

Our impacts and performance

Sustainability report 2013



Overview and approach



About this report



CEO foreword



Who we are and what we do



Managing sustainability



About this report

Welcome to our seventh annual sustainability report.

This report provides an update on our performance on the issues identified as most significant – or material – to our business and our stakeholders. It covers data and activities from all Nokia Solutions and Networks (NSN) operations globally for the 2013 calendar year.

The report has been assured to give users confidence that the data is accurate and that the content reflects our most important issues. We commissioned DNV GL to undertake independent assurance using AccountAbility's AA1000 Assurance Standard (2008) which evaluates adherence to the principles of:

Inclusivity

Involving stakeholders in the development of the company's response to sustainability issues.

Materiality

The relevance and significance of an issue to the company and its stakeholders.

Responsiveness

Communicating and responding to issues raised by stakeholders.

Selected data indicators are also included in this assurance.

An index of our conformance with the Global Reporting Initiative guidelines and reporting against the UN Global Compact principles, together with more information about our sustainability strategy, approach and policies is available online at nsn.com/about-us/sustainability.

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CEO foreword

2013 was another year of great change for NSN. We continued with the two-year transformation started in 2011 and have now completed the vast majority of restructuring activities related to this effort. In addition, our ownership and name changed, with Nokia's purchase of Siemens' 50% share in NSN. We are now wholly owned by Nokia.



The last two years have brought significant stresses and challenges for our people, not least through the reduction of our global workforce by a third as we exited some areas of our business, reshaped others and delivered on cost savings target of more than EUR 1.5 billion. These changes were crucially important to guarantee a sustainable and healthy future for NSN, but we also recognize the impact they have had on our people. Whether they stayed with NSN or left the company, we have sought to support them throughout.

I am pleased to note that our global employee survey results confirm that our people are highly engaged in our strategy and increasingly confident in the direction of the company. We are about to engage in a period of cultural renewal, designed to embed our core values and behaviors throughout the business.

One thing that has remained unchanged throughout our transformation is our strong commitment to sustainability and to the values embodied in the UN Global Compact.

Maintaining high ethical standards and respecting human rights is a key priority. In 2013, 96% of our people completed annual training on ethical business conduct. As a founding member of the Telecommunications Industry Dialogue, we contributed to discussions on implementing the industry Guiding Principles on Freedom of Expression and Privacy and hosted a meeting of the Advisory Panel at our headquarters in Finland.

The health and safety of our employees and contractors is of vital importance to our business, and our ability to uphold high standards in this area is greatly valued by our customers. We have achieved global certification to the international health and safety management standard OHSAS 18001 in all the countries where we operate, with the exception of China, where we expect to achieve certification in the coming year. This certification gives us a strong foundation on which to operate our business in a safe and sustainable manner.

Our management system, however strong, would be nothing without the individual commitment of leaders from across the business. Along with my executive board, I have been personally involved in the programs that have been behind the performance improvements we delivered in 2013: reducing lost time incident rates by nearly a third and significantly lowering the number of fatalities.

Despite our efforts, I am saddened to report that two contractors died falling from height during installation and maintenance work in India in 2013. Any fatality is one too many. We are determined to continue to drive improvements in our processes, competencies and understanding to ensure that everyone working for NSN can do so safely. Our new consequence management system makes clear that we will not tolerate unsafe behavior from contractors.

CEO foreword continued

Our continued drive for energy and resource efficiency across our operations has resulted in a further 19% reduction in emissions in 2013. We are also developing innovative ways to improve the material and energy efficiency of our products to help customers cut their carbon footprints and reduce their operating costs.

We are, of course, part of a wider supply chain and I am pleased to report that our suppliers are also increasingly disclosing and reducing their climate impacts and that we continue to conduct in-depth supplier audits to identify key risks.

For NSN, economic sustainability is not, alone, a goal in itself, but must always be combined with a strong focus on social and environmental sustainability. I look forward to reporting further progress in 2014.

Rajeev Suri
Chief Executive Officer

Highlights 2013

82% (+9 points)

engagement score in our
annual employee survey

282 suppliers

asked to participate in industry due diligence
on conflict minerals; 262 responses received

68% (+6 points)

of employees support the future
direction of the company

121 suppliers

reported their climate
impacts to CDP

32%

reduction in lost-time
incidents per 1 000 employees

19%

reduction in carbon emissions
from our operations

96%

of employees completed ethical
business and anti-corruption training

92%

of waste recycled, reused or
used for energy recovery

122 suppliers

trained on sustainability

Worked through the Telecommunications Industry
Dialogue to publish Guiding Principles on Freedom
of Expression and Privacy

Who we are and what we do

NSN is the world's end-to-end specialist in mobile broadband. NSN is wholly owned by Nokia Corporation. We provide the world's most efficient mobile networks, the intelligence to maximize the value of those networks, and the services to ensure they work seamlessly.

Meeting the growing global demand to be connected anywhere, anytime, using any device, requires network infrastructure that only very few companies can provide – and NSN is one of those companies. With a new, stronger ownership structure we have maintained our resolute focus on mobile broadband.

Our customers are many of the world's largest and most innovative mobile operators. We provide these companies with a Mobile Broadband and Services portfolio for designing and building communications networks, operating and maintaining them, and enhancing the subscriber experience. With headquarters in Espoo, Finland, we operate in approximately 120 countries and had net sales of EUR 11.2 billion in 2013.

Our extensive R&D capabilities – including a team of approximately 16 000 R&D staff – underpin this portfolio and help us anticipate and adapt to change in the telecommunications sector. We made one of the largest investments in R&D in the industry in 2013, spending a total of EUR 1.8 billion. Our global experts invent the new capabilities our customers need in their networks. We strive to provide faster, smarter, interconnected, context-aware and adaptive services, driven by an evolving device landscape and exponential traffic growth.

NSN has 10 Global Technology Centers, with specific technology and competence profiles in China, Finland, Germany, Hungary, India, Poland and the USA.

Who we are and what we do continued

Business units

Our Mobile Broadband business unit provides flexible and adaptable network solutions for mobile voice and data services. In Radio, our portfolio covers all radio technology generations; and our Core portfolio includes a comprehensive mobile switching portfolio and voice and packet core solutions. Our smartphone friendly 'Liquid' software provides a high level of network capacity and performance. Our expertise in customer experience management, virtualization and software-rich solutions helps operators to deal with new technology trends such as cloud computing, big data, multi-media content, special events and security.

