global Compact, the UNEP FI and Montreal Carbon Pledge are three concrete examples of such multi-stakeholder partnerships, to which Nordea is signatory. We believe voluntary initiatives like these increase the understanding of each other's common challenges and opportunities, and how by collaborating across sectors and business areas, we become better equipped for the future.



Casper von Koskull, President and Group CEO



This is Nordea

Nordea is the leading bank in the Nordic countries and a major European bank. We are proud to be a prominent Nordic retail bank, the number one wholesale bank and the largest private bank, asset manager and life and pensions provider in the Nordic region. Through our four business areas Personal Banking, Commercial and Business Banking, Wholesale Banking and Wealth Management we serve almost 11 million customers. Nordea is a Swedish bank with a global reach, operating in 18 countries worldwide, including Poland and India where we have operational support centres. This is illustrated by the map to the right. For more information about our business areas, please see their individual chapters.

As a financial actor, we provide people and businesses with financial means to fulfil their dreams, ambitions and plans. Monetary resources provide powerful means to bring society forward. Therefore, the financial sector has a major responsibility to actively drive society in a sustainable direction. In this report we want to give an insight into how Nordea works with sustainability.

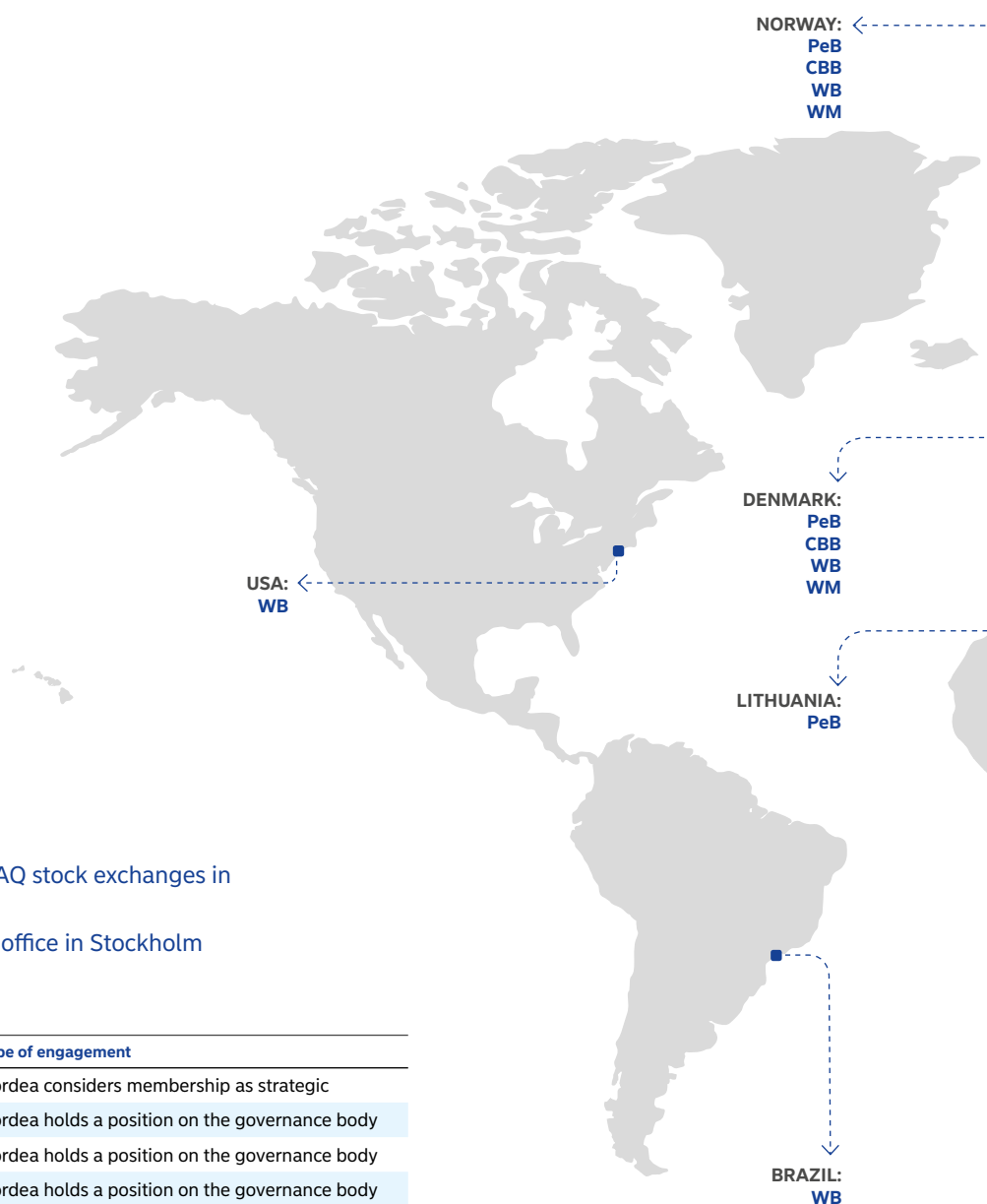
Formal name: Nordea Bank AB (publ)

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

Legally registered in Sweden with head office in Stockholm

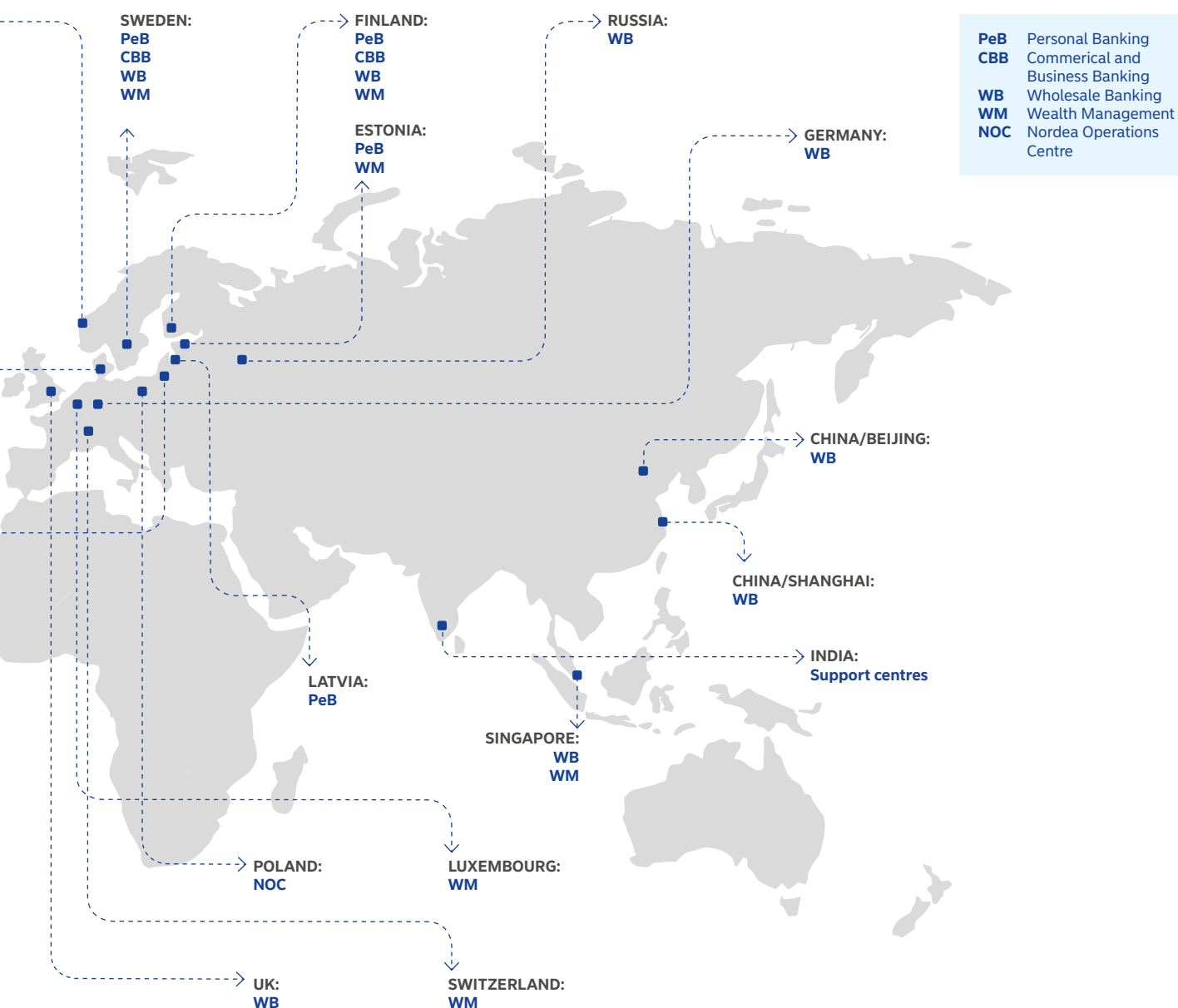
Nordea's Membership of Association

Association	Type of engagement
European Banking Federation	Nordea considers membership as strategic
Swedish Bankers' Association	Nordea holds a position on the governance body
Danish Bankers' Association	Nordea holds a position on the governance body
FFI - Federation of Finnish Financial Services	Nordea holds a position on the governance body
Finance Norway	Nordea holds a position on the governance body
Swedish Security Dealers Association	Nordea holds a position on the governance body
Danish Security Dealers Association	Nordea holds a position on the governance body
IIF - Institute of International Finance	Nordea participates in projects and committees
EFR - European Financial Round Table	Nordea participates in projects and committees
IIEB - Institut International des Etudes Bancaires	Nordea participates in projects and committees
EFAMA - European Fund and Asset Management Association	Nordea participates in projects and committees
FEAM - Forum for European Asset Managers	Nordea participates in projects and committees
GFMA - Global Financial Markets Association	Nordea holds a position on the governance body
AFME - Association for Financial Markets in Europe	Nordea participates in projects and committees
ICMA - International Capital Markets Association	Nordea participates in projects and committees
ISDA - International Swaps and Derivatives Association	Nordea participates in projects and committees



Net sales:

**€ 9,927
million**

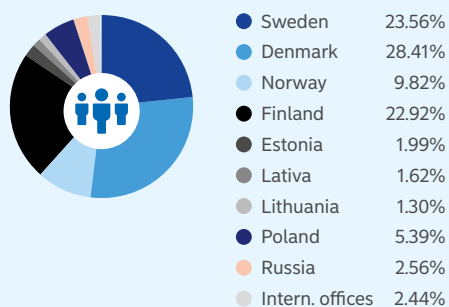


Total capitalisation
broken down in terms
of debt and equity:

Debt:
583,249 EURm

Equity:
32,410 EURm

Breakdown of Nordea's employees
by countries of operation



Household customers:

10.1 million

Employees:

34,507

Corporate and
Institutional customers:

704,000

Governance

2016 saw considerable change in the organisational structure of Nordea: the division of the former business area Retail Banking into the new business areas Personal Banking and Commercial and Business Banking. There was also a consolidation of the Chief Operating Officer organisation.

Nordea received approval for a changed legal structure, moving from Nordic bank subsidiaries to Nordic branches.

As a lead in our new sustainability framework, we enhanced our sustainability governance structure during 2016. A clear governance structure creates a solid foundation from where the sustainability strategy and targets can be developed and anchored. Group Sustainability is responsible for the strategic agenda and for proposing the sustainability targets for the Group. Each Business Area and Group Function is responsible for implementation in its respective area, supported and advised by Group Sustainability. For more information about our Corporate Governance, please see the Corporate Governance Report in the Annual Report 2016.

• Policies

The Group's updated Code of Conduct came into force in December 2016. The Code is based on the ten principles of the UN Global Compact. Other key policies are our Sustainability Policy, our Supplier Policy and our Policy for Responsible Investments. All policies and guidelines are available on www.nordea.com.

• Shareholders

The General Meeting is the Company's highest decision-making body, at which shareholders exercise their voting rights. At the General Meeting, decisions are taken regarding matters such as the annual accounts, dividend, election of the Board of Directors and auditors, remuneration for Board members and auditors and guidelines for remuneration for executive officers.

• Nomination Committee

The AGM 2016 decided to establish a Nomination Committee with the task of proposing Board members, the Chairman of the Board and auditor as well as remuneration for the Board members and auditor to the AGM 2017.

• Board of Directors

The Board of Directors annually establishes its working plan, in which the

sustainability management system, sustainability reporting and risk reporting are integrated. The Board is ultimately responsible for ensuring that an adequate and effective system of internal control is established and maintained. The shareholders at the General Meeting elect the Board of Directors. Each Board member is elected for a one year at a time. There are no restrictions to how long a Board member may serve on the Board. The board members elected by the General Meeting are collectively to exhibit diversity and breadth of qualifications, experience and background. According to the Swedish Corporate Governance Code, the company is to strive for equal gender distribution on the board.

• Board Remuneration Committee

The Board Remuneration Committee is responsible for preparing and presenting proposals to the Board of Directors on remuneration issues. This duty includes proposals regarding the Nordea Remuneration Policy and remuneration system with participation of appropriate control functions. According to the Code, the members of the BRC are to be independent of the Company and the executive management of the Company. Nordea complies with this rule.

• Board Audit Committee

The Board Audit Committee assists the Board in fulfilling its oversight responsibilities by inter alia monitoring the Nordea Group's financial reporting process and submitting recommendations or proposals to ensure its reliability, and informing the Board of Directors of the outcome of the statutory audit and explaining how the statutory audit contributed to the reliability of financial reporting and what the role of the BAC was in that process. The Board Audit Committee receives reports and assessments from the Group Internal Audit (GIA) and the committee is responsible for guidance on and evaluation of GIA within the Nordea Group.