The Global Services business unit provides mobile operators with a broad range of services, from network implementation to care services, managed services for network and service operations, network planning and optimization and systems integration. We use global and local services experts and centralized tools and architecture at two Global Delivery Centers and five Global Service Delivery Hubs around the world.

Mobile Broadband



Global Services



The transformation of our business has involved restructuring which resulted in some business areas being divested or managed for value, and a significant reduction in our global workforce over the past two years to approximately 48 628 in 2013 (see Employees, [page 35](#)). These changes aim to streamline the organizational structure, consolidate sites and activities, simplify processes, and align the workforce with our new strategy, improving productivity and efficiency.

Our Code of Conduct governs everything we do, and our commitment to corporate responsibility is unwavering. See Managing sustainability ([page 7](#)) for more details.

Managing sustainability

Our sustainability priorities are aligned with our new business strategy. We focus on ensuring NSN is economically sustainable, while maintaining key programs that help us promote environmental and social sustainability.

Governance

Sustainability at NSN is overseen by the Executive Board, which reviews performance at least once a year and provides guidance on sustainability related issues. The Head of Marketing and Corporate Affairs is the board member directly responsible for sustainability.

Our Corporate Responsibility (CR) team – part of our global Health, Safety and Security function – is responsible for managing sustainability including human rights, environmental management and compliance with CR-related regulatory requirements.

An Environment, Health and Safety (EHS) Council, established in 2012, runs our global EHS management systems, coordinates cross-functional activities, and oversees the management of a wide range of sustainability issues. The Council meets monthly and includes representatives from global business units and Health, Safety and Security teams from each of our regions. It assembles working groups of experts from various business units and functions to discuss relevant sustainability issues, share best practice and run specific projects as needed.

In 2013, focus areas for the Council included recertification of our environmental management system to the international ISO 14001 standard and global OHSAS 18001 certification for health and safety management. Experts from other parts of the business are also invited to offer insights on particular issues, such as conflict minerals.

Managing sustainability continued

Material issues

We focus on the issues that are most important (or 'material') to our business. These are aligned with our new corporate strategy and our focus on securing an economically sustainable future for the business.

The materiality matrix opposite identifies the issues most relevant to our stakeholders and our business. It is based on our analysis of criteria set out in a tool developed specifically for our industry by the Global e-Sustainability Initiative.

Materiality assessment



Managing sustainability continued

Stakeholder engagement

In 2013, we engaged with stakeholders on a wide range of sustainability issues. Examples are highlighted in the table opposite and throughout this report.

Stakeholder group	How we engage	Examples in 2013
Customers	We collaborate closely with customers to ensure we meet the sustainability standards they require of their own suppliers – and help them meet their environmental targets.	We aligned our new Health & Safety Consequence Management Guidelines for suppliers with our customers' expectations.
Employees	We communicate with employees throughout the business to ensure they understand and support our strategy, and to gain feedback on how we are doing as an employer through our annual Employee Engagement Survey. Employees can communicate with one another and find information on the activities taking place in our business through NSN Connect, our online networking platform.	We continued our extensive change management program in 2013 to support employees through the transformation of the business and engage them in the new strategy. Our annual employee survey showed significantly improved levels of engagement despite the significant changes in the business (see page 36).
Suppliers	We work closely with our suppliers to improve their management of ethical, labor and environmental issues, monitoring their compliance through regular audits.	We ran a series of workshops and webinars to engage with suppliers in high-risk countries in 2013 and raise their awareness of our Supplier Requirements (see page 26).
Industry	We engage with others in our industry to share best practices and develop consistent standards and guidelines on particular issues.	We continued to participate in the Telecommunications Industry Dialogue, which published Guiding Principles for the telecommunications industry in 2013 (see page 21).
Governments and regulators	We work with governments and regulators to support the development of new guidelines and ensure we adhere to their standards.	We represented the Telecommunications Industry Dialogue and provided advice to the European Commission for the development of their guidelines on human rights in the Information and Communication Technology (ICT) sector (see page 21).
Non-governmental organizations (NGOs)	We engage with relevant NGOs on particular issues.	Through the Industry Dialogue, we engaged with NGOs on topics of labor conditions and freedom of association.
Communities	We have policies in place relating to disaster relief and to employee volunteering. Employees can choose to volunteer their time to support community programs.	We focused our efforts in 2013 on helping to restore telecommunications following natural disasters such as a super cyclone in Odisha, India.

Environment



Operations



Products and services



Operations

We seek to reduce emissions across our operations, and save resources by minimizing waste. We focus on finding ways to decrease energy use in our buildings and data centers, and emissions from logistics.

Improving the efficiency of our operations and engaging our employees is helping us save energy, carbon emissions and costs, and minimize waste. Our robust, externally assured management system underpins all our environmental efforts.

Performance in 2013

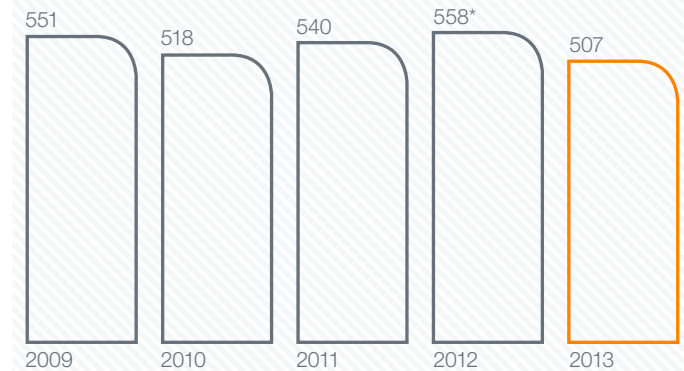
In 2013, we continued our focus on reducing energy consumption and emissions, achieving a 19% reduction of total emissions from our operations. We aligned the efforts of our Green to Gold strategy to target the areas where we have the most significant environmental impacts, including manufacturing, test lab facilities and logistics.

Reducing energy use and emissions from our buildings and logistics

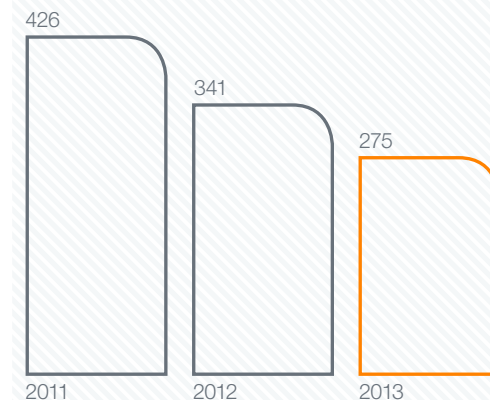
We are focusing on improving efficiency at our most energy-intensive buildings, particularly our test labs. Based on our analysis of energy use at the 10 sites with the highest energy consumption, we have developed improvement plans for each site. In 2013, we also began installing sub-meters to provide more comprehensive energy metering across all test lab sites to better understand, analyze and discover opportunities to reduce our energy use. This has helped us improve power usage effectiveness – the proportion of energy used to power the equipment as opposed to cooling and other ancillary functions – at our test labs to achieve our target of 1.5.

Total energy use in buildings (GWh)

*2012 increase due to inclusion of full year data from former Motorola sites for the first time



Emissions from operations 000 tonnes CO₂



Operations continued

Our buildings portfolio has changed as a result of significant restructuring across the business, which has included closing some sites and creating new, more flexible sites that can accommodate more staff. With more employees working flexibly at home or elsewhere some of the time, we are able to reduce the average office space per employee by adopting a 'hot-desk' approach. We have also aligned heating and air conditioning systems with hours of operation and external temperatures to avoid heating and cooling buildings unnecessarily. In 2014, we aim to consolidate our data centers, which will further improve energy efficiency.

Overall, we reduced energy use in our facilities by 9% in 2013 compared with 2012, exceeding our 5% reduction target year on year. As well as improving energy efficiency, we have also increased our use of renewable energy to account for 45% of our total energy use in 2013. This has contributed to further reductions in emissions from energy use.

In 2013, we continued our focus on shifting away from air transport to lower-carbon alternatives including road and sea freight. Our new space-saving 'Box on Pallet' packaging is also helping to reduce emissions and material use associated with transporting our products (see [page 16](#)).

We also aim to reduce emissions from employee travel. In 2013, we continued to introduce lower-carbon vehicles to our fleet of company cars in Europe – including electric cars for the first time, in Finland. Emissions from air travel remained similar to 2012 levels.

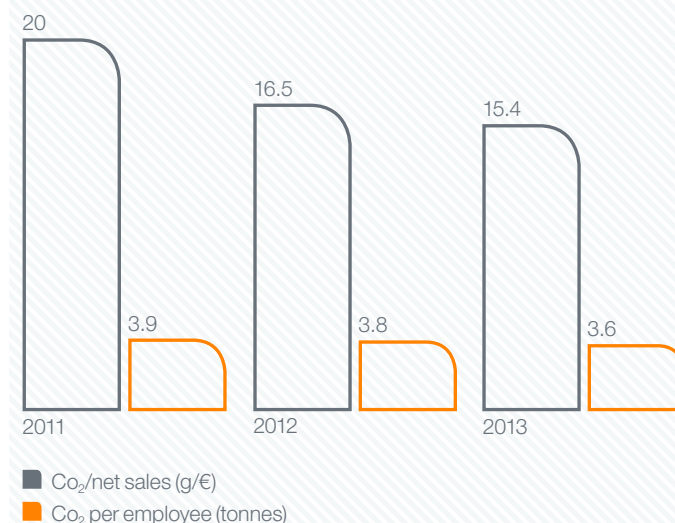
Our carbon footprint

000 tonnes CO ₂ equivalent	2011	2012	2013
Direct emissions from gas and oil, methane and nitrous oxide in heating (Scope 1)	3.8	4.6	5.1
Indirect emissions from purchased electricity and district heating, and chilled water (Scope 2)	205	216.2	168.6
Net total from buildings (after deducting renewable energy)	208.8	220.8	173.7
	(60)	(57.3)	73.4
External data centers*	2.4	2.3	–
Outbound logistics	135	65	48
Air travel	80	53	53
Total emissions from operations	426	341	274.7

*Figure for emissions from external data centers in 2013 unavailable at time of publishing.

Note to chart: CO₂ emissions from refrigerants are not included in the direct CO₂ emissions, in line with previous years' reporting. Ozone depleting substances and HFC from refrigerants are very small: 77Kg in 2013.

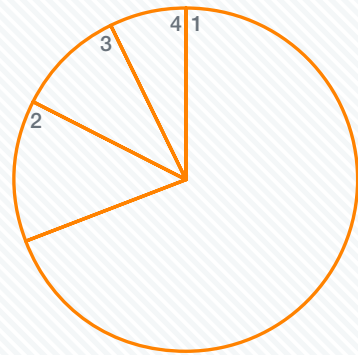
CO₂ emissions relative to sales and employees



Operations continued

Waste treatment in 2013

Waste (tonnes)



1. Recycled	4 336
2. Reused	829
3. Used for energy recovery	635
4. Sent to landfill	444
Total waste	6 224

Waste and water

We aim to reduce the amount of waste generated across our operations and increase recycling by improving facilities for collection and sorting, and encouraging employees to recycle more. As we continue to consolidate our buildings portfolio, we have also extended our partnership with the social enterprise CSR Eco-Solutions to recycle unused furniture globally.

In 2013, we generated a total of 6 244 tonnes of waste – 12% less than 2012 – and cut waste sent to landfill by 356 tonnes. Packaging material, which was recycled, made up more than half of our total waste (see [page 16](#)).

We used a total of 532 045m³ of water across our operations in 2013. This is an 11% reduction from 2012, mainly as a result of office closures. Our operations in Chennai, India, recycled 10 800m³ of water.

Environmental management

Our robust environmental management system provides the basis for all our environmental activity. In 2013, we completed an extensive global audit program to achieve re-certification to the international environmental management standard ISO 14001. Our top five most significant environmental aspects across the business – based on the extent of their impact on the environment and our ability to manage them – are unchanged from 2012. These are:

- Energy consumption
- Suppliers and third-party products (see [Suppliers, page 26](#))
- Travel and transport
- Waste management
- Compliance with environmental laws.

Of these, energy consumption is the single biggest contributor, and therefore the main focus of our targets.

Our employees play an important role in helping us meet our environmental targets. We use a range of channels to raise awareness and stimulate action. In 2013, we introduced a new intranet site and social networking sites to encourage our employees to discuss environmental topics and share best practice.