• Board Risk Committee

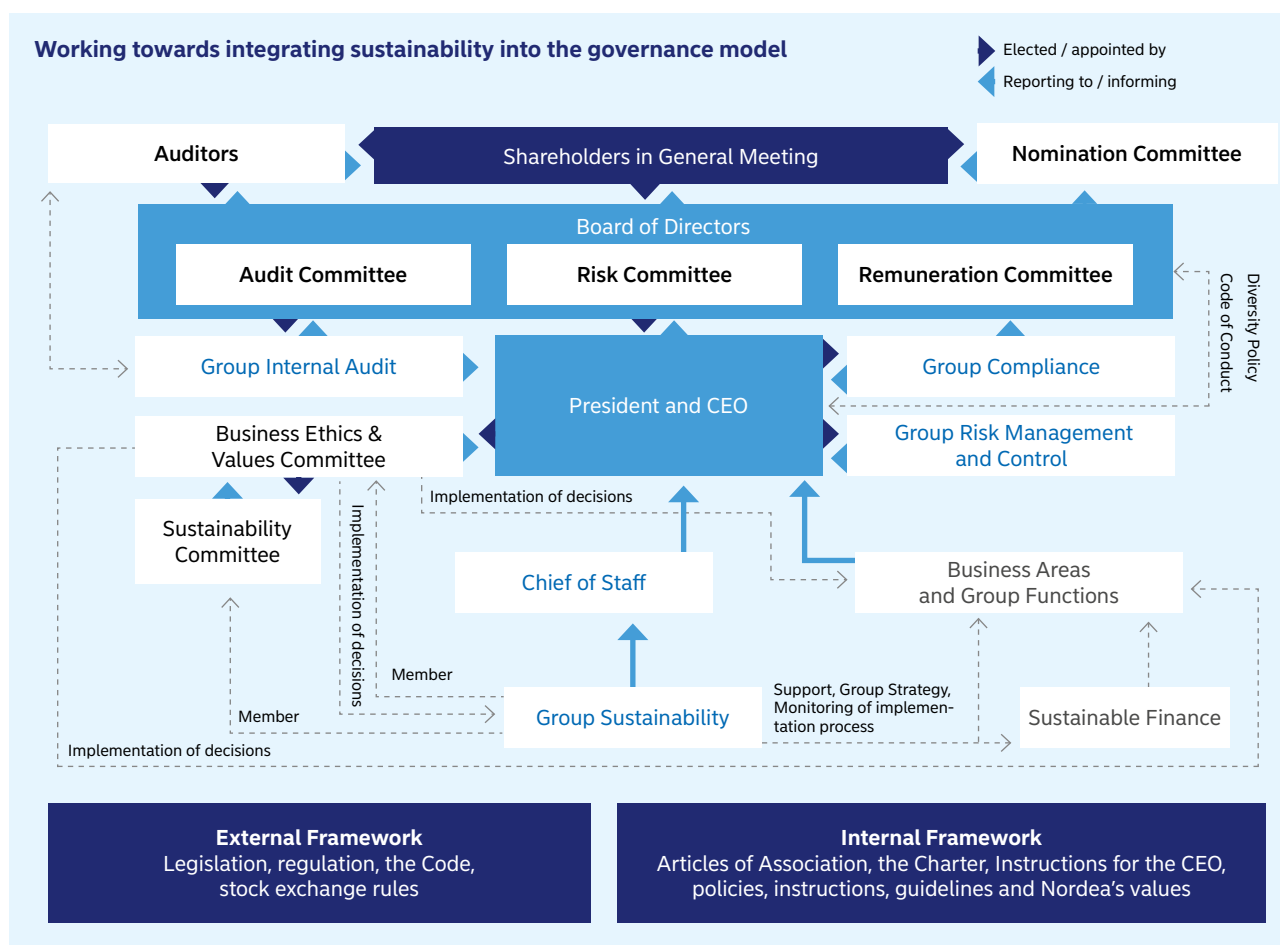
The Board Risk Committee (BRIC) assists the Board of Directors in fulfilling its oversight responsibilities concerning the management and control of risk management and control frameworks. The Board Risk Committee can also give recommendations concerning strategic policy matters and the development of the credit portfolio. In compliance with the regulations issued by the Swedish Financial Supervisory Authority, the members of the Board Risk Committee are not members of the company's Executive Management.

• Group Internal Audit

Group Internal Audit (GIA) is an independent function commissioned by the Board of Directors. The Group Chief Audit Executive (CAE) has the overall responsibility for GIA. The CAE reports on a functional basis to the Board of Directors and the Board Audit Committee and reports on an administrative basis to the CEO. Group Internal Audit annually provides the Board of Directors with an assessment of the overall effectiveness and governance, and of the risk and control framework, together with an analysis of themes and trends emerging from internal audit work and its impact on the organisation's risk profile.

• Group Executive Management

The CEO and the Group Executive Management are charged with the day-to-day management of Nordea Bank and the Nordea Group's affairs in accordance with the internal and external framework. Group Executive Management (GEM) is responsible for approving the sustainability strategy and goals each year. GEM receives an update on sustainability topics from the Head of Sustainability three to four times annually. 90% of GEM members are new in their roles compared to 2016. 78% of the new members come directly from other positions in the bank.



• Business Ethics and Values Committee

The Business Ethics and Values Committee, chaired by the CEO, oversees that Nordea's business is conducted responsibly and in adherence with our values and ethical standards. It is the primary decision-making body for sustainability related matters in Nordea. In addition, the Committee oversees the development of the values of the Group and ensures that key policies and strategies reflect these values, as well as our ethical standards.

• Group Sustainability

Group Sustainability is responsible for the group-wide development of the sustainability strategy and policies, sustainability initiatives and ensures that the relevant sustainability issues are brought to the attention of senior management. Group Sustainability represents Nordea in numerous public contexts.

• Sustainability Committee

Each business area and group function

is represented in the Sustainability Committee, chaired by Head of Wealth Management. The Committee formulates suggestions regarding sustainability policies relevant for one or several Business Areas, which are directed to the BEVC for approval. The Committee meets on a quarterly basis. Further responsibilities include follow-up on Nordea's sustainability strategy, ensuring executive ownership and organisational implementation of decisions taken.

• Business Areas & Group Functions

The business areas and the group functions are themselves responsible for the integration and implementation of Nordea's sustainability framework, as well as for their ethical and legal compliance.

• Sustainable Finance

Sustainable Finance units exist in Wealth Management and Wholesale Banking, and they have been strengthened in order to provide expertise and solid processes for ESG integration.

Sustainable Finance also works closely with Group Sustainability to ensure alignment with group strategy and framework. This work will be further enhanced to ensure that ESG is integrated into all business areas and group functions.

• Working groups

It has been decided to establish working groups on sustainability aspects such as: procurement, community engagement, diversity, tax, digitalisation, investments, lending, and products and services advisory. The working groups should be comprised of a diverse set of representatives from the business areas and the group functions. They are not decision-making bodies but rather forums for dialogue and competence raising, monitoring risk and opportunities, reporting to the Sustainability Committee.

For more information about the new business areas, see their respective chapters.

Nordea and sustainability

As a financial institution, our entire business model is built on creating value. For a sustainable business model to succeed, value cannot only include monetary means, but must internalise environmental, ethical and social aspects. All spheres of society, including the financial sector, must address challenges such as climate change. Sustainability must be clearly defined and spread throughout any organisation, and as a financial institution we must interact with our stakeholders in all forums possible.

In our 2015 Sustainability Report, we presented our embarking on a new journey towards enhanced compliance and a sharper focus on sustainability. The development of this new, proactive sustainability framework is based on the principles of the UN Global Compact. The aim is to integrate and enhance our sustainability approach within all business areas. In the autumn of 2016 we carried out a materiality analysis that displayed a need to adjust our sustainability strategy to align it with stakeholders' expectations and priorities. The development of the sustainability strategy is therefore still in progress. It is a continuous co-creation process, requiring leadership and commitment from all of Nordea. We believe that by taking sustainability into full consideration, we enhance the ability to grow. Sustainability thereby generates value in itself.

As a lead in the development of our new sustainability framework, we carried out a number of concrete actions during 2015-2016. These actions include the establishment of a Financial Crime Change Programme, appointment of a new Chief Compliance Officer and a new Head of Sustainability. More information about our governance structure can be found on page 8-9.

When the term sustainability was coined many corporations would place sustainability in a separate box, disconnected from the rest of the business. A lot of progress has been made in this respect and Nordea is determined that sustainability cannot be treated in a vacuum, but must encompass not only all business areas, but also all group wide functions. Only then can we strengthen compliance, resilience and transparency in our operations.

Commitment to climate change

The World Economic Forum's Global Risks Report 2016 ranks failure of climate change mitigation and adaptation as the highest global risk in terms of impact. At Nordea we are following climate research with interest and concern, and amongst

the risks there are positive opportunities for society if financial actors and the private sector decide to answer the call for action. At the end of 2015 at the UNFCCC COP21, 194 member states signed the Paris Agreement, pledging to reduce their carbon emissions with the objective of keeping the global temperature rise well below 2°C. Nordea signed the Paris Pledge for Action launched at the COP21, in which Nordea Asset Management participated. During 2016, Nordea continued its engagement in climate change questions and was pleased to see when the Paris Agreement entered into force in early November. In September, prior to the COP22 in Marrakech, Morocco, Nordea was one of 130 investors that signed a letter calling on G20 to take steps to meet the Paris Agreement. Nordea Asset Management also participated in COP22.

A central aspect in the transition to a low carbon future is the need for political and legislative leadership on environmental issues in general and climate change in particular. Nordea welcomes and supports the Swedish Finansinspektionen's (FSA) demand for a more precautionary environmental approach within the financial sector, and increased focus on climate change.

Science-based targets for the future

Climate change demands an approach and methodology based on science-based targets, societal and global needs, at the same time, as it is flexible and adaptive to developments. Nordea is in the process of assessing how science-based targets can be applied to the organisation. As a bank climate change is also a question of risk management and being prepared for the future, ensuring our financial stability and thus contributing to societal stability. Nordea applies the precautionary approach to our operations, facilitated through the principles and guidelines of the sustainability initiatives that we have signed. Environmental aspects are included in the supplier risk assessment, and we have developed an ESG tool that is under implementation. Following

the Swedish FSA's emphasis on climate change Nordea will investigate how to further this work.

Digitalisation

Digitalisation plays a major role in the move to a low carbon economy. It brings challenges of its own, but it creates opportunities and alternatives to outdated forms of interaction. Nordea is investing in building in-house competence in the area of digital banking offerings, including secure payment systems, customer data protection and cybersecurity. We see the urgent customer need for more flexible services, not least driven by the digital native "Generation Y" which will make up the largest customer group within the next 20 years. As a lead in this new digital era, we became the first big bank to launch a number of online branches in 2015, something we continued during 2016. This enables more customer advice meetings online, more direct and rapid counselling. More and more customer meetings are being held online, reflecting the consolidating digital landscape of today. From a sustainability perspective, an increased number of online meetings is a positive development, whether between the bank and its customers or internal meetings within our different country offices.

Nordea and the rights perspective

As a signatory to the UNGC, Nordea has pledged to uphold human rights and labour rights in our value chain. We expect entities and companies in which we invest to comply with all applicable laws and to demonstrate that they have the commitment, capacity and management systems to identify, monitor and manage the social risks facing their business. We require companies in which we invest to carry out thorough and accurate Environmental Risk Assessments (where applicable), and address any environmental and social issues that arise.

Nordea's environmental impact

Total CO₂e emissions

43,789 tonnes

CO₂e emission intensity

4.4 tonnes

per million € of total operating income

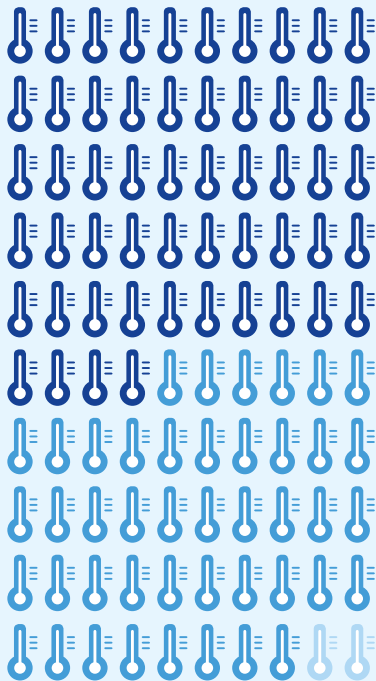
SCOPE 1 direct emissions: Nordea owned cars and gas for heating



Direct CO₂e emissions

175 tonnes

SCOPE 2 indirect emissions: Heating, cooling and electricity



Indirect CO₂e emissions

30,037 tonnes



Total energy consumption:
(electricity, district heating
and district cooling)

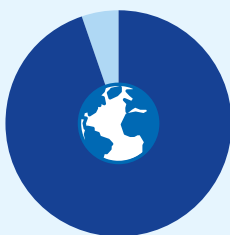


MWh 212,806

- Electricity: 54.3%
- District heating: 43.5%
- District cooling: 2.2%

SCOPE 3 other indirect emissions: Travel

Other Indirect CO₂e emissions



- Air travel: 94.9%
- Rail travel: 0.1%
- Car travel: 5%

13,576 tonnes



The total sum of emissions from travel
corresponds to 0.4 tonnes CO₂e per employee

For comparison, please see the Sustainability Report 2015. Please note that the 2016 scope includes all countries of operation. Because of this, the figures are not comparable.

Community Engagement

Community Engagement is an essential element of Nordea's sustainable business strategy. Improving financial skills and enhancing entrepreneurship make up the core of Nordea's group-wide Community Engagement. Our focus on these areas comes naturally from our employees' skills and expertise within each area. In turn, upholding this focus

Grievance mechanism

Since 2012, we have had a group-wide whistleblowing system: Raising Your Concern, which 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. It aims to ensure our compliance with the standards set out in the UK Bribery Act and European Banking Authority Guidelines. It also includes actions that could cause harm to Nordea's business or reputation, or to the health or security of our employees or customers.

Risk Management

Risk management in Nordea covers all risk types from the traditional credit, market, and liquidity risks to conduct, reputational, and regulatory risks. The Board of Directors has the ultimate responsibility for limiting and monitoring Nordea's risk exposures. The key principle for the management of risks in Nordea is the three lines of defence (LoD), where the business areas constitute the first LoD, Group Compliance and Group Risk Management & Control constitute the second LoD, and Group Internal Audit constitutes the third LoD. For more information on Nordea's governance and risk management, please refer to Chapter 1 of the Pillar III report.

Partnering to support local growth and export

Nordea has a long history of partnerships with governmental financial support organisations (e.g. ECAs and agencies for economic growth) supporting start-up, growth and export. Nordea appreciates the opportunity to support local development. The partnership provides parallel/supporting and lending directly to the companies or guaranteed lending.

makes it possible for us to make a tangible societal impact.

Tackling these issues both in own programmes and in co-operation with partnerships, Nordea contributes to helping young people to budget and save and build a successful financial life for themselves. Nordea also engages with entrepreneurs and young potential entrepreneurs in many ways.

Our employees benefit hugely from the experience too. They return to work with greater motivation, deeper understanding of society, as well as enhanced communications skills, all of which improves how they engage with and relate to our customers.

Our community engagement relies on co-operation with partnerships and developing own programmes in all four Nordic countries. It reaches thousands of young people and entrepreneurs and engages hundreds of employees every year. Our latest programme addresses both financial skills and entrepreneurship and was launched at the end of 2016 as part of Finland's centenary celebrations in 2017. Here we educate 6th graders in money flow in economy, 9th graders in business environment employment, high school students in global economy, and assist new entrepreneurs with mentoring and networking.

Ethical address on tax compliance

As the largest financial institution in the Nordic region we have a responsibility to ensure that we offer products and services that follow internal and external requirements for high ethical standards and compliance. Equally important is that we do our best to promote ethical behaviour among our customers.

Our personal bank advisors and corporate relationship advisors advise individual and corporate customers to realise their legal and ethical responsibility, facilitated by clear and updated policies. In relevant cases Nordea supports customers with standard reporting to facilitate their tax reporting. Furthermore, we support society by withholding and reporting taxes on behalf of the government.

All customers are subject to statutory procedures that are created to prevent anti-money laundering and terrorist financing.

At Nordea, our Know Your Customer (KYC) process is a crucial tool for obtaining necessary information about customers, including key parameters as the source of funds and wealth to ensure that they do not have criminal content. The KYC data is also the foundation for the risk-classification of customers and to verify that executed transactions are consistent with the stated purpose of the banking relationship. All the information obtained is confidential. We are confident that only by knowing our customers can we provide excellent service, offer the most appropriate bank products and ser-

vices tailored to the customers' needs and ensure outstanding customer service.

In 2016 tax compliance rose to the top of the sustainability agenda across the sector. Nordea has been well prepared for this development. During 2016 a Tax Board was established on group level, and both the 'Group Tax Policy' and the 'Tax Policy on Customer Advice' were further enhanced to clarify Nordea's ethical position in relation to tax compliance. In the 'Tax Policy on Customer Advice' we state the following for example:

- Nordea gives, to its best endeavours, accurate information to its customers, consistent with the tax laws and tax practices, regarding tax effects to support customer compliance with legal and regulatory requirements;
- Nordea pays attention to its customers' reputational risks and does not encourage or facilitate tax schemes of its customers that are regarded as tax evasion;
- Nordea does not encourage or facilitate tax schemes of its customers that may be legal but perceived as aggressive tax planning or not in line with Nordea's internal ethical standards;
- Nordea always assumes and supports that its customers are required to properly disclose and be transparent with their tax positions towards the tax authorities;
- Nordea continuously assesses that its product offerings are not in conflict with any of the Group's internal rules, specifically with the Nordea Sustainability Policy and Code of Conduct;

This policy exists since Nordea strongly believes this is in the best interest of our customers, employees, shareholders and society at large. Not having a similar policy would expose all these stakeholders to reputational risk and ultimately regulatory consequences.