Progress against targets

Target	Progress in 2013	Status
Average 5% reduction year on year for energy consumption of own operations	We reduced energy consumption in our facilities by 9%, exceeding our target	●
Reduce CO ₂ emissions from IT operations and use of IT products by 20% (from the 2008 baseline) by 2015	We continued to work towards our 20% goal for 2015	⊙

Future targets

Target	Target date
Reduce CO ₂ emissions from IT operations and use of IT products by 20% (from the 2008 baseline)	15

Key

● Achieved ● Partially achieved ⊙ Ongoing ○ Not achieved ⊕ Target dates

Products and services

We are developing innovative ways to improve the material and energy efficiency of our products to bring benefits for the environment and help our customers save money.

Use of energy and materials is a key theme in our research and development of new products and services. By developing products that use energy more efficiently we can help our customers reduce their energy use, emissions and costs. We also aim to improve efficiency of transporting products and reduce waste through the design of our packaging.

Performance in 2013

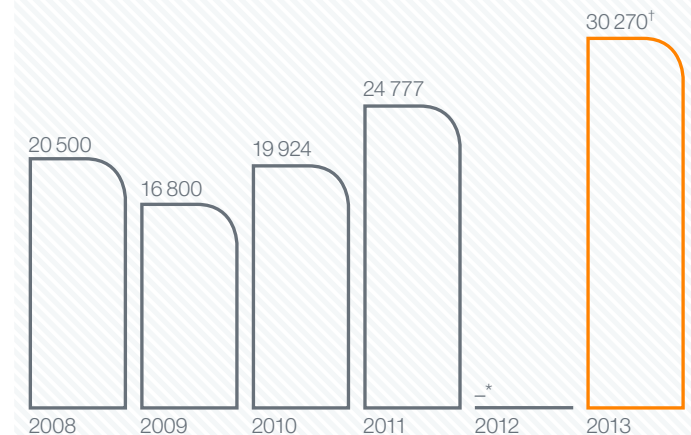
We continued to improve the energy efficiency of our products in use by refining hardware models, developing software and supporting customers with energy management services. Our Technology and Innovation Research team also focused on using materials more efficiently in the design and manufacture of our products and we sought to ensure components can be recycled at end of life.

Products using less energy and materials

We aim to ensure that every new product is more energy efficient than the previous model. For example, the energy efficiency of our 2012 Flexi Multiradio Base Transceiver Station improved by 19% from the 2010 model, and we are now working towards further improvements in the next model.

We estimate the energy used when our products are in use based on their average maximum power consumption and the number of years they are typically in operation in mobile networks. The total usetime energy consumption of our products has increased since 2011. However, significant changes to the type of equipment mean that each product enables higher volumes of network traffic when in use – resulting in improved energy efficiency overall. In 2014, we will begin work to develop a more meaningful measure of product energy efficiency, following the European Telecommunications Standards Institute's standard.

Product usetime energy consumption (GWh)



*2012 data not available.

†2013 energy consumption is based on products sold in high volumes, representing over 80% of the total usetime energy consumption.

Products and services continued

In 2013, we formally embedded energy efficiency into our product creation process and trained research and development teams accordingly to ensure environmental considerations are an integral part of product development. We continue to develop new software and active features, which can change the way existing equipment runs to use energy more efficiently. This also enables radio access networks to better adapt to variable network demand in different locations and at different times – a trend that has been accentuated by the increased use of smart phones and demand for data.

In addition, our energy management services help network operators meet their energy and emissions targets and save energy costs. These services include optimizing equipment and site design, remote monitoring and field maintenance, as well as other aspects of the customers' energy use, such as procurement and use of renewable energy. We have applied energy efficiency measures to more than 5 900 sites since 2009.

Reducing the use of materials in our radio access network equipment also reduces their environmental footprint by using resources more efficiently. In 2013, our Technology and Innovation Research team focused on several material efficiency projects. We continued to analyse material use and disposal through life cycle assessments. For example, over 90% of the materials in our Flexi Multiradio Base Transceiver Stations made in 2013 can be disassembled and recycled at the end of the product's life.

Participation in research

We are partnering with others in our industry to develop a common framework for measuring environmental impacts, and to create standards that help to identify where we can make improvements. Since 2012, we have been participating in OPERA-Net 2 – a project of the Celtic-Plus European ICT Cluster Research Initiative, part of the Eureka Network – that aims to examine the environmental impacts across network infrastructure, and works with standards bodies to develop an agreed approach to environmental measurement. The results of this project are anticipated in 2015.

We participate in European Commission pilot projects to test our standards and develop new approaches to measuring impacts. We have proposed a simplified approach that concentrates on energy and resource use across the life cycle of our products. Our previous studies have shown that energy consumption during manufacturing and use accounts for 75-95% of the total environmental impact, with use being the biggest contributor.

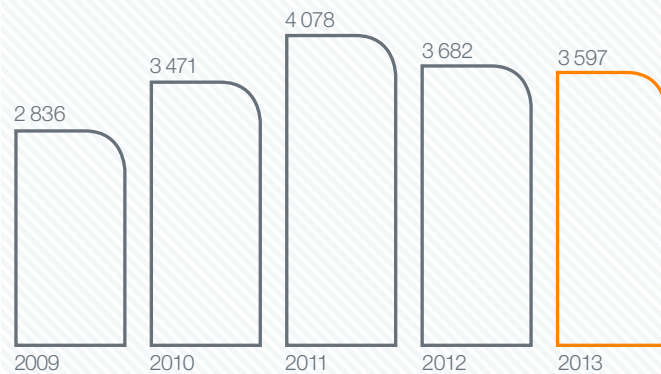
Managing other environmental impacts

In addition to energy and materials, our product and service development processes also consider environmental factors such as hazardous substances, packaging and recyclability. We comply with the EU Restriction of Hazardous Substances (RoHS) Directive and Registration, Evaluation, Authorization and restriction of Chemicals (REACH) regulations.

The NSN Substance List identifies substances that have been banned, restricted and targeted for reduction, and is updated regularly. In addition to our internal focus, we encourage our suppliers to phase out substances which are classified as 'Monitored'.

Products and services continued

Packaging reused in our distribution hubs (tonnes)



Packaging is a key area where we can save money and reduce environmental impacts. In 2013, we introduced a new method of packaging, using pallets to transport the boxes without being in additional containers. The new 'box on pallet' packaging saves space, reduces use of materials, and limits costs. With 8kg less packaging material per pallet load, it helps to reduce fuel consumption in transportation, cutting carbon emissions by around 43%. We reuse the packaging for products that we receive at our inbound distribution hub, for outbound products.