Nordea is an active participant in the development of rules and regulations in collaboration with financial institutions, both private and public. We welcome the demand for increased transparency and we are carefully monitoring the legislative developments both nationally and internationally. For information about Nordea's own tax payments see page 102 and 106 of the Annual Report 2016.



Sustainable Procurement

The complexity of global supply chains demands that all procurement partners act with integrity and responsibility. Nordea is working to strengthen our sustainable procurement practices, encouraging dialogues internally as well as with suppliers to promote compliant behaviour.

We have carried out a number of actions to ensure a sustainable supply chain. We have simplified and strengthened our organisation, so we are now present in Sweden, Denmark and Poland. We have centralised our procurement risk function, so our Sustainable Procurement Manager now reports directly to the Head of Group Procurement to lead our proactive sustainability approach. During 2016, we enhanced this approach further by implementing a Third Party Risk Management process for extended risk assessments and updated our governance documents. We screen all new suppliers in our external compliance systems before contract signing, and also continuously monitor our existing supplier base. We are engaging with industry peers to learn from best practices and internal training is a fundamental and on-going part of our work, ensuring that sustainability as a competence is firmly anchored in the organisation.

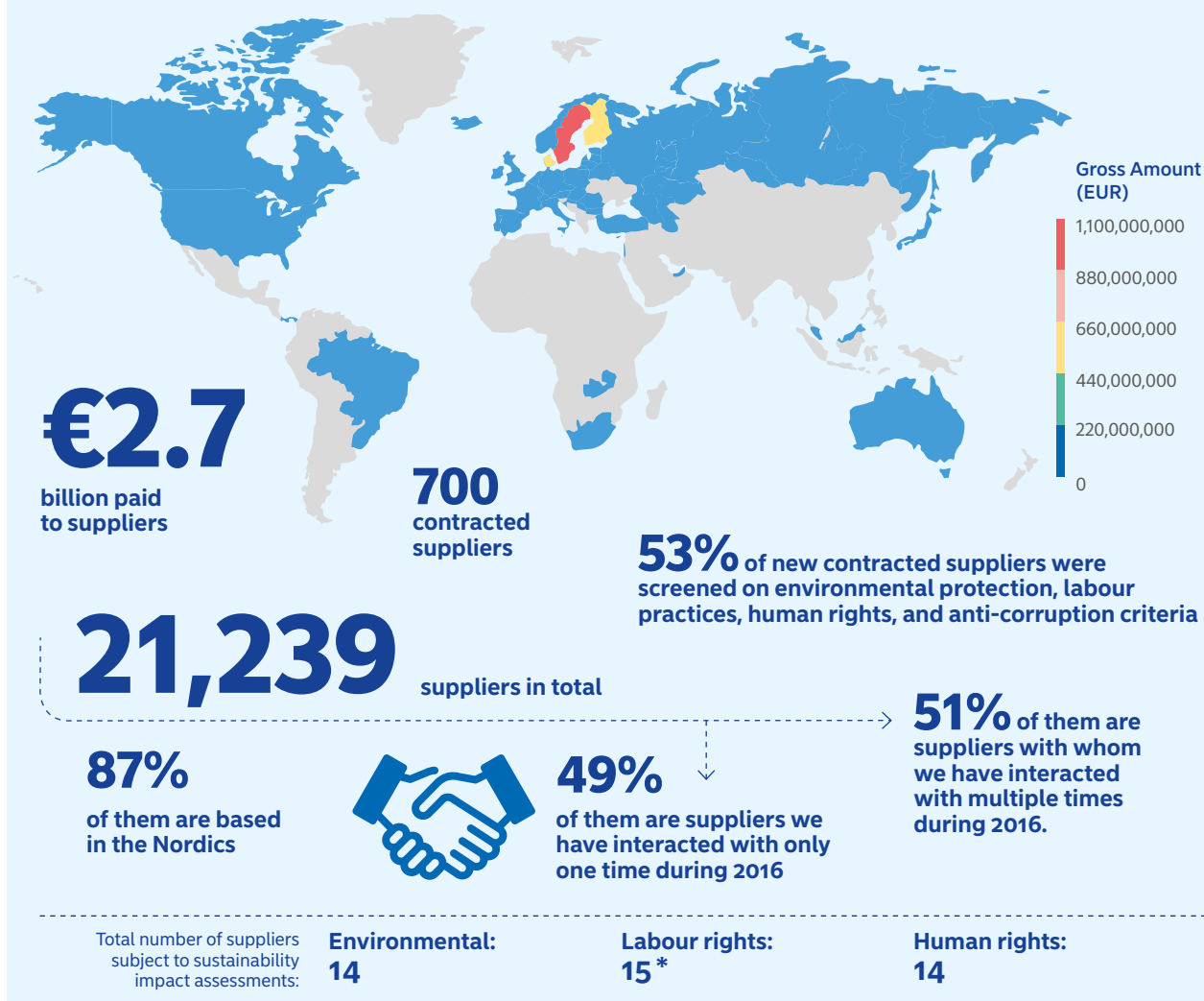
All suppliers entering the procurement process must reply

to a qualifying sustainability questionnaire. Medium and high risk suppliers proceeding to bid evaluation must reply to an extended questionnaire, which provides deeper understanding of their conduct. With suppliers still being high-risk we initiate a dialogue, which may result in a CAP.

In 2016 we conducted 13 sustainability dialogues with high-risk suppliers, 3 of which resulted in CAPs. Additionally three in-depth sustainability reviews were conducted with an IT supplier and with consultancy firms. Our engagements have resulted in the termination of a contract with one supplier, increased focus on tier-responsibility and the formalisation of the supplier's whistleblower function. Group Procurement's measures have led to a much stronger focus on sustainability, engaging our suppliers.

While 2016 was the year in which we focused on sustainability coverage of our existing supplier base, the focus for 2017 will be on further formalisation of the process and an extension of the scope. This will occur via implementation of a central Third Party risk system, Standards certification of Sustainable Procurement Manager and continuous engagement and CAP-discussions with high-risk suppliers.

Nordea's spend map of first tier suppliers



* Only 1 supplier was identified as having significant actual and potential negative labour rights impact. The contract (100% of the suppliers with identified labour rights impact) was terminated due to non-compliance with Nordea's requirements for employee working conditions.

Materiality and stakeholder dialogues

Holding a regular dialogue with our stakeholders and performing a materiality analysis is essential for Nordea to continuously improve as an organisation. The materiality analysis indicates the material aspects that have a significant influence on Nordea's stakeholders' decisions and views. The material aspects are based on environmental, social and economic impact, and their relevance to Nordea's business practice. The process follows the Global Reporting initiative (GRI), which is an international reporting standard on sustainability that we have followed since 2010. We are proud to present our most extensive materiality analysis so far, with engagement from a total of 176 direct stakeholders, plus media, social media and regulators.

Maintaining stakeholder relationships is key for driving Nordea forward as a sustainable actor in society. A continuous and transparent dialogue with our stakeholders increases our understanding of stakeholders' priorities and expectations in relation to ESG aspects, and of our own sustainable impact. The relationship with our stakeholders aids us in concentrating efforts and resources to sustainability aspects that create the largest sustainable impact.

To effectively identify and prioritise key sustainable aspects we regularly conduct a materiality analysis based on internal and external dialogues. We always strive to engage as many stakeholders as possible, identified based on their relation to Nordea, as well as the financial sector at large. In 2016 we decided to raise the bar even further and after a challenging and rewarding process we are proud to display one of our most extensive materiality analyses in our sustainability journey.

In the autumn of 2016 we conducted stakeholder dialogues with eight key stakeholder groups. The input provided by the identified key stakeholders was either 'direct' or 'indirect'. While 'direct' input means a dialogue held through forums, surveys and interviews, 'indirect' input refers to a comprehensive desktop analysis of reports, publications, articles, other published content and meetings.

To effectively identify the material aspects the dialogues focused on Nordea's sustainability performance, risks, opportunities, communication and governance. The survey and interview questions were created in collaboration with an external party, the interviews were semi-structured and held by a third party (30-60 minutes in length), and the desktop analysis was conducted by an external party. In total 176 stakeholders participated in the dia-

logue 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 and Nordea Group's 2015 Sustainability Report. This broad mapping enabled Nordea to determine which aspects are material for the organisation.

In total 18 material aspects were identified.

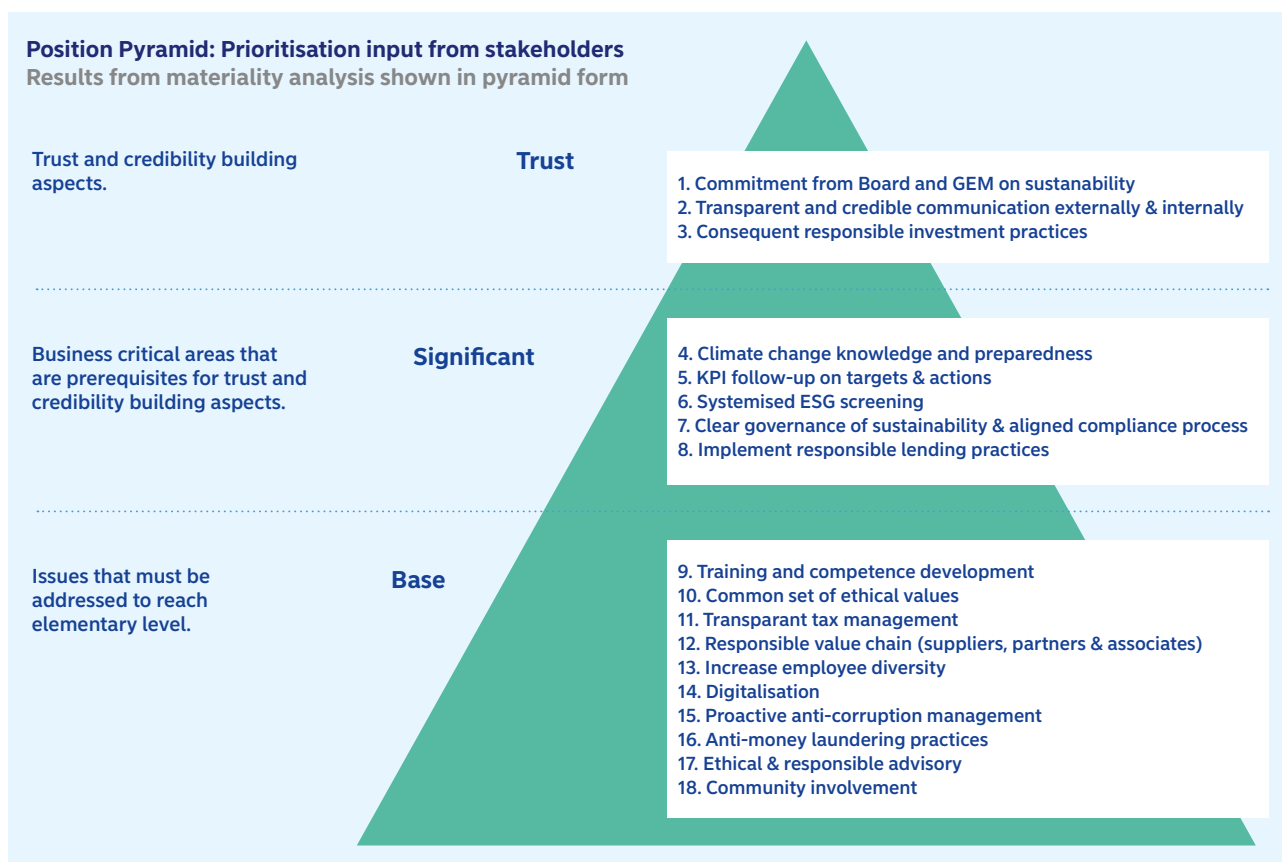
- Anti-money laundering practices
- Commitment from Board and GEM on sustainability
- Clear governance of sustainability and aligned compliance process
- Climate knowledge and preparedness
- Common set of ethical values
- Community involvement
- Consequent responsible investment practices
- Digitalisation
- Implemented responsible lending practices
- Increase employee diversity
- KPI follow-up on targets and actions
- Proactive anti-corruption management
- Ethical and responsible advisory
- Responsible value chain (suppliers, partners & associates)
- Systemised ESG screening
- Training and competence development
- Transparent and credible communication externally and internally
- Transparent tax management

This year we have decided to present the results from the materiality analysis in a Position Pyramid. The Position Pyramid effectively displays the stake-

holders' prioritisation of sustainability aspects together with how their prioritisation provides a basis for us to develop our sustainability strategy. The latter part is fundamental to understanding how the relationship with our stakeholders shapes sustainability at Nordea. As can be seen in the Position Pyramid, 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.

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 actor. As a bank we are considered systemically important and in order to maintain relevance it is crucial to strive for sustainable practices. From Nordea's perspective this implies a long-term perspective where resources are put into awareness and knowledge raising, keeping up with research and industry developments, and always keeping an ear to the ground. Our engagement with stakeholders will continue and new ways of interaction will be investigated.



Nordea's stakeholders



In Q2 2016 Nordea conducted a stakeholder mapping with the purpose to define and identify which groups of stakeholders are key to the organisation. The mapping was conducted in accordance with the AA1000 SES standard for stakeholder dialogues. The mapping was done based on the following 4 groups; 1. Group Sustainability; 2. Management & Employees; 3. External stakeholders directly affected by Nordea Group's work with sustainability; and 4. External groups who view themselves as stakeholders.

Our stakeholders' priorities

Stakeholder group	Main aspects
Customers	Commitment from Board and GEM on sustainability Consequent responsible investment practices Proactive anti-corruption management
NGOs	Commitment from Board and GEM on sustainability Consequent responsible investment practices Climate change knowledge and preparedness
Owners	Commitment from Board and GEM on sustainability Transparent and credible communication externally and internally Climate change knowledge and preparedness
Regulators	Climate change knowledge and preparedness Transparent and credible communication externally and internally Increase employee diversity
Media	Transparent tax management Consequent responsible investment practices Digitalisation
Social Media	Climate change knowledge and preparedness Transparent tax management Digitalisation
Employees, management and Board of Directors:	Commitment from Board and GEM on sustainability Transparent and credible communication externally and internally Consequent responsible investment practices/ Implemented responsible lending practices

People

There is no business transformation without human transformation. The transformation at Nordea and in the financial industry has significant implications for our People Agenda. We are working to create a vibrant learning environment in which our people thrive.

To enable embarking on the transformational journey a new position of Chief People Officer (CPO) was established in Group Executive Management (GEM) and the appointment of Karen Tobiasen as CPO as of 1 July 2016 brought considerable expertise in such a large-scale transformation. Our People Agenda 2016-2018, highlighting the human dimension of the business transformation, was created.

Creating a high performing culture

Our cultural transformation journey includes a renewal of our purpose, values, ethics and behaviours. Our People Agenda plays a significant role in this journey, aiming at improving transformational capabilities and creating a positive, inclusive work culture across our organisation.

We have conducted an employee engagement survey to understand how our people feel about working at Nordea. The response rate was 93%. We were happy to see that job content and learning have remained high, whilst the perception of working conditions has decreased. Our people see a need to

continue the strengthening of our processes across the organisation, which is a pivotal part of our business transformation and a key priority also for 2017.