We take back equipment at the end of its useable life, including that of other manufacturers, to ensure that it is disposed of responsibly and sustainably. Our small number of reputable recycling contractors treat everything from components to entire products, recycling materials where possible, and disposing of hazardous waste responsibly. We now use one global recycler across most regions, giving us greater visibility and control over the treatment of waste.

Radio waves and health

Wireless communications technologies operate well within the limits recommended by the International Commission on Non-Ionizing Radiation Protection and endorsed by the WHO, and the company works to ensure continued compliance of its products with these requirements. NSN engages with its stakeholders and in public discussions on this topic as well as monitoring scientific studies.

For more information see nsn.com/about-us/sustainability/radio-waves-and-health.

Progress against targets

Target	Progress in 2013	Status
Introduce product creation process change aimed at energy efficiency improvement in the product portfolio	An energy efficiency scorecard is now included as part of our NSN Create process	●

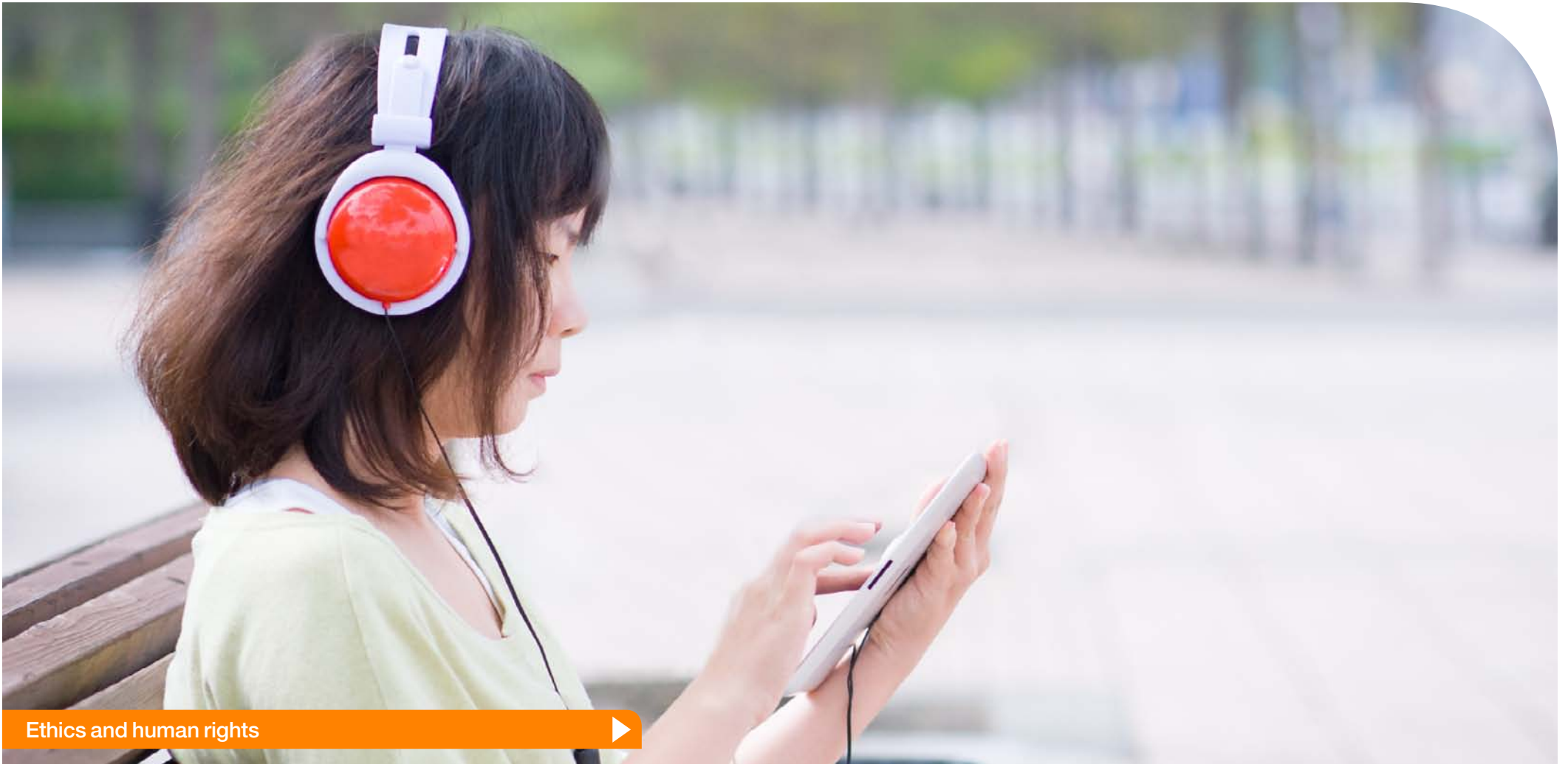
Future targets

Target	Target date
Work with customers to reduce energy consumption of telecommunications networks through our innovative product solutions	●
Improve the energy efficiency of our products in each main release	●
Implement a methodology to measure product energy efficiency, following the European Telecommunications Standards Institute's standard	15

Key

● Achieved ● Partially achieved ● Ongoing ○ Not achieved ● Target dates

Ethics and human rights



Ethics and human rights



Ethics and human rights

Maintaining the trust of our customers and the integrity of our business depends on our strong commitment to promote ethical behavior and uphold human rights.

Our Code of Conduct details our high ethical standards, and includes our promise to ensure our communications technologies are not used to infringe human rights. The values and commitments set out in the Code must be upheld across our business by our employees, suppliers, and partners.

We help employees better understand what the Code means to them by providing training in ethical business practices, and we work with suppliers and business partners to ensure they are aware of our expectations. We encourage people to report any concerns about potential ethical breaches and have a due diligence process to flag human rights risks in our sales process. We investigate all notifications and take appropriate action.

Performance in 2013

Promoting employee awareness of our ethical standards and encouraging openness about concerns remained central to our efforts in 2013. We also worked to overcome technical issues related to our human rights due diligence tool and continued to engage with others in our industry on privacy and freedom of expression.

Training and awareness

Annual training on ethical business conduct and human rights is mandatory for all employees to help them understand how to apply our Code of Conduct in everyday decision-making.

Our Ethical Business Training demonstrates how the Code can be applied to real-life scenarios, addressing issues such as ethics in the workplace, proper accounting and controls, conflicts of interest, and facilitation payments. Around 96% of employees completed this training in 2013.

In 2013, we began to consolidate the policies that define our ethical standards to make them simpler and easier to understand, starting with a streamlined NSN Gift, Entertainment and Hospitality Policy.