Our peoples' perception of Nordea's image has suffered since last year as a natural reflection of the change in public opinion. We are addressing this in our cultural journey which includes becoming clearer on our role in society and engagement with stakeholders. Internally, we are engaging large parts of the organisation in dialogues around these topics in informal meetings where our people have open dialogues around Nordea's culture with members of executive management.

Building a fit-for-purpose organisation

Nordea has taken several important steps in establishing a consistent and clear organisational design in recent years. To further enable the transformation, we will focus on improving collaboration across the value chain to ensure that our organisation reflects the company we want to be in terms of culture and leadership. As we are currently

managing significant changes in the composition of our workforce, we will also focus on creating a coherent strategic workforce plan for the whole group.

Building future-fit-competencies

Our aim is to create a vibrant learning environment where we also learn from our mistakes, systematically grabbing the new competences we need to build our future.

In 2016, significant ramp-ups were made within critical competence areas such as compliance and digital banking by externally recruiting strong international talents recognised in the market for both deep functional and transformational expertise.

To shape competences and a new culture, we increased our graduate inflow from 79 in 2014 to 180 in 2016. In parallel we are investing in building fit-for-future competences amongst all our people for example by launching a 'License to Work' e-learning. Building competences for the future will remain a focus area in 2017. This includes systematically defining which critical competencies are needed for the future and building these across all areas of the bank leveraging common learning methods and solutions.

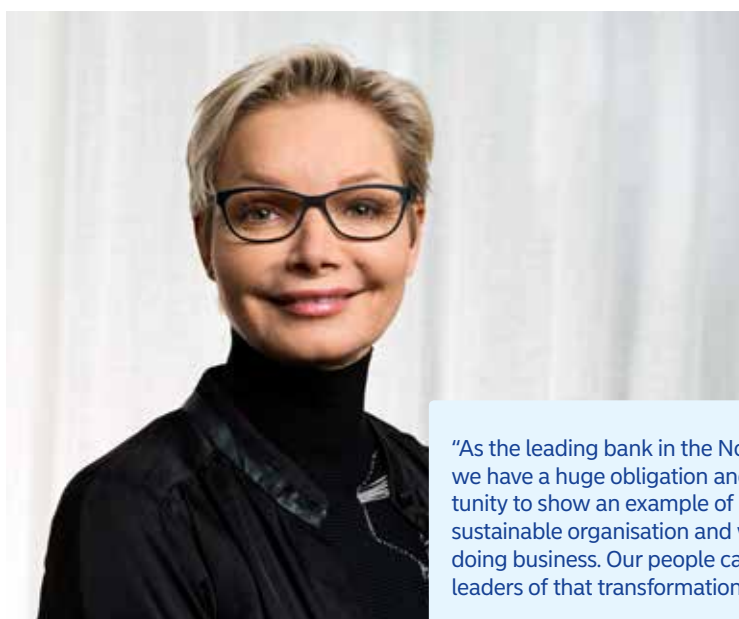
Diversity and inclusion

To succeed in our cultural transformation journey, and to be able to have a sustainable business now and in the future, building a diverse, inclusive and gender balanced organisation is vital. We will broaden the scope of our efforts into more aspects of diversity such as gender, age, ethnicity, religious beliefs, sexual orientation, approaches and other identity-shaping factors.

Our Gender Diversity Initiative has ensured a continued effort to include gender awareness in our people processes, and has created transparency on gender aspects among our people.

Progress is measured with two key performance indicators and other indicators are followed regularly:

As a responsible employer Nordea is committed to diversity and equality. Based on our Code of Conduct, 'We employ, evaluate, promote and compen-



"As the leading bank in the Nordics, we have a huge obligation and opportunity to show an example of a more sustainable organisation and way of doing business. Our people can all be leaders of that transformation."

Karen Tobiasen,
Chief People Officer

sate based on merit qualifications, competencies and performance, and not on bias, prejudice or personal preference' (Nordea Code of Conduct) Our firm view is that employees are paid based on the same grounds and we are striving to close pay gaps we detect where employees, irrespective of gender, have a similar role and responsibility.

In 2016 we analysed the gender pay gap systematically. The data shows that female employees had a basic salary amounting to approx. 75% of male basic salary. We are concerned about the sizeable gap and have invested to be able to understand the true explanations for the difference, to be able to launch the relevant and appropriate actions. It is important for us to understand when the gap is explained by structural differences in positions in the two groups, and when the gap has no valid explanation. The analysis shows that the difference mainly relates to the fact that three reported categories, executive management, managers and employees cover managers and employees in different areas of the bank, with different roles and responsibilities, and with different levels of complexity, i.e. situations that should qualify for differences in compensation. Further, salaries and remuneration vary considerably regardless of gender, dependent on business area, function and team within a business area and between countries. Finally, the lack of gender balance in senior management further contributes to the overall gender pay gap. We have a recruitment policy in place guiding us to include both genders in the final three candidates for manager positions to over time be able to create a better gender balance across units and at senior manager level.

We are committed to equal pay for the same position and we will take the necessary action to start closing the part of the gender pay that remains unexplainable after adjustments based on the above mentioned variables.

In 2017 we will raise the awareness on this challenge and drive the actions needed to close the gap. We also measure the difference in perception of equal opportunities for all employees in the employee engagement survey. We have been pleased to note that the difference has narrowed from last year, indicating that male employees at Nordea are becoming increasingly aware of the gender-based inequalities that exist in the organisation.

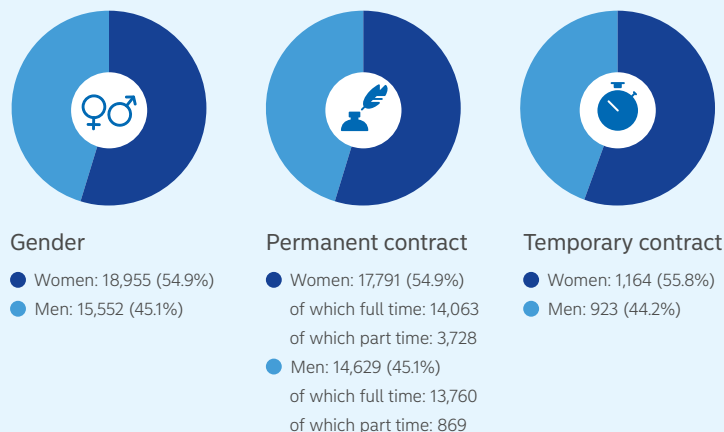
We also measure the difference in perception of equal opportunities between male and female employees in the employee engagement survey. We have been pleased to note that the difference has narrowed from last year while male colleagues are increasingly

Targets for increased gender diversity in the recruitment process

KPI	2016	2015	Comments
Management recruitment policy.	76% of final three shortlists for management positions had both genders represented.*	73%	When we follow this policy, women and men are chosen as often.
When hiring graduates, no gender shall make up more than 60% of the new recruits.	31% of graduates were women.	36%	We are addressing this by a more standardised recruitment process and by targeted efforts especially towards female graduates.

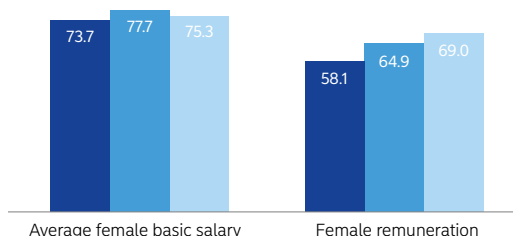
*due to the organisational change the figure discloses information for Q1 and Q2 only

Nordea Group: Total number of employees 34,507



Salary ratio women to men, %

● Executive managers ● Managers ● Employees



The infographic depicts the basic salary and remuneration relationship of women to men, expressed in the proportion of how much a women earns compared to a man. For more information please see the text.



Hours of employee training*

Total	306,410
Average	8.9

* Full year data includes employees from Nordic countries and Poland. Latvia and international offices started to use the learning module in the autumn 2016. Therefore, data only covers Q3 and Q4 for these countries. The number of training hours could not be split into employee category or gender due to limitations in the data collection process.

76.9% of Nordea's employees are covered by collective bargaining agreements.

8.3% are covered by alternative agreements of equal or better standard than the collective bargaining agreements.

aware of the gender-based inequalities their female colleagues face.

Our new People organisation

In 2016, to support the transformation, we brought all operational people deliveries into one service centre to create 'One HR' to standardise and automate our people processes to ensure compliance, efficiency, consistency and quality. Resources were shifted to where they

are needed most. With standardised processes we have been better equipped to respond to new regulations and requirements.

Going forward, our aim is to become a fully digitalised people service organisation making it easy and effortless for our people managers to manage all people processes and for our people to have easy and effortless access to people support.

Composition of Governance Bodies ,%

	Male	Female	Age <30	Age 30-50	Age >50
Board of Directors	56	44	–	22	78
Group Executive Management	80	20	–	70	30
Business Ethics and Values Committee	73	27	–	73	27
Executive managers	79	21	–	73	27
Senior Managers	68	32	1	66	33
Leading Leaders	67	33	1	67	33
Leading Others	57	43	4	66	31
Employee	44	56	18	49	33

Data refers to Nordic countries only. *All employees in the Business Ethics and Value Committee, are also found in other governance bodies.
8 individuals (7 men and 1 women) are also present in GEM, 1 male is an executive manager, 1 female is a senior manager and 1 female is a leading others.

Number and rate of sick leave, injuries and robberies, broken down by gender

Sick leave is counted in number of days that employees have been absent from work.

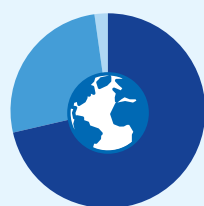
The rate is calculated on 200,000 worked hours, representing 100 employees working full-time 40 hours/week.

	Male	Female	Total number	Rate
Sick leave	73,890	198,868	272,758	781.1
Injuries	78	314	392	1.1
Robberies	16	14	30	-

Data on sick leave refers only to Nordic countries, Poland and Latvia due to system limitations.

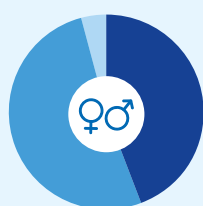
New hires (total 4,037)

11.7% of the total number of employees



Regions

- Nordic countries: 2,886 (71.5%)
- Baltics, Poland and Russia: 1,071 (26.5%)
- International offices 80 (2.0%)



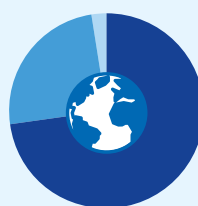
Gender

- Women: 1,785 (44.2%)
- Men: 2,090 (51.8%)
- No data breakdown available* (4.0%)

* Data refers to permanent positions. The total number of employee hires is higher than the sum of women and men due to a system change mid-year in Poland not allowing gender split. Age breakdown cannot be disclosed due to limitations in the data collection process.

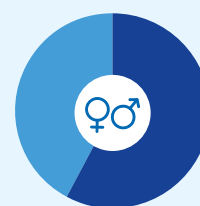
Employee turnover (total 2,754)

8% of the total number of employees



Regions

- Nordic countries: 2,010 (73%)
- Baltics, Poland and Russia: 682 (24.8%)
- International offices 62 (2.2%)



Gender

- Women: 1,594 (57.9%)
- Men: 1,160 (42.1%)

The higher turnover rate for females is related to the higher proportion of females in job categories and positions with higher turnover rate. Data refers to permanent positions. Age breakdown cannot be disclosed due to limitations in the systems logging data.

100%

of Nordea's employees
are covered by a
retirement plan

65% are covered by a defined
contribution plan

	Denmark	Finland	Norway	Sweden
Salary contribution by employer	11.6%	17.8%	22.0%	22.0%
Salary contribution by employee	5.3%	5.7% – 7.2%	0%	0%

We currently do not have the salary contribution breakdown for countries outside the Nordics. Retirement pension plans include both statutory and occupational pension plans in accordance with local regulations and legislation.

35% are covered by a
defined benefit plan

Estimated value of the liabilities:

EUR 3,434,000,000

7% of the pension obligation is fully
covered by Nordea's general resources

93% of the pension obligation is
fully covered by assets that have
been set aside to meet them



Compliance

Banks play an important role in society: if they fail there can be a substantial financial impact for individuals as well as for society as a whole and poor conduct by banks can hurt customers. Banks like Nordea are subject to extensive laws and regulations governing aspects like the amount of capital we must hold to be able to meet financial stress, our conduct towards customers and how we combat financial crime.

Compliance concerns everyone

At Nordea we are all risk managers, and must act accordingly. Group Compliance plays an important part in leading the way for all of Nordea. Everyone at Nordea is personally accountable for following the Code of Conduct and being compliant. The notion of being a risk manager implies that compliance risks are addressed throughout Nordea. Nordea has recently initiated a cultural transformation: we are emphasising our values and how we talk about our business; how we talk about ourselves.

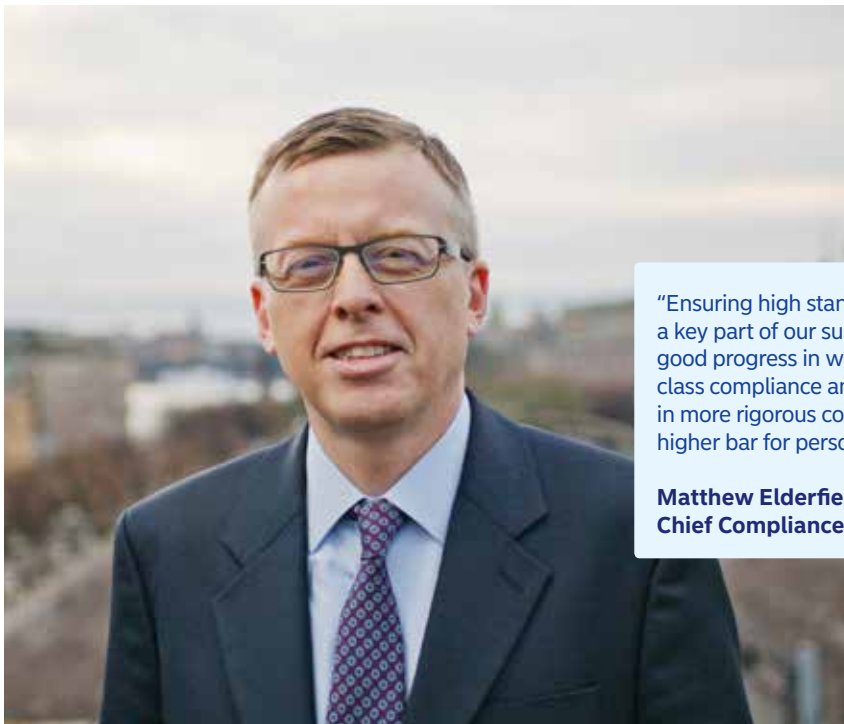
In early 2016 the Business Ethics and Value Committee (BEVC), was established, with the purpose of guiding Nordea's ethical conduct. A working group appointed by the BEVC, consisting of Group Compliance, Group HR, Group Sustainability and Group Executive Office has reviewed and updated Nordea's

Code of Conduct. It has been shared with the business areas and group functions, which have contributed with comments and suggestions. Specific policies have their starting point in the Code of Conduct. Our integrated approach is an example of how Nordea works proactively with sustainability, integrating it into all areas of the bank. In 2017 Group Compliance will accelerate the work with risk and compliance education, enabling Nordea employees to consistently upgrade their skills and competencies to better meet the complex regulatory environment. All Nordea employees have to renew their mandatory training, including training on the Code of Conduct.

We regularly follow up on our internal policies and guidelines to ensure compliance with laws, regulations, prescribed practices and ethical standards.