Ethical business training

	2011	2012	2013
% employees that completed ethical business conduct training (including on human rights issues)	90	86	96

Anti-corruption: prevention and detection

Our anti-corruption strategy focuses on two key areas: prevention and detection. To reach as many employees as possible, we offer anti-corruption training online, in-person, and through WebEx and NSN Tube (our internal video channel). In 2013, 96% of employees completed anti-corruption training as part of our wider Ethical Business Training and a further 2 127 employees completed our other training options.

Ethics and human rights continued

Strong due diligence procedures remain in place for the appointment and extension of any contracts with third parties used in sales and promotion roles, which are subject to approval by the Compliance Office. We also aim to engage with others in our industry to contribute to wider efforts to tackle corruption.

Reporting ethical concerns

We encourage employees and anyone working with NSN to report any concerns about potential breaches of our Code of Conduct. Employees can ask for guidance or report ethical concerns by emailing ethics@nsn.com, or remain anonymous by contacting the ethics hotline on our website.

We take all reports of ethical misconduct seriously. In 2013, our Ethics and Compliance Office investigated 192 alleged abuses of the NSN Code of Conduct. As a result, employees were dismissed or issued written or verbal warnings.

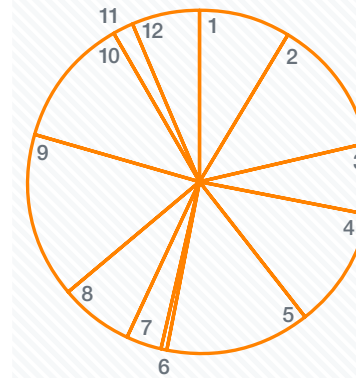
Investigations and resulting disciplinary action

	2011	2012	2013
Number of investigations by Ethics & Compliance Office	112	139	192
Number of employees dismissed on grounds of violation of Code of Conduct	40	28	26
Number of employees given a written warning	30	31	16

Ethics enquiries

	2011	2012	2013
Ethical enquiries and concerns raised via the ethics email reporting channel	302	160	205
Ethical enquiries and concerns raised via other channels	104	114	85

Type of enquiries made via the ethics email reporting channel in 2013



1. Anti-corruption	18
2. Conflict of interest	26
3. Gifts and hospitality	14
4. Code of conduct	23
5. Human resources (fairness)	28
6. Labor conditions and supply chain	1
7. Legal and compliance (Fraud)	7
8. Workplace practices	14
9. General guidance and advice	32
10. Human rights	25
11. Customer policy	4
12. Privacy	13
Total	205

Ethics and human rights continued

Examples of ethical issues encountered by employees

Issue raised	Our guidance	Action taken
A whistleblower reported a concern that a line manager misused their position to recruit friends and relatives for vacant positions with high salaries.	NSN has a conflict of interest policy which prohibits favoritism.	The investigation into the report found no evidence of favoritism, as none of the line manager's relatives work for NSN.
An employee reported a concern that they were given a Performance Improvement Plan (PIP), a program low-performing employees are enrolled in, based on discriminatory reasons.	NSN is committed to the highest standards of ethical conduct and does not tolerate discrimination.	An investigation by the Ethics and Compliance office found that the employee's annual assessment showed their performance needed improvement. Their PIP was given to support their performance, and not as a result of alleged discrimination.
A whistleblower reported that an external employee working as an NSN engineer was also running his own company.	NSN has a zero tolerance policy for corruption and fraud.	The investigation revealed that the external employee is the MD and CEO of a company that works with an NSN competitor. The employee was removed from NSN employment.

Human rights due diligence

We strongly believe that communication networks have an important role in promoting human rights by enabling free expression, access to information, exchange of ideas and economic development.

In line with our human rights policy, we carry out extensive risk assessments and due diligence. Our approach starts with our sales agents. In 2013, we started training sessions on our human rights policies and due diligence for our employees in the Americas, Asia-Pacific and Europe. In 2014, we will continue providing further training for regional customer teams with information specific to their region.

Sales agents feed information about potential deals into our global sales platform, which features an automated system that assesses the potential for misuse of our technology based on the type of technology for sale and the human rights record of the purchasing country.

The automated system is designed to issue a warning flag for sales found to be potentially high-risk. This prompts a review process which involves a detailed analysis and risk assessment of the sale in question. The results of the review are evaluated by a committee, the Head of Sales in the region of interest, and the NSN Executive Board if there is any remaining doubt about potential risk. If we judge that the risk of product misuse is too high, we will decline the opportunity of a sale.

Ethics and human rights continued

We identified a glitch in the automated system in late 2013, which meant some cases were not flagged. We uncovered the missed cases (a very small number) to double-check their potential risk. The glitch has since been fixed and preventative measures taken to prevent a re-occurrence. We are continuing to follow up on these cases to ensure all related possible risks are properly mitigated. We are also taking steps to further improve our due diligence process by embedding these checks deeper in the relevant processes, in addition to the automated features in the relevant tools.

We will report the outcome of the mitigation work, as well as the updated process in our 2014 Sustainability Report.

Further information on our [due diligence fact sheet](#) is available on our website.

Developing industry principles

NSN is a founding member of the Telecommunications Industry Dialogue, a group of telecommunications operators and vendors who jointly address freedom of expression and privacy rights in the telecommunications sector.

In March 2013, the group published and signed the Industry Dialogue Guiding Principles. Influenced by the UN Guiding Principles on Business and Human Rights, the principles address issues of privacy and freedom of expression as they relate to the telecommunications sector. They specifically focus on the interaction and boundaries between a government's duty to protect human rights and the corporate responsibility of telecommunications companies to respect human rights. These principles are the result of two years of dialogue that included stakeholder outreach.

The Telecommunications Industry Dialogue formally has established its own governance and signed a contract initiating a two-year collaboration with the multi-stakeholder Global Network Initiative (GNI). Both groups aim to advance freedom of expression and privacy rights in the Information and Communication Technology (ICT) sector.

In November 2013, the Industry Dialogue and GNI held their first joint Learning Forum in Brussels, enabling civil society organizations, academics, investors, government officials, international organizations and ICT companies to share their perspectives on current challenges relating to freedom of expression and privacy. Participants discussed issues emerging as a result of revelations about large-scale government-led communications surveillance.

In December 2013, we hosted the Advisory Panel of the Industry Dialogue at NSN headquarters in Espoo, Finland, where representatives shared best practices and discussed how to implement the newly published Guiding Principles.

Download the [Guiding Principles](#) from our website.

Progress against targets

Target	Progress in 2013	Status
Train sales teams in high-risk countries on our human rights policy and due diligence process by end 2013	Held three training sessions – in the Americas, Asia-Pacific and Europe – and plan to hold further training in 2014, as well as providing customer teams with information specific to each region	●
Contribute to the collaboration between the Telecommunications Industry Dialogue on Privacy and Freedom of Expression and the Global Networking Initiative by end 2013	Continued to work with the Industry Dialogue and hosted a meeting for its Advisory Panel where representatives shared best practices and discussed the implementation of the Industry Dialogue's Guiding Principles on Freedom of Expression and Privacy	○

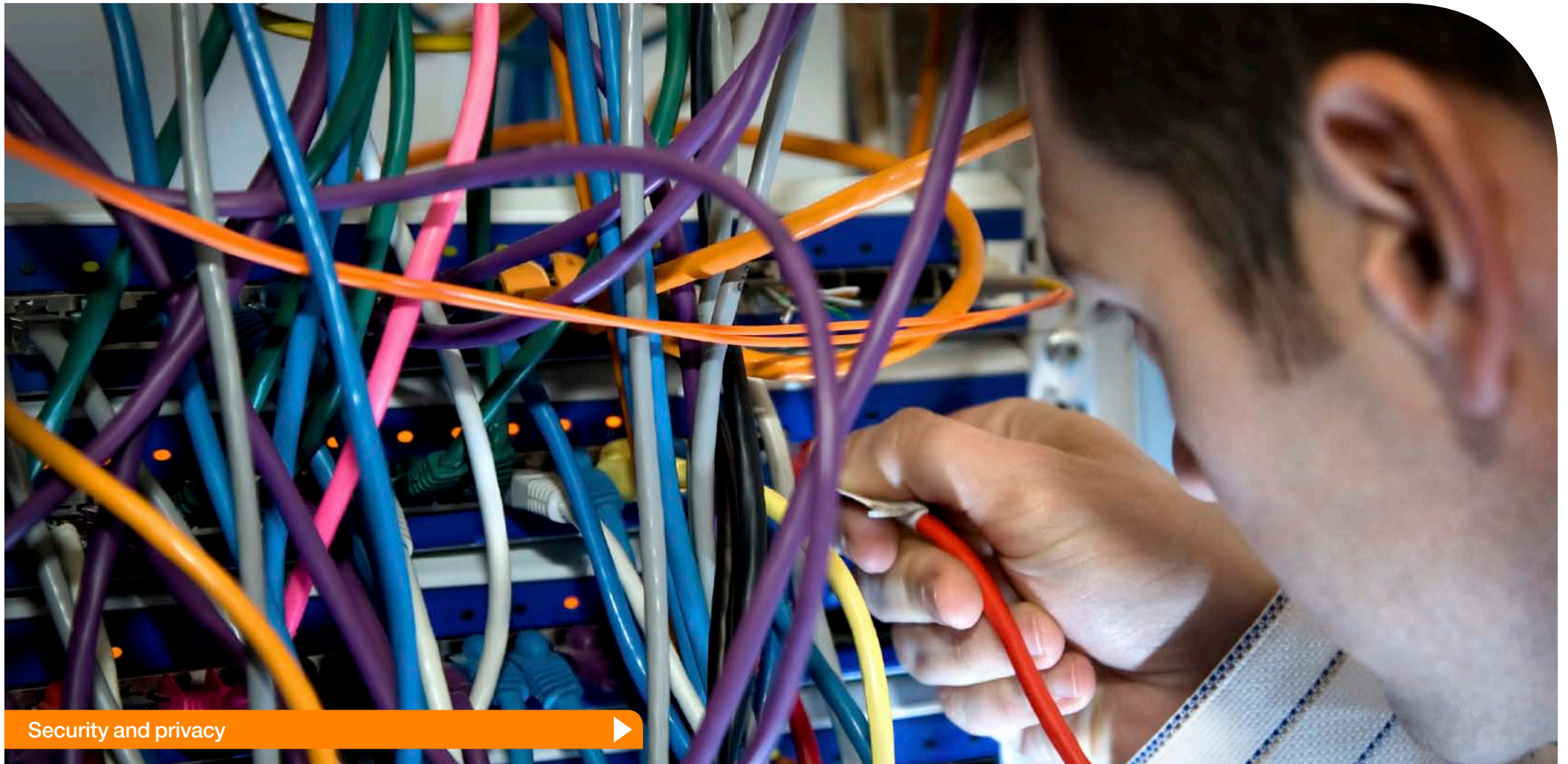
Future targets

Target	Target date
Ensure all employees complete annual ethical business training	14
Ensure all employees complete anti-corruption training	14
Provide training and information on human rights policies and due diligence for sales teams in high-risk countries	14

Key

● Achieved ● Partially achieved ○ Ongoing ○ Not achieved ● Target dates

Security and privacy



Security and privacy



Security and privacy

To help our customers safeguard their users' personal data effectively, we build security and privacy into the design of our products.

NSN provides network equipment to telecommunications providers (our customers), but we do not control the personal data transmitted over the network. However, we understand consumers are increasingly concerned about the potential for security breaches or infringements of their privacy, as more and more data is transmitted and stored over telecommunications networks. We help our customers ensure their networks are secure, so that they in turn can maintain the confidence of consumers.

We also recognize that requests from governments and law enforcement agencies to access data transmitted over telecommunications networks can raise human rights concerns. We have worked with others in our industry to develop Guiding Principles on Freedom of Expression and Privacy, which set out a common approach to dealing with demands from governments (see [page 21](#)).

Managing security and privacy

We aim to observe the highest standards of integrity and ethical conduct in all our operations, and embed these as part of our organizational culture. Our commitments are set out in our Code of Conduct (see nsn.com/about-us/sustainability/our-approach/code-of-conduct), which includes respecting the privacy of our customers and other parties. We have established robust security and privacy measures, and we run awareness campaigns to mitigate the risk of any breach resulting from human error.

Three key objectives underpin our approach to managing security and privacy:

- To provide products that are designed to help telecommunications operators comply with their privacy obligations.
- To offer reliable and trustworthy service to our customers.
- To ensure that NSN products respect the privacy of end-users.

Security and privacy continued

Our security policies are designed to ensure compliance with external regulations and customer requirements. They are based on best practices and aligned with ISO 27001, the internationally recognized standard on information security management. In India, six of our sites are certified to ISO 27001, and in 2013, we extended certification to our global delivery center in Portugal. In 2014, we will re-certify our sites in India and focus on complying with new requirements outlined in the latest version of ISO 27001, including improving controls to further secure the services we deliver to our customers.