Regulatory interaction

Being compliant means we need to follow all these laws and regulations. If we do not comply, then our regulators can impose fines, which also creates reputational damage. In 2016 Nordea Funds Ltd. received an administrative fee of 250,000 SEK from the Swedish FSA, for late notification of changes in major shareholdings. Nordea also received four orders from the Danish FSA regarding handling of operational risk, credit inspections, AML inspections and remuneration inspections. These orders did not bring any monetary fines, but serve as an example of how the continuous interaction with the authorities contributes to strengthened compliance. The rules provide a framework for operations, it means we have enough funds to absorb unexpected loan losses; it means we treat our customers fairly and we can detect and prevent financial crime and terrorist financing. Fundamentally, being compliant is important



"Ensuring high standards of conduct and compliance is a key part of our sustainability agenda. We are making good progress in working towards our goal of best in class compliance and we are matching our investment in more rigorous compliance with a commitment to set a higher bar for personal conduct and accountability."

Matthew Elderfield,
Chief Compliance Officer

to our purpose as a bank. Being compliant means we can feel proud that society trusts us to do the right thing and being compliant goes beyond rules and regulation. It is about doing the right things in the right way every time.

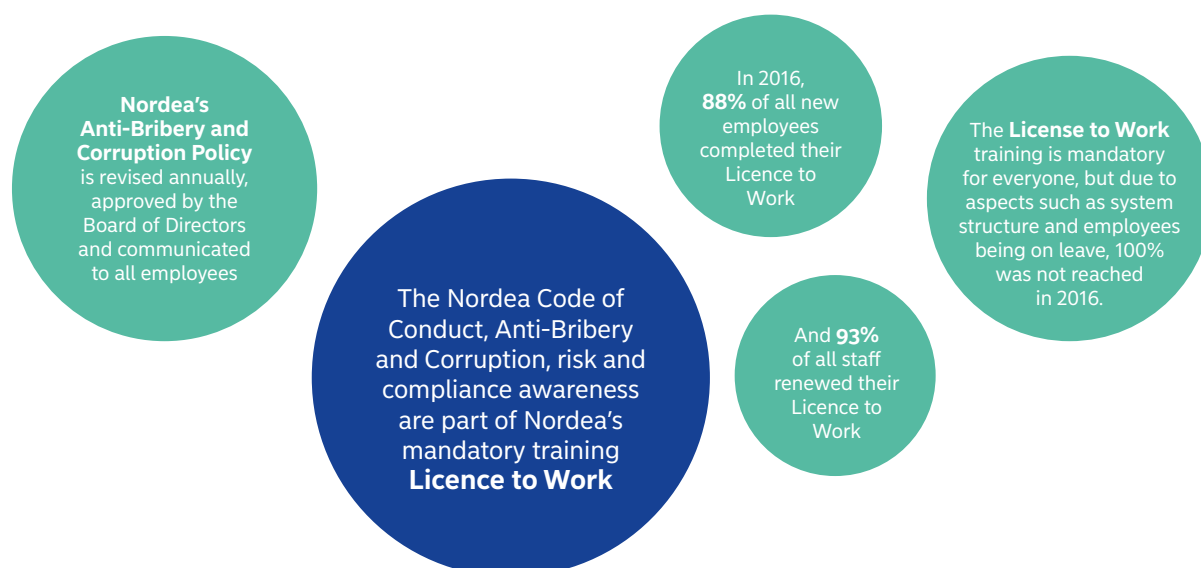
Progress in the compliance area

In 2016 Nordea initiated changes to the compliance structure to improve internal processes and address ethical aspects, to properly equip us for the future. The Financial Crime Change Programme has developed policies, processes and standards within the Financial Crime area, like the new group wide standards for KYC and Sanctions, to be followed across the Group. Processes, capacity as well as knowledge are being built up by the establishment of the Business Regulatory Implementation and Support units (BRIS) in each Business Area and Group Function, and the Regulatory Change Management unit coordinating regulatory change

implementation. Group AML & Sanctions Processes (GAS) has increased capacity to identify suspicious customers and transactions and has significantly increased the number of scenarios that we screen against. Key compliance processes, including for example risk identification and assessment, monitoring, advice and training have been designed as part of the "Roadmap to Compliance" programme and were launched in October 2016, with training of all Group Compliance staff. An initiative to improve processes for investor protection and financial advice has also been initiated. In late 2016 a new Chief Compliance Officer was appointed, who will lead the work to execute the ambitious compliance agenda.

During the past year we have felt that society's demands on a responsible financial actor are increasing in line with a growing awareness of sustainability and the need for sustainable finance. This was demonstrated by the strong

public reaction to what the media called the "Panama Papers". Nordea's management has taken the situation very seriously, launching a number of actions including an internal investigation. The investigation showed that employees had not initiated the establishment of offshore structures, nor that they had proactively contributed to customers' potential tax evasion, but internal policies were not always adhered to. We have now ensured that Nordea Bank S.A. in Luxembourg has all the necessary policies and practices in place.



Responding to civil society

For many years there has been a considerable division between civil society and the corporate sphere. We want to bridge this gap and use a constructive dialogue to find common solutions to problems and challenges facing the current and coming generations. Civil society is the representative of society's expectations and demands on us as a sustainable financial actor, and we deeply value their input. On this page we address three issues brought up by civil society during 2016.

Ethical demands on investments

In the spring of 2016 grassroots movements began protesting in reaction to an approved oil pipeline planned to run through indigenous land at Standing Rock, North Dakota.

The event generated great media attention, and several banks were pointed out as financiers of the project, including Nordea. An oil pipeline violating human and indigenous peoples' rights is not in line with Nordea's responsible investment strategy. When making an investment we assume that the projects have been properly evaluated.

In this case, an environmental impact assessment had been done, audited and approved. However, in retrospect, we are reminded of the importance of comprehensive dialogues with the affected communities and all relevant stakeholders. Nordea has placed the absolute demand on the companies behind the Dakota Access Pipeline that they reroute the oil pipeline so that it does not pass close to the Standing Rock Sioux Tribe reservation.

Cross-cutting sector dialogues to bolster sustainability efforts

A dialogue between the private sector and civil society is extremely important to optimise the development of sustainable solutions. Fair Finance Guide is a Swedish initiative founded to review and monitor the financial industry.

A Fair Finance Guide report from November 2016 mapped overall sustainability performance among the seven major banks in Sweden, where Nordea was ranked as number six. Overall feedback concerned the lack of sector specific guidelines and policies.

In 2016 we carried out an extensive policy inventory, and we are working to update necessary policies. Our updated Code of Conduct came into force in December 2016, setting a clear standard for our future ambitions to be a top leading sustainable financial actor. We have established 9 sustainability goals (see page 35), one which regards the establishment of position papers.

Stance on controversial arms

In September 2016 Fair Finance Guide and Diakonia published a report about Swedish banks' investments in the controversial arms trade. It showed that all seven banks included in the survey had investments in the arms industry, Nordea included.

We have a clear stance that we do not invest in companies that manufacture illegal weapons such as biological or chemical weapons, antipersonnel mines, cluster bombs and/or nuclear weapons. We do not invest in companies under embargo or in countries that violate human rights. Our ethical guidelines stipulate that Nordea may only take part in businesses that are in line with legislation, agreements and our own business ethical norms.

Our exclusion policy applies to actively managed funds where we can make an active choice to exclude companies that do not meet our criteria. All investments identified in the report refer to our passively managed funds.

Nordea welcomes continuous screenings of the financial industry and encourages an on-going dialogue between the private and public sector, policy makers and civil society to create common ethical guidelines for responsible investments in the arms industry.

Business areas overview

In 2016 Nordea went from three to four business areas, establishing Personal Banking and Commercial and Business Banking out of the former Retail Banking. Our business areas provide a consolidated coverage, stretching from the everyday citizen to the large corporate, and everything in between.

From our Swedish base to our representative office in Sao Paolo, Brazil, Nordea offers tailored products and services to our household customers and corporate and institutional customers. We are the neighbourhood bank, and the international investment advisors.

In 2016, Nordea went from three to four business areas, establishing Personal Banking and Commercial and Business Banking out of the former Retail Banking. Together with the business areas Wholesale Banking and Wealth Management we provide a full

coverage of services, delivered by highly skilled professionals. This ensures a consolidated approach designed to offer our customers the best service possible.

As a bank, we want to contribute to societal progress and sustainable development, and can do so through our facilitation of others' dreams. The business areas are diverse and different from each other, yet they are still interconnected in many ways. A product developed by one business area may be traded by another, ensuring a wide

offering of products and services to all of our customers, and a truly global reach. Through continuous learning we strive to always strengthen our performance, and find new ways of doing business in a changing global world. Sustainability is a must for businesses today, and the sustainability challenges and opportunities can differ depending on who your customers are.

We invite you to learn more about our four business areas and how they work with sustainability in the following chapters.

Personal Banking

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

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

Net interest income: €2,112 million
Net fee and commission income: €727 million
Deposits: €80.5 billion
Lending: €154.9 billion

Commercial & Business Banking

Commercial and Business Banking serves our corporate customers with financial services such as financial advisory and transaction banking services, including payments, cards, point of sale financing, and working capital management: leasing, factoring and trade finance.

Sweden, Norway, Finland, Denmark

Net interest income: €1,110 million
Net fee and commission income: €413 million
Deposits: €39.3 billion
Lending: €79.8 billion

Wholesale Banking

Wholesale Banking provides financial solutions to large Nordic and international corporate and institutional customers. The offering includes a diverse range of financing, cash management and capital markets products and services.

Sweden, Norway, Finland, Denmark, Russia, Germany, UK, USA, China, Brazil (representative office), Singapore

Net interest income: €830 million
Net fee and commission income: €629 million
Deposits: €47.2 billion
Lending: €80.5 billion

Wealth Management

Wealth Management offers savings, investments, and life and pension insurances to our private customers and institutional investors.

Sweden, Norway, Finland, Denmark, Switzerland, Luxembourg, Singapore, Estonia

Net interest income: €112 million
Net fee and commission income: €1,521 million
Total AuM: €322.7 billion

Personal Banking

Personal Banking serves Nordea private customers with both everyday banking services and advanced products and services to suit the needs and circumstances of the client. Our customer interaction ranges from face to face meetings via remote meetings to online and mobile sales and services.

Digitalisation – a driver for sustainability

Digitalisation trends including mobile banking, more accurate analytics and decentralisation of access are creating completely new opportunities. In this new reality, we are developing personalised digital services to meet customers' need for fast, flexible and easy-to-access services. We make sure that our digital services are accessible to everyone, including our customers with different kinds of impairments.

Personal Banking last year made significant investments in remote service and advisory, launching a number of online offices. This enables more customer advice meetings online, more direct and rapid counselling and increased access for people with variations in physical ability. From an environmental perspective, an increased

number of online meetings contributes to a smaller carbon footprint.

Delivering safe customer solutions

We are committed to delivering safe and secure customer solutions with the highest ethical standard. During the year we updated our KYC and AML processes.

We are constantly training our employees on anti-corruption, human rights, labour rights and environmental issues, certain that this is crucial to our commitment to being a sustainable financial actor.

The way forward

The changes made within Personal Banking sets the course for our continued integration of sustainability within our core operations.

In the coming year we will:

- Keep promoting and developing our digital services to reduce our carbon footprint and ensure financial inclusion
- Continue on-going focus on reduction in use of paper
- Mature our risk-based approach, considering the customer characteristics in terms of risk, especially related to KYC, AML, credit under-writing and increasingly for pricing when prioritising and shaping our processes and actions
- Continue to develop our "fair value exchange" concept including dynamic pricing considering a number of parameters including risk, cost and perceived value
- Enhance compliance and strengthen our operational risk assessment process, including alignment with Group processes
- Further work to align with the ESG framework on portfolio level



"As Head of Personal Banking I have the responsibility for integrating sustainable business practices into our daily operations with our private customers. The structural changes made during 2016, when Retail Banking was divided in to Personal Banking and Commercial and Business Banking, have been very positive for the organisation. The division enables us to put sharper focus on our private and commercial customers respectively, and integrate sustainability into our operations. Our goal is to be market leading in delivering sustainable customer solutions and I am proud to be leading Nordea Personal Banking in this transformative process."

Topi Manner,
Head of Personal Banking

At Nordea Personal Banking, our customers' satisfaction is a top priority. We measure customer satisfaction using various surveys and touch points:

- o Customer Proposition Survey: Online survey to representative sample of own customers and selected segments in the market on various parameters
- o Experience Management: Online survey to sample of own customers who have had a meeting with us
- o Experience Management: Telephone survey to a sample of customers who have contacted our contact centre

Results:

- Customer Proposition Survey: The dimensions that are most important to customers are the Netbank, the accessibility and the personal advisors.
- Experience Management on meetings: Customers are generally very satisfied with the meetings.
- Experience Management on inbound calls: Customers generally get a high resolution level when they contact us



Find Nordea Personal Banking Finland and Sweden on Snapchat!

Through the use of social media we are reaching out to young users, contributing to empowerment and increased financial skills.

Total number of employees at Personal Banking: 13,591

	Men	Women	Total
Permanent contract	4,104	8,727	12,831
Full-time	3,754	6,506	10,260
Part-time	350	2,221	2,571
Temporary contract	318	442	760

All countries within the BA

New hires

	Number	Share
Total number and % of headcount per year end	922	6.8%
Women	433	47.0%
Men	489	53.0%

Data refers to permanent positions from all Nordic countries.

Employee turnover

	Number	Share
Total number and % of headcount per year end	1,184	8.7%
Women	797	67.3%
Men	387	32.7%

In 2016 there were 141,619 complaints registered in the Nordic countries for the business areas Personal Banking and Commercial and Business Banking.

*The system does not distinguish between different types of complaints



In Norway we have held 190,000 remote meetings, saving transports and CO₂ emissions.

MyMoney

Choose a picture for your card and Nordea donates EUR 3 for every card produced to either the Clean Baltic Fund or the Women's Bank fund

1,367 cards have been issued during 2014-16

675 donations to the Clean Baltic Fund have been made between 2014-2016

As a responsible bank we are bound to guide our customers to sound economic choices. 80% of our products and services are covered by requirements to disclose certain information to customers.

When opening a savings account, current account, or fix term account, all customers must be informed about the existing deposit guarantee scheme. This information is repeated on a yearly basis to all existing customers.

We are always working to improve access to our financial services.

We have:

- introduced a secure chat for our mobile application. (Sweden)
- the Code app, mobile bank and E-invoice service. Our online onboarding process allows you to become a customer in Nordea without entering the bank office. (Finland)

- In Denmark we are working to ensure that our ATMs and bank offices are accessible to our disabled customers, through ATM height adjustments, levelling of pavements and installation of ramps. This applies to all of our Danish branches.

- We are also working to improve access to our banking services in Norway, taking in a full perspective of needs and disabilities. This applies to all of our Norwegian branches.



Products and services designed to deliver a social benefit, their total value and the proportion to the specific product or services categories' total monetary value in each country.

Norway

Mortgage loan for young customers, enabling young customers to buy their first home.
Total value: EUR 3,612 million (14.6% of total stock of mortgage loans)

Housing saving account: enabling young customers to buy their first home.
Total value: EUR 272 million (2.9% of total stock of savings accounts)

Finland

Student loan for university students, a government backed loan for students to allow full focus on their studies instead of working while studying (Finland).
Total value: EUR 851 million (37.8% of total stock of flexicredit)

Denmark

Consumer loan for Check-in for our young customers (18-29 yrs), helping to establish themselves on the financial market.

Total value: EUR 110 million (13.9% of total stock of consumer loans)

Credit for Check-in for our young customers (18-29 yrs), offering them access to markets.
Total value: EUR 117 million (4.4% of total stock of credits)

Savings account for Check-in for young customers (18-29 yrs), encouraging them to establish a savings routine.
Total value: EUR 280 million (3% of total stock of savings accounts)

Commercial and Business Banking

Commercial and Business Banking supports Nordea's customer vision of being the future relationship bank by understanding our customers' needs, being a proactive business partner and making engagement count.

Commercial and Business Banking

(CBB) serves a broad range of corporate customers from the small entrepreneur to large corporates. The business area consists of:

- CBB acts as the customer responsible unit and offers financial advisory and financing services.
- Transaction Banking (TxB) serves household and corporate customers, providing payments, cards, point of sale financing, working capital management, leasing, factoring and trade finance.
- Digital Banking (DB) develops the new digital platforms for Nordea and supports our journey towards new agile ways of internal and external collaboration.

Strengthening compliance process, resources and focus

During 2016, a new unit (BRIS) has been established. BRIS supports first line of defence in managing risk and compliance. One example is to ensure our adherence to the AML and CTF policies and development of the CBB KYC tool.

Partnerships for sustainable growth

During the year, Nordea launched the next Nordea Start-up Accelerator; an intense 12 week programme, welcoming FinTech start-ups with innovative ideas. This programme was initiated by the Digital Banking division. Participants include entrepreneurs with innovative ideas that can contribute to increased societal sustainability.

The way forward

In the coming years the CBB business area will continue to integrate sustainability into the business and daily work by continuing and strengthening;

- our focus on sustainable customer relationships. Using the experience from the ESG tool developed by Wholesale Banking, CBB is working to integrate the ESG framework into its operations. The ESG evaluation will be part of the customer onboarding process, supplementing the KYC process. Hence, ESG will be a perspective taken into account before entering into a new customer relationship, not only as part of the credit evaluation process.
- the active dialogue with our employees and management around Nordea's values and ethical principles, in order to ensure them being part of our daily behaviour and decision-making processes.
- our compliance culture by ensuring all CBB employees are equipped with the right training and necessary support.
- focus on AML/CTF and KYC. Planned deliveries include an automated KYC monitoring process to ensure KYC completeness.
- our transformation journey to further develop our ways of working and service model, enabling a more digital and agile interaction with our customers and thereby delivering superior customer experience.



"Our business will be run responsibly and in adherence with Nordea's values and ethical standards. This we achieve by a robust compliance culture with high ethical and professional standards ever present in how we conduct ourselves and our business. Clear policies can support decision making and behaviour, but culture, mind-set and leading by example are key to ensuring sustainability in our daily work. One key element in raising the bar during 2016 was to establish the 'Business Ethics & Values Committee' on CBB level to facilitate a structured discussion around these themes and to provide guidance and best practice sharing in case of ethical business dilemmas."

Erik Ekman,
Head of Commercial and Business Banking

Industry-recognised success

Awards received by Nordea Transaction Banking in 2016



**The Banker
(Financial Times Group)
Awards 2016**

Best Transaction Bank
in the Nordics

Adam Smith Awards 2016

Winner – Best Trade Solution with
Volvo Cars

Winner – Best SWIFT Solution with
Kuehne + Nagel

Highly commended – Best Cash
Management Solution with Roche

Global Finance Awards 2016

Best Trade Finance Services in
Western Europe

Best Overall Bank for Cash
Management in the Nordics

Best Bank for Financial Risk
Management in the Nordics

Treasury Management

International (TMI) Awards 2016

Best Bank in the Nordics for Cash &
Liquidity Management

Best Bank in the Nordics for

Payments & Collections

Best Bank in the Nordics

for Financial Supply Chain

Management

Global Finance The Innovators Awards 2016

Winner – Product Innovation
& Process Innovation for Trade
Finance Global

Trade and Forfeiting Review Excellence in Trade Finance Awards 2016

Best Trade Bank in Sweden

Best Trade Bank in Norway

The Nordic Business Awards 2016

Best Nordic Bank 2016

Award for Excellence in Financial
Services – Nordic & Baltic Region

Total number of employees at Commercial and Business Banking: 6,577

	Men	Women	Total
Permanent contract	2,899	3,258	6,157
Full-time	2,739	2,671	5,410
Part-time	160	587	747
Temporary contract	168	252	420

All countries within the BA

New hires

	Number	Share
Total number and % of headcount per year end	119	1.8%
Women	36	30.3%
Men	83	69.7%

Data refers to permanent positions from all Nordic countries.

Employee turnover

	Number	Share
Total number and % of headcount per year end	155	2.4%
Women	91	58.7%
Men	64	41.3%

Data refers to permanent positions from all Nordic countries.

The findings from our customer satisfaction surveys show that:

For our business customers it is important that we are flexible and available in order to simplify their everyday business operations. In regards to both of these aspects we see potential for improvement, towards both smaller and larger business customers.

Our business customers express a high degree of satisfaction regarding their meetings, which tells us that our advisors hold a high degree of commitment and expertise.

100%

Commercial and Business Banking follows MiFID processes, which cover 100% of customers trading with financial instruments.



We have initiated four corruption risk assessments of our operations, two have been completed already whilst the other two are to be completed in the beginning of 2017. Risks identified so far concerns certain insider risks.

Wholesale Banking

Wholesale Banking provides advice, products, services and financial solutions to our largest Nordic and international corporate and institutional customers. We put great emphasis on creating long-term customer relationships. Understanding our customers' businesses and the risks and opportunities they face forms the basis for creating value for our customers.

Sustainability has gained importance in the political and economic discourse particularly around climate change. Companies are transforming their business models and strategies to be in a position to prosper in the changing environment. In our own organisation, we develop the sustainability approach in tandem with the business.

Sustainable Financing – a cornerstone in our business area

Banks play a crucial role in society, by providing financing and managing financial assets in ways that promote prosperity. Responsible corporate behaviour is a means to remain successful in a changing global environment. When financing companies we systematically review that they are transparent about their business activities, respect international standards and comply with our ESG guidelines. For each customer

we form a customer and credit strategy which are reviewed annually or whenever ESG or other aspects so require.

In 2014 we created a Sustainable financing expert team within Wholesale Banking that continues to support customers and the business units in creating sustainability driven business and tools for ESG risk management.

Our ESG customer evaluation tool is an extension of our previous tools for risks in lending: environmental risk assessment tool (ERAT) and Social and Political Risk Assessment Tool (SPRAT). The ESG tool was completed by the end of 2016 and the implementation process is underway. It has been designed to further optimise a thorough screening of each company's ESG risks.

In project finance we follow the Equator Principles and ESG experts are involved throughout the process. The Equator Principles Advisory Board that

has senior members from the business, credit and sustainability organisation recommends and categorises the projects. The documentation typically includes due diligence follow up. As of now it is only a small part of our total portfolio that falls under this category. The Equator Principles reporting is available on our website.

Green bonds

Green bonds are used to raise finance for initiatives with positive environmental impact. During 2016 we established a new Green Bond Operative committee, which ensures that the green bonds that we bring to the market maintain a high sustainability standard. Nordea's activity and recent successes on the Green Bond side also contribute to our leading position in the Nordic fixed income market. The aggregated amount of the Green Bonds arranged by us is EUR 1,538 million.

Top management, Client executives and product experts in Wholesale Banking consistently interact with customers on environmental and social matters such as Code of Conduct reviews, sustainable finance overviews, strategic discussions and reviews and monitoring of specific transactions.

Customer satisfaction is measured annually by third parties and is a key driver for us. These reviews state our position relative to the peer group in terms of relationship and institutional quality and market position.



"Corporate social responsibility will be an integrated part of our society and hence a deciding factor for how successful we can become. We need to integrate our sustainability agenda into our business and our employees' personal values. We are humble towards this journey and needed improvement but equally excited about the opportunities that this will present. The best people want to do work that contributes to society with a company whose values they share. That is our ultimate goal with our sustainability agenda going forward."

Martin A Persson,
Head of Wholesale Banking

Recent country specific reviews indicate:

- Denmark – top relationship quality and market position continued
- Finland – continued strong market position, albeit some indicators signalling closer to average performance
- Norway – slightly above mean in performance and market position
- Sweden – top market position and overall strong performance, albeit some indicators of closer to mid-market performance.

The league table development is another key means to follow up our performance. We take great pride in the top position in all 12 categories in the Fixed Income review, and similar number one position in the Nordic Equity Capital Markets. (Dealogic 2016)

Contributing to society

We leverage our leading capital markets capabilities to benefit small, early stage businesses who otherwise struggle to obtain funding. Nordea Crowdfunding is one of the first equity-based crowdfunding services offered by a major bank, and as such is expected to give this new kind of financing the credibility boost it needs to become a viable alternative.

Since 2013 we are collaborating with My Dream Now, a social entrepreneurship that creates connections and meeting points between schools and businesses. The project prioritises areas of high unemployment and aims to make students realise their potential and find motivation to realise their dreams about a career.

The way forward

We mainly serve the Nordic market but our customers have a global reach. The global value chain demands that we consider global issues even though some of them may not be as visible in the Nordics and only then can we properly assess sustainability risks and opportunities. The development of commonly agreed measurable sustainability standards still has a way to go before reaching an equivalent level to other more well established quality standards. As we move forward and mature as a business area, several areas will be important:

- Aggregate sustainability related data in our customer portfolio
- Training on sustainability and risk management for Wholesale Banking employees
- Continue systematic ESG evaluation
- Offering sustainability driven products.



No breaches of customer privacy were reported in 2016.

1

incident of non-compliance with voluntary codes was reported. The incident happened before 2016.



Out of 11 operations, **100% were assessed for corruption risks**. PEPs and engagement in high-risk countries and high-risk industries pose the greatest corruption risks

Our customers should be accurately informed before doing business. Nordea Wholesale Banking follows national legislation, MiFID processes as well as Products and Risk Descriptions to inform the customers of risks and characteristics of our products. **This applies to 100% of our significant products.**

In 2016 we have specifically discussed sustainability with more than 100 customers around 10% of the corporate customer groups in the portfolio

Total number of employees at Wholesale Banking : 3,527

	Men	Women	Total
Permanent contract	2,076	1,149	3,225
Full-time	1,990	956	2,946
Part-time	86	193	279
Temporary contract	170	132	302

All countries within the BA

New hires

	Number	Share
Total number and % of headcount per year end	409	11.6%
Women	139	34.0%
Men	270	66.0%

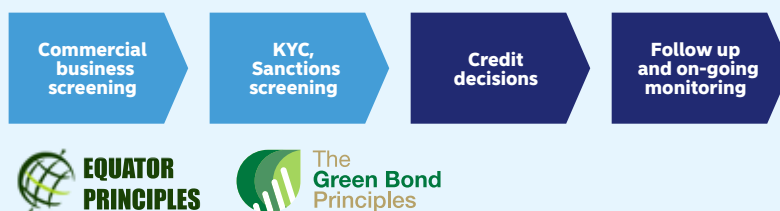
Data refers to permanent positions in all Nordic countries and Russia

Employee turnover

	Number	Share
Total number and % of headcount per year end	398	11.3%
Women	192	48.2%
Men	206	51.8%

Data refers to permanent positions in all Nordic countries and Russia

ESG is integrated into the customer evaluation process



Wealth Management

Wealth Management consists of Private Banking, Asset Management and Nordea Life and Pensions. The business area offers savings, investments, and life and pension insurances to both private customers and institutional investors. Our vision is to be the leading Nordic wealth manager, and to create sustainable returns for our customers, constantly advancing environmental and societal progress.

The world is challenged by impacts of climate change and increasing resource scarcity. These challenges are putting pressure on natural habitats and people as well as on businesses, presenting a threat to global prosperity. For us Sustainable Finance is about the mobilisation of capital for businesses with economic, social and environmental benefits. By advising our clients 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.

Knowing Our Customers

A cornerstone in our business approach is proper client advisory. Past years' financial fluctuations require our managers to carefully consider asset alloca-

tions from a long-term perspective, including risk parameters, and pair this with each customer's needs and expectations. We measure customer satisfaction through surveys distributed to our customers via email and secure emails. The overall result shows that customer satisfaction decreased slightly during 2016, compared to 2015.

Sustainable Finance

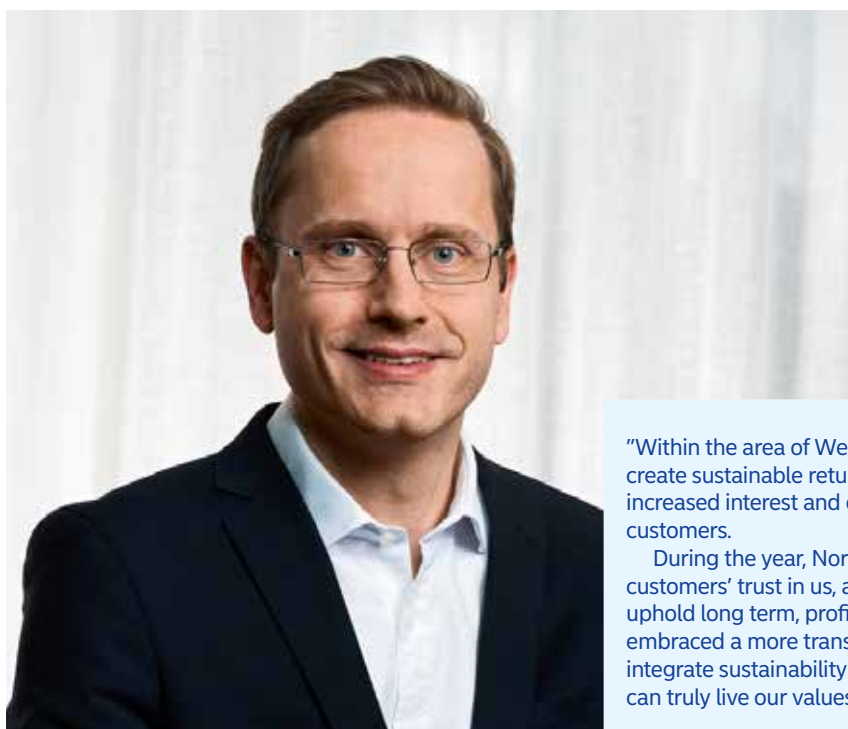
Our Responsible Investment policy is based on PRI, which commits us to integrating ESG factors into our investment analysis, decision-making processes and ownership policies and practices. During 2016 Nordea introduced a number of measures to enhance the value we are delivering to our clients. For example, a new ESG tool was introduced, used to evaluate external asset managers. It consists of a self-assessment questionnaire, which results in an

ESG score used in our selection and monitoring process. This initiative has just been initiated and thus only a number of the external managers have been assessed so far.

During 2016 we worked actively with stewardship and active ownership, focusing on climate change, water, human rights and corruption. We joined the shareholder coalition "Aiming for A", an investor platform for climate action. We commissioned an on-the-ground investigation in two locations in India, addressing supply chain irregularities and wastewater management in the pharmaceutical industry. This engagement continues through our work with the industry-led organisation Pharmaceutical Supply Chain Initiative.

The way forward

In August 2016 Nordea Wealth Management established the new unit Sustainable Finance. The role of the unit is to set wealth management industry standards for sustainable and responsible investments, savings and investment advice and life and pensions contributions to society. For 2017 we see a big opportunity to fully embed sustainability into our investment advice and tools. For 2017 we are also planning to increase the transparency related to our carbon footprint in our asset management offering.



"Within the area of Wealth Management, we constantly aim to create sustainable returns for our customers and I welcome an increased interest and engagement in responsible advice to our customers.

During the year, Nordea encountered incidents that bruised our customers' trust in us, and which we have taken measures on. To uphold long term, profitable customer relationships, we have embraced a more transparent and open structure, with the aim to integrate sustainability into all operations. By this approach, we can truly live our values"

Snorre Storset,
Head of Wealth Management

We have set a number of sustainability targets for the coming years, including:

- Strengthen communication and client engagement
- Integrate sustainability aspects into our investment advice and tools
- Improve sustainability aspect of product offering

Responsible advice

In April 2016, Nordea was pointed out as one of several actors in the "Panama Papers", where the media portrayed financial advice given regarding tax structures as unethical practice. Nordea has taken this information extremely seriously and has consequently carried out an internal investigation. It concluded that Nordea Bank S.A. Luxembourg (NBSA) offered administrative services to customers, but found no evidence that employees initiated the establishment of offshore structures, or actively contributed to customers' potential tax evasion.

This case provides an example of where ethical expectations from our stakeholders go beyond legal requirements. It is ensured that NBSA has all relevant policies and instructions on tax and ethical business behaviour in place.

See also the chapter on Compliance, page 20



6 cases of customer privacy breaches, 4 of which are identified leaks, thefts or losses of customer data

Asset Management's total AuM:

€217 billion



We follow the Ethical Principles for Marketing of Funds, ensuring that we communicate transparently and accurately to our customers.

3,281
companies in the portfolio

We have interacted on environmental and social issues with 143 companies =

4.4%

1.4%

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

Positive screening

- Screening/analysis aimed at identifying companies with well managed ESG profiles. The aim and ambition is to create shareholder value through identifying companies that have strong value creating abilities and integrate environmental, social and governance metrics into the business decisions.

71%*

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

Negative screening

- Screening aimed at identifying companies involved in controversial activities and/or sectors (as defined by Nordea i.e. alcohol, nuclear, coal etc)
- Screening of companies involved in the violation of international norms.

*See page 2 for more information on boundaries of the indicator



Global Climate and Environment Fund BP
= €145,451,110

The fund invests in companies working with environmental protection and climate change.



For more information please see sustainablefinance.nordea.com and the Responsible Investments Annual Report 2016

Total number of employees in Wealth Management: 3,870

	Men	Women	Total
Permanent contract	2,135	1,579	3,714
Full-time	2,010	1,225	3,235
Part-time	125	354	479
Temporary contract	78	78	156

All countries in Wealth Management

New hires

	Number	Share
Total number and % of headcount per year end	308	8.0%
Women	124	40.3%
Men	184	59.7%

Data refers to the Nordics and Luxembourg.

Employee turnover

	Number	Share
Total number and % of headcount per year end	267	6.9%
Women	103	38.6%
Men	164	61.4%

Data refers to permanent positions in the Nordics and in Luxembourg.



Statement from the Head of Sustainability

It has become clear that sustainability is on top of the public agenda. Nordea is working to integrate our proactive sustainability approach into all business areas and group functions, addressing the sustainability challenges ahead.

The development of our new proactive sustainability framework was a top priority in 2016, during which we continuously reviewed all our policies. This work is still in progress, but I am pleased that we now have a new, more comprehensive Code of Conduct in place. This core document will serve as an ethical compass in our journey ahead towards becoming a truly sustainable bank.

Emphasising strong leadership

Taking on the role as Head of Sustainability implies and requires responsibility – and clear leadership will facilitate our future work. At the same time, an organisation is never stronger than its weakest link. A successful organisational change requires acceptance, compliance and actions from all areas. This implies a top-down, bottom-up approach in which our Group Executive Management and our Business Ethics and Value Committee are equally important as our different business areas and group functions for success-

ful implementation. I am very happy to be a part of the BEVC. This clearly states Nordea's commitment to integrate and implement sustainability in the very core business. Nordea hosted the Nordic launch of the GRI Standards and we were pleased to see so many interested participants, which we believe indicates an increased interest and demand for comprehensive sustainability reporting guidelines.

Transparent communication

We have an obligation to meet the needs and expectations of external stakeholders and public opinion. During the year we carried out extensive dialogues with internal and external stakeholders, resulting in a materiality analysis with top priorities for Nordea in the coming years. We believe that respecting and listening to our stakeholders create strong customer relations. Transparent and attentive communication strengthens our position as a sustainable financial actor with a strong repu-

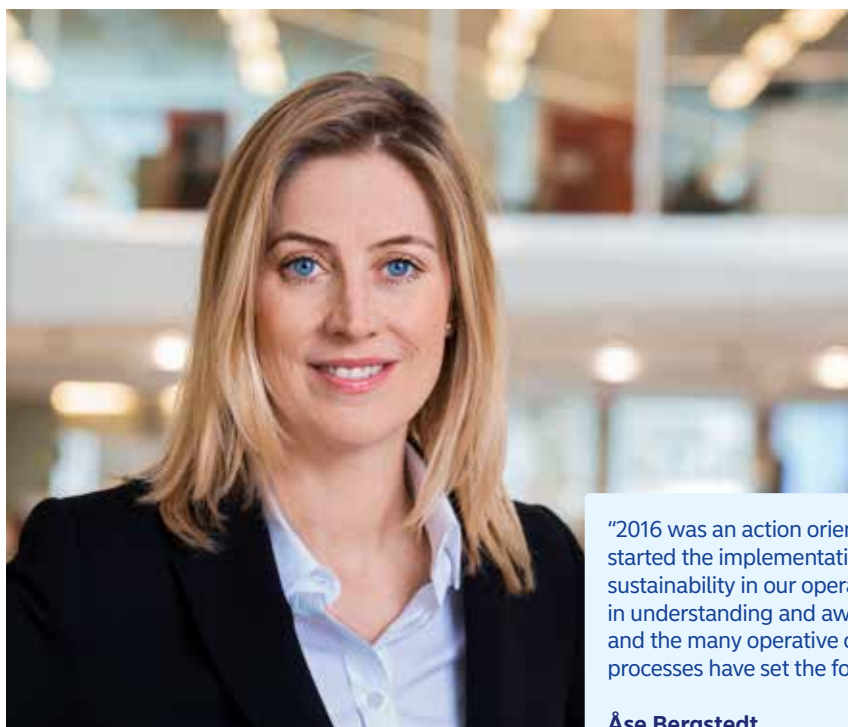
tational value. I am very pleased with the process and the outcome of the stakeholder dialogues.

Building a resilient business

As a bank it is our number one priority to create long-term sustainable value. The Swedish FSA published a number of reports during 2016 regarding sustainable finance and taking environmental and other long-term externalities into consideration when managing risk. I was invited to comment on the report released in November 2016. I welcomed the report's conclusions for a need of more flexibility concerning the development of financial products, services, knowledge, attitudes and strategies. Our actions taken during the year all strive to embed sustainability into our organisation. Only then can we continue to be in line with all the FSA recommendations and be at the forefront as a sustainable financial actor.

A new resilient paradigm

We welcome the FSA conclusions and support the need for a new paradigm regarding sustainable finance and long-term risk management. At the same time, we realise the opportunities of integrating sustainable issues into our portfolio. Our proactive approach is, like nature, based on a resilient structure, where the system bounces back after stress. Throughout this report we have given a number of examples on how green bonds, responsible advice and digitalisation all create added value for our business and society in large. We have really taken huge steps in these areas during the year, and of this I am very proud.



"2016 was an action oriented year during which we started the implementation of a proactive approach on sustainability in our operations. In particular, the increase in understanding and awareness of our material aspects and the many operative changes in our sustainability processes have set the foundation for the future."

Åse Bergstedt,
Head of Sustainability

Stakeholder address

As a lead in our continuous engagement with external stakeholders, we have invited Fair Finance Guide's Jakob König and Martin Norman from Greenpeace Nordic's Sustainable Finance Campaign to share their views on the sustainability challenges and opportunities facing Nordea and the financial sector.

Fair Finance Guide

Integrating sustainability into financial activities is the most important focus area for the finance sector. Strong governance and measurable targets are key in driving the work forward. In the case of Nordea, the development of clear investment and credit policies needs to be completed. These documents are basic tools to implement sustainability within the organisation in a structured manner. They further need to be available online to make it clear to stakeholders what Nordea's positions are and which sustainability principles the bank aligns its business and investments with.

Transparency is key for the finance sector as a whole. The past years have seen increasing demands on insight into banking businesses from customers, civil society and regulators. There is a substantial need for more transparency regarding investment and lending practices. Banks need to find ways to display this type of information and transparency must apply to all operational areas, including how the bank deals with tax avoidance issues. The past year has displayed ambiguities on this topic, for Nordea and the entire financial industry, which highlights the need to include tax issues as a sustainability aspect.

The financial sector also needs to adapt itself to the sustainable development goals. Climate issues play a central role. The science based target of 1.5° C global temperature rise should be the climate compass for the finance industry. Investment portfolios must be adapted in line with this target, where sustainable banking products available on the market today, such as green obligations and funds, can be of great relevance. The increased customer interest regarding sustainability aspects brings out the business advantage of developing such products and services with societal and environmental benefits. These initiatives need to be better communicated by the banks, which is yet another challenge for the business in the years to come.

Jakob König
Fair Finance Guide

Greenpeace

The most important aspect right now for the finance sector is to increase the awareness of how dire the current environmental situation is. Having worked towards the finance industry for 10 years, I now see some growing awareness around environmental issues. Unfortunately though, too many investment decisions are still made solely based on economic performance and do not take environmental externalities into account. We do not have a Planet B, and this constitutes quite a risk that too few investors take into account. There are certain environmental boundaries that we must not cross, and I strongly believe that all societal actors, including the finance sector, must acknowledge the critical climate situation and act accordingly.

The age of fossil fuel will end, the question is when. To stay within the limits agreed upon in Paris it needs to happen fast. The finance industry now have to decide if it will be part of the problem or part of the solution. The last years we have seen a highly increased focus on sustainable development, not least with the Paris agreement and the UN Sustainable Development Goals. The finance sector needs to integrate these documents as guiding principles into their core operations and establish new common investment standards in line with those agreements.

I would like to see Nordea take a leading role in sustainable investment practices in the Nordics. It is highly recommended that Nordea develops a clear policy on fossil infrastructure investments post Paris and finds ways to really integrate the UN Sustainable Development goals into all its business areas and group functions. Sustainable investment is an area that is under rapid development, and Nordea should aim to be no less than number one.

Martin Norman
Greenpeace

Moving forward

Last year's actions indicate a defined change of attention on Nordea's sustainability agenda. A sustainable future calls on companies everywhere to adjust their business behaviour in the investments they make, the solutions they develop, and the business practices they adopt. In this section we present the way forward for Nordea as a sustainable leader.

Embedding sustainability into the core operations

In 2016 we embarked on a change journey. Our transition from a reactive CSR approach to a proactive sustainable framework marks a new direction for Nordea. This remodelling aims to embed sustainability into our core strategies, policies and processes, and products and services to help Nordea deliver long-term sustainable economic impact in society. Nordea is undergoing an overall consolidation into One Nordea, a unified bank with diverse competencies, and alongside this process the sustainability governance model is being formulated, influenced by our internal and external stakeholders expectations. This is a substantial process in which we must tread carefully yet progressively in order to address society's needs, our customers' needs, and our employees' needs. With a clearer, structured governance model in place, we will be in a position to move forward as the leading Nordic sustainable financial actor. This paves the way for an approach where all regions and business areas work aligned to integrate human rights, labour rights, environmental protection and ethical business practices into our core operations. We will continue our work on a number of sustainability risks, including reputational risks and corruption risks.

Setting goals and building relations

All business transactions are built on trust. Our stakeholder dialogues play a key role in the development of our products and services. The input from

our customers, shareholders, employees and from society, serves us well in the future development of our policies, strategies and sustainability efforts. We have reached two out of four environmental targets that were set for 2008-2016 (See Sustainability Report 2015). We did not reach the target to reduce air travel by 30% per FTE. The fourth target was to reduce internal paper use, a target that is no longer material to the organisation rather an on-going mature process. Our environmental targets have been replaced by our new sustainability goals which have been developed based on the result from the materiality analysis (see pages 14-15). The goals are to be addressed during 2017 and we believe that these goals are aligned with public demand for responsible financial institutions, and are necessary for Nordea's business resilience. The sustainability goals are presented on page 35.

The SDGs – a compass for sustainable business practices

In September 2015, the UN member states signed the Sustainable Development Goals, applicable for all actors in all countries worldwide. This unique agreement serves to support global development, and has been set by actors from all sectors of society, including the private sector. The final 17 goals are all crucial for sustainable development to take place, and they come with a number of cross-cutting effects.

Based on input from our stakeholder dialogues and global sustainability needs, we have identified a number of

key areas where we believe Nordea will have the strongest impact.

• Combating climate change

SDG13, Climate Action, urges society to take urgent action to combat climate change and its impacts. At Nordea, we continuously integrate climate risks into underwriting practices, investment analysis and decision-making. We measure and publicly disclose the carbon footprint of our investment portfolio on an annual basis in accordance with the Montreal Carbon Pledge, aiming for a carbon neutral Nordea (see www.nordea.com). The past years' alarming scientific reports on climate change have made us intensify focus to coherently include environmental risks in our internal and external operations. During 2015 and 2016, The Swedish FSA produced a number of reports on how the financial sector can drive and implement sustainable business practices. One crucial factor is the need for more long-term tools for risk management and due diligence, not least considering environmental aspects. To have a 50% chance of keeping the global temperature rise well below 2°C, it is estimated that half of the total reserves of coal, oil and natural gas, can never be burned and released into the atmosphere. We understand that even though leaving these assets in the ground as "stranded assets" indicates a pure financial loss, the environmental consequences of extracting these resources are high.

(continues on page 36)

Nordea



Nordea supports the Sustainable Development Goals

Nordea's 9 sustainability goals

Our 9 sustainability goals have been developed based on the result from the materiality analysis. They have been identified as the prioritised targets to help continue to increase business resilience by preparing Nordea for the various sustainability-related opportunities and challenges, now and in the future.



- 1.** Anchor minimum sustainability goals with GEM and Board of Directors (prerequisite for successful achievement of following goals)



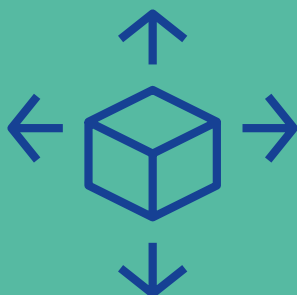
- 2.** Map and assess sustainability regulations, international conventions and standards' relevance and impact on Nordea



- 3.** Clarify sustainability governance model and decide on internal processes



- 4.** Enhance the ESG screening tools to improve the consolidation capabilities for responsible investments, responsible lending and responsible procurement



- 5.** Systemise data collection and verification process

- 6.** Launch a risk assessment framework in order to identify key risks in value chain (focus on human rights, labour rights, anti-corruption measures and environment)



- 7.** Launch position papers on climate change and establish science-based targets



- 8.** Align diversity policy for the Board of Directors and implement as applicable, according to the legislation



- 9.** Establish a KPI framework with individual KPIs



Such actions would pose a great threat of escalating negative consequences on environment and climate, when so called “tipping points” could be reached in a foreseeable future. We evaluate the risk of stranded assets in all our investment and lending practices and we welcome more complex, long-term risk analyses in which environmental values are seen as an inclusive part in a profitable value chain. Our last addition to our strengthened risk management approach is the Group Credit Risk Management, established in December 2016.

- **Digitalisation – a driver for an inclusive, low-carbon economy**

Digitalisation provides a powerful tool for financial inclusion and economic empowerment. Financial inclusion is a rudimentary requirement for equal opportunities and prosperity for all. If we can achieve financial inclusion, we will also contribute to reaching a number of SDGs such as No Poverty (SDG1), Quality Education (SDG4) and Reduced Inequalities (SDG10). These holistic effects illustrate the power that comes with financial inclusion, including access to secure payments and remittance facilities, savings, credit and insurance. We have made considerable developments in our

digital services throughout the year with the aim of providing solutions for an inclusive economy.

Digital solutions can further help us to get a clear and rapid message out to the public and facilitate dialogue with our stakeholders, thereby enhancing Nordea's transparency. It can also simplify banking business for our customers, in terms of accessing our services online. In this regard, digitalisation is a democratic tool that offers us a method to make financial services accessible at affordable costs to all individuals and businesses, irrespective of net worth and size respectively. Digitalisation can further lower our internal carbon footprint substantially, reducing our travel emissions when business and customer meetings can be held online. We will keep using digitalisation as a substantial tool to lower our CO₂ emissions.

- **Multi-stakeholder partnerships**

Achieving the Sustainable Development Goals requires a revitalised and enhanced global partnership that mobilises all available resources from all sectors of society. Dialogues and partnerships between private, public, governmental and non-governmental actors are necessary to reach the Sustainable Development

Goals. SDG 17 illustrates this through Partnerships for the Goals. An example of a collaboration initiated during the year is the Start-up Accelerator programme (see page 26). Nordea is also involved in the My Dream Now project, in which Wholesale Banking employees share knowledge and interest with school children in areas with high unemployment (see page 29). We believe that this brings mutual benefits, as we are given the opportunity to contribute to empowerment of youth and young adults, and can provide an opportunity to innovative entrepreneurs, while at the same time positioning ourselves as an attractive workplace. As the world moves closer to an understanding that all systems are connected, it is becoming increasingly obvious that cross-sectorial collaborations are a must for societal and economic resilience and sustainable development. It is with great interest and commitment to the possibilities that SDG 17 brings that Nordea will look into how we can further develop our partnerships with external stakeholders.

Interacting for sustainable development

2016 was a year of extensive stakeholder engagement for Nordea. With everything from stakeholder dialogues with employees and customers, to roundtables with NGOs and participation in public events we have been learning a lot about the external perceptions and expectations of Nordea. Here are some examples of what we did during the year.



Panel debate at the GRI Standards launch, hosted by Nordea. From the left: Mats Landén (WWF), Åse Bergstedt (Nordea), Andreas Blomquist (NASDAQ), Mattias Forsberg (Save the Children Sweden) and Malin Lindfors Speace (Ethos International).



Åse Bergstedt, Head of Sustainability, meeting the executive management team at Nordea Bank Russia.



Sasja Beslik, Head of Sustainable Finance at Nordea, at COP22 in Marrakech, Morocco in November 2016.

Here are some examples of what we have been doing during the year:

- Mannheimer-Swartling's event "Tax and Sustainability" – presentation
- Aktuell Hållbarhet's event Social Responsibility Day – presentation
- SNS's seminar "How can the financial market contribute to a more sustainable society?" – presentation
- Nordea IT Manager Summit in Denmark – sustainability information booth
- Nordea Bank Russia Executive Management and Central Bank of Russia – presentation and meeting
- Climate Change Conference (COP22) in Marrakech in Morocco – participation
- Supplier visits to Poland and China
- Svenska Bankförening's CSR working group, an industry initiative to increase transparency on how banks work with sustainability in its corporate lending processes. Nordea has participated in multiple meetings.
- GRI Standards launch - Nordea hosted the event and participated in the panel debate.

GRI Index

● Fulfilled
○ Partly fulfilled

General standard disclosures

GRI Indicator	Name	Page	Fulfillment	Comment
Strategy and analysis				
G4-1	CEO's statement	4-5	●	UNGC Criterion 19
Organisational profile				
G4-3	Name of the organisation	6	●	
G4-4	Primary brands, products, and services	23-31		
G4-5	Location of headquarters	6	●	
G4-6	Number of countries and location of operations	6-7	●	
G4-7	Nature of ownership and legal form	6	●	
G4-8	Markets served	6-7	●	
G4-9	Scale of reporting organisation	6-7	○	
G4-10	Total workforce by employment type, employment contract, and region.	7, 17	○	
G4-11	Percentage of employees covered by collective bargaining agreements.	17	●	UNGC Principle 3
G4-12	Description of the organisation's supply chain	13	●	UNGC Criterion 2
G4-13	Significant changes during the reporting period	2, 8-9	●	
G4-14	Explanation of whether and how the precautionary approach or principle is addressed	10	●	UNGC Principle 7
G4-15	Externally developed charters, principles, or other initiatives to which the organisation subscribes or endorses	6, 32, 41	●	
G4-16	Memberships of associations and national or international advocacy organisations	6	●	
Identified material aspects and stakeholder engagement				
G4-17	Entities included in the financial statements	Annual Report pp. 177-178, 231	●	
G4-18	Process for defining report content	14-15	●	
G4-19	Material Aspects identified in the process for defining report content	14-15	●	
G4-20	Aspect Boundary of each material Aspect within the organisation	14-15	●	All identified material aspects are relevant for Nordea's internal operations under the limitation of contracts, agreements and/or employment.
G4-21	Aspect Boundary of each material Aspect outside the organisation	14-15	●	The material aspects identified are under the control of Nordea, and thus no aspect is relevant solely from an external perspective.
G4-22	The effect of any restatements of information provided in previous reports	2	●	
G4-23	Significant changes from previous reporting periods in the scope and aspect boundaries	2	●	
G4-24	List of stakeholder groups engaged by the organisation	15	●	UNGC Criterion 21
G4-25	Basis for identification and selection of stakeholders	14	●	UNGC Criterion 21
G4-26	Approaches to stakeholder engagement	14	●	UNGC Criterion 21
G4-27	Key topics raised through stakeholder engagement	14	●	UNGC Criterion 21
Report profile				
G4-28	Reporting period	2	●	
G4-29	Date of most recent previous report	2	●	
G4-30	Reporting cycle	2	●	
G4-31	Contact point for questions regarding the report	2		
G4-32	GRI Index and "in accordance option"	2, 38-40	●	
G4-33	External assurance	2, 43	●	

● Fulfilled
○ Partly fulfilled

GRI Indicator	Name	Page	Fulfillment	Comment
Governance				
G4-34	Governance structure	8-9	●	OECD, UNGC Criterion 1, 20
G4-56	Organisation's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	8-10, 12-13, 30	●	OECD, UNGC Criterion 1, 20
Specific indicators				
ECONOMIC				
G4-DMA	Disclosure on Management Approach	10, 12, 16-17	●	UNGC Criterion 15-18
Economic performance				
G4-EC3	Coverage of the organisation's defined benefit plan obligations	18	○	One of the reasons why there currently is no financial data available is the insignificantly small figures.
G4-EC4	Financial assistance recieved from government	12	○	
ENVIRONMENTAL				
G4-DMA	Disclosure on Management Approach	10, 12, 32	●	UNGC Principle 7, 8, 9, Criterion 2, 9-11, 15-18
Energy				
G4-EN3	Energy consumption within the organisation	11	●	UNGC Principle 7, 8, Criterion 9-11
Emissions				
G4-EN15	Energy direct GHG emissions (Scope 1)	11	●	UNGC Principle 7, 8, Criterion 9-11
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2)	11	●	UNGC Principle 7, 8, Criterion 9-11
G4-EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3)	11	●	UNGC Principle 7, 8, Criterion 2, 9-11
G4-EN18	Greenhouse gas (GHG) emission intensity	11	●	UNGC Principle 7, 8, Criterion 9-11
Supplier Environmental Assessment				
G4-EN32	Percentage of new suppliers that were screened using environmental criteria	13	●	UNGC Principle 7, 8, Criterion 2, 9-11
SOCIAL				
G4-DMA	Disclosure on Management Approach	13, 16-18, 20, 25, 27-31	●	UNGC Principle 1, 4, 5, 10, Criterion 6-8, 12-14, 15-18
Employment				
G4-LA1	Total number and rates of new emoloyee hires and employee turnover by age group, gender and region	18	○	UNGC Principle 6, Criterion 6-8, OECD
Occupational Health and Safety				
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	18	○	UNGC Criterion 6-8, OECD
Training and Education				
G4-LA9	Average hours of training per year per employee by gender, and by employee category	17	○	UNGC Principle 6, Criterion 6-8, OECD
Diversity and Equal Opportunity				
G4-LA12	Composition of governance bodies and breakdown of employees per category according to gender, age and minority group	18	○	UNGC, Principle 6, Criterion 6-8, OECD
Equal Remuneration for Women and Men				
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	17	○	UNGC, Principle 6, Criterion 6-8, OECD

● Fulfilled
○ Partly fulfilled

GRI Indicator	Name	Page	Fulfillment	Comment
Supplier Assessment for Labor Practices				
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria	13	●	UNGC Criterion 2, 6-8
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	13	●	UNGC Criterion 2, 6-8
Supplier Human Rights Assessment				
G4-HR10	Percentage of new suppliers that were screened using human rights criteria	13	●	UNGC Principle 2, Criterion 2-5
Anti-corruption				
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	27, 29	○	UNGC Principle 10
G4-SO4	Communication and training on anti-corruption policies and procedures	20	○	UNGC Principle 10, Criterion 12-14
Compliance				
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	20	○	OECD
Product and Service Labeling				
G4-PR3	Type of product and service information required by the organisation's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	25, 27, 29, 31	●	OECD
G4-PR5	Results of survey measuring customer satisfaction	25, 27-30	●	
Customer Privacy				
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	25, 29, 31	○	OECD For CBB and PeB the system does not distinguish between different reasons for complaints.
SPECIFIC STANDARD DISCLOSURES FOR THE FINANCIAL SERVICES SECTOR				
SOCIAL				
G4-DMA	Disclosure on Management Approach	24-31	●	
Product Portfolio				
GR-FS7	Monetary value of products and services designed to deliver a specific social benefit for each business line broken down by purpose	25	○	The proportions have been calculated on the total monetary value for each respective product and service category in each country.
G4-FS8	Monetary value of products and services designed to deliver a specific environmental benefit for each business line broken down by purpose	28, 31	○	
Active Ownership				
FS-10	Percentage and number of companies held in the institution's portfolio with which the reporting organization has interacted on environmental or social issues	29, 31	○	
FS-11	Percentage of assets subject to positive and negative environmental or social screening	29	●	Our positive screening includes negative screening and the figure for positive screening (1.4 %) also applies to the "combined positive and negative screening" part of FS11.
Local Communities				
G4-FS14	Initiatives to improve access to financial services for disadvantaged people	25	●	Only applicable to PeB.

Glossary

A AML – Nordea's Anti-Money Laundering (AML) 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.

AuM – Assets under management

B BRIS – Business Risk Implementation and Support

C CAP – Corrective Action Plan is a tool used to address non-conformities found in the supply chain.

CDP – Carbon Disclosure Project is a global system for companies, cities, states and regions to disclose their environmental impact. It serves as a tool for investors to access environmental information for use in financial decisions.

COP – Communication on Progress is the report that all signatories to the UNGC have to submit every year.

COP – Conference of the Parties is the governing body of an international convention. In this Sustainability Report COP refers to the UNFCCC COP meetings.

CTF – Our Counter Terrorist Financing (CTF) guidelines and processes help us prevent the risk posed in providing financial services. Protecting Nordea from being used for the purpose of money laundering, terrorist financing and other prohibited activities is an important part of ensuring stability and integrity for us.

E Equator Principles – The Equator Principles is a credit risk management framework for determining, assessing and managing environmental and social risk in project finance transactions.

ESG – This term refers to how environmental, social, and governance (ESG) 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.

External managers – Asset owners (or their investment consultants) can assess external managers' integration practices through their existing selection, appointment and monitoring (SAM) process in order to identify, hire and appraise managers that will be able to comprehensively meet their mandate.

F FSA – Financial Services Authority

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 (KYC) is the practice to identify and know the customer, the nature of the customer's business and use of services or products, volumes and origins of the customer funds, wealth and transactions. The KYC process is used to give proper client 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.

Montreal Carbon Pledge – The Montreal Carbon Pledge is an environmental reporting initiative supported by the Principles for Responsible Investment (PRI) and the United Nations Environment Programme Finance Initiative (UNEP FI). By signing the Montreal Carbon Pledge, Nordea has committed to measure

and publicly disclose the carbon footprint of our investment portfolios on an annual basis.

O OECD Guidelines for Multiple Enterprises – The OECD Guidelines are an international economic forum with 35 member states with guidelines consisting of non-binding principles and standards for responsible investments covering human rights, labour rights, environment, anti-corruption, consumer interest, science and technology, competition and tax.

P PEP – Politically Exposed Person: an individual who holds a prominent public function. The risk of corruption and bribery is considered higher with PEPs due to their presumed power and influence.

PRI – The UN-backed Principles for Responsible Investment is an initiative in partnership with UNEP FI and UNGC consisting of six principles regarding environmental, social and corporate governance (ESG) issues.

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.

UNFCCC – United Nations Framework Convention on Climate Change.

UNGC – The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

Independent Auditor's Limited Assurance Report

To Nordea AB (publ)

Introduction

We have been engaged by the Group Executive Management of Nordea AB (publ) ("Nordea") to undertake a limited assurance of Nordea's Sustainability Report for the year 2016.

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

The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive

system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

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

Conclusion

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

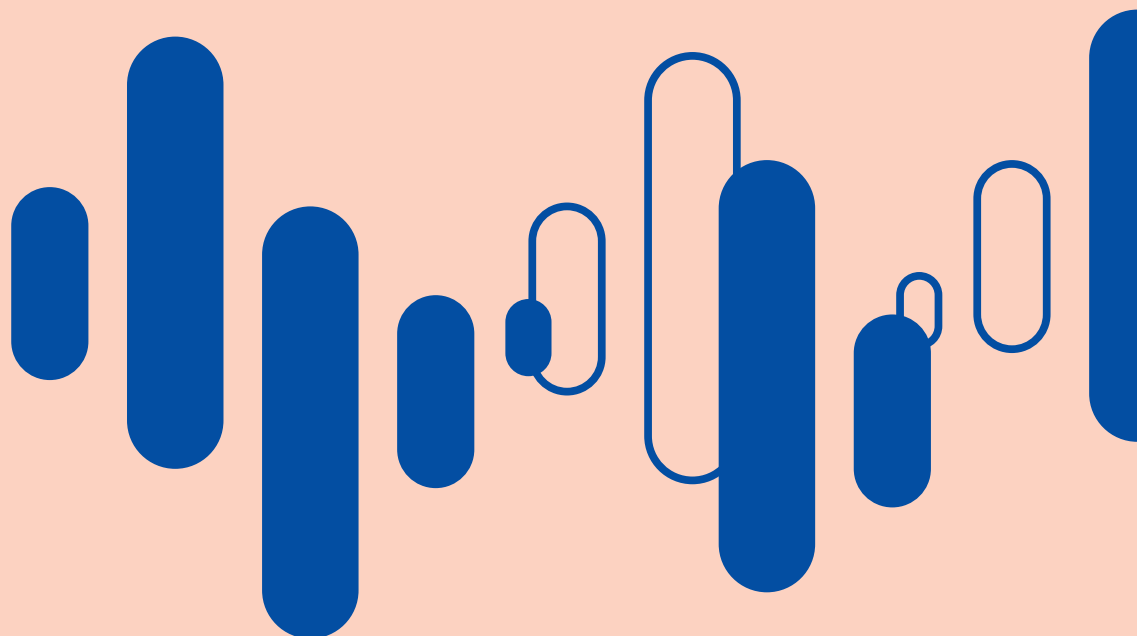
Stockholm, 13 February 2017
Öhrlings PricewaterhouseCoopers AB



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The Nordea Sustainability Report 2016 has been produced by
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Åkesson & Curry: layout and production

For more information about sustainability at Nordea
please visit our website, nordea.com/sustainability.
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