We conduct external assessments for NSN's business-critical applications based on the perceived risk and anticipated exposure to security threats. In 2013, assessments were conducted on end user services, human resources and financial services. The findings concluded that security threats did not pose a major risk to our business, and that we are managing them adequately.

Security and privacy by design

We aim to build security and privacy into the design and development of new products. Each area of our business has a Product Security Manager who oversees the implementation of our product security processes and guidelines, and we nominate a Security Lead for each individual product line.

However, not all risks can be resolved at the design stage. Our design for security and security vulnerability monitoring processes enable us to detect and manage potential vulnerabilities. Where appropriate for the type of product or function, this may include a detailed assessment, supported by external security experts or hackers, simulating attacks that a product might face in a real network.

Our product privacy guidelines provide a checklist of privacy considerations in product design including the level of user control and the ability to express preferences about how data is used.

Progress against targets

Target	Progress in 2013	Status
Introduce privacy impact assessments in design and development of all products	The privacy impact has been deployed and documented in the process description	●

Key

● Achieved ● Partially achieved ○ Ongoing ○ Not achieved ⌚ Target dates

Suppliers



Suppliers



Suppliers

We expect our suppliers to meet the high ethical, labor and environmental standards set out in our Supplier Requirements before we will work with them. We conduct regular and robust assessments to ensure compliance, and work with suppliers to improve performance where needed.

Key suppliers account for the majority of our purchasing spend and are the highest risk to our business as they provide the products and services that we sell to our customers. We work closely with them to ensure they meet our Supplier Requirements, with a specific focus on high standards of health and safety particularly for services suppliers. To help improve sustainability performance throughout our supply chain, we encourage our suppliers to apply the same standards to their own suppliers, and we collaborate with other organizations in our industry.

Performance in 2013

In 2013, we conducted more in-depth audits on specific issues to check that suppliers are adequately addressing key risks. Measures to improve suppliers' health and safety performance continued to be a major focus and we saw significant progress in the number of suppliers disclosing and targeting reductions in their climate impacts. We also engaged with suppliers through industry initiatives to conduct due diligence related to conflict minerals.

Driving improvements through supplier audits

We conduct in-depth audits on labor conditions and environmental management for high-risk suppliers to ensure they comply with the NSN Supplier Requirements. These assessments include document reviews, interviews with managers and employees, site visits and warehouse inspections. In 2013, we spent 32 days conducting in-depth audits at 10 supplier sites in China and India. We found 92 instances of non-compliance, 42 of which related to health and safety (see table on [page 27](#)). Based on the findings of our audits, we made 153 recommendations for improvement which are being addressed through corrective action plans (see table on [page 27](#) for examples).

Health and safety is a particular risk for suppliers supporting our Services business, and remains a strong focus for NSN. In 2013, we included more stringent questions on health and safety in our tendering process for service contracts. We also launched a consequence management system to make it clear that failing to demonstrate robust safety management is unacceptable.

Suppliers continued

Findings of in-depth audits on labor conditions
and environmental management in 2013

Category	Number of non- conformities identified	Number of potential risk areas identified	Total number of recommen- dations for improvement
Child labor (proof of age documents missing)	0	0	0
Forced labor	0	0	0
Health and safety	42	26	68
Freedom of association and right to collective bargaining	3	0	3
Discrimination	3	0	3
Disciplinary practices	5	2	7
Working hours	4	3	7
Remuneration	6	4	10
Management systems	19	14	33
Environmental management system	10	12	22
Total	92	61	153

Examples of audit findings and corrective plans

Non-conformities identified	Recommendation for improvement	Action taken
Salary increases were being recovered from employees at the end of employment if they left within four months of receiving a salary increase	Supplier should stop deducting salary increases at the end of employment, regardless of the duration of an employee's contract	Supplier updated its employment policy accordingly, communicated it to all employees and introduced the policy with immediate effect
Supplier was including employee state insurance (ESI) – a medical benefit provided by the government – as part of employees' total salaries, rather than providing it as an additional benefit	Supplier should stop including ESI as part of employees' salaries, and begin paying this as an additional payment to all eligible employees	Supplier stopped including ESI as part of employees' salaries, and it is now being paid to all eligible employees
Supplier was not complying with NSN's environmental policy, for example, they had not introduced any water and energy saving measures or attempted to reduce the amount of waste they produced	Supplier should identify ways to reduce water and energy use and waste, and set targets to do so	Supplier introduced training for employees on how to reduce energy and water use; developed a procedure for handling hazardous waste; and marked Environment Day with the launch of a tree planting initiative
The person responsible for occupational health and safety (OHS) was not qualified to an acceptable level	Supplier should recruit a qualified OHS specialist to be responsible for managing health and safety at the company	Supplier recruited a qualified OHS specialist and provided a certificate to prove their level of qualification

Suppliers continued

In addition to these in-depth audits of high-risk suppliers on specific issues, sustainability criteria are included in our regular performance evaluations of suppliers. Suppliers that are new to NSN are also subject to system audits to check compliance with our Supplier Requirements. As we continued to consolidate the number of suppliers we use globally, there were only 27 system audits of new suppliers in 2013.

In instances of non-compliance, we invest in programs to help our suppliers improve. But if suppliers fail to show a satisfactory change of behavior, we escalate the issue to senior management and will stop working with the supplier until the issue is resolved.

We aim to continually improve the way we assess and manage suppliers' sustainability performance. In 2013, we began piloting the E-TASC supply chain management tool powered by EcoVadis and invited our top 100 suppliers to participate. Of these, 52 suppliers (accounting for 25% of our total spend) completed the assessment in 2013. In 2014, we plan to follow up with corrective plans for any suppliers considered to be a medium or high risk, based on their responses to the EcoVadis self-assessment.

Supplier audits

	2007 (April-Dec)*	2008	2009	2010	2011	2012	2013	Total to date
In-depth audits focused on labor conditions and environment	5	7	6	13	17	2	10	60
On-site system audits against our Supplier Requirements	37	103	147	108	121	57	27	600

*NSN was established in April 2007.

Training

We run web-based training workshops for suppliers operating in high-risk countries to raise their awareness of different elements of our Supplier Requirements – including labor conditions and due diligence on conflict minerals – and to improve their capacity to meet these standards. By conducting training online, we can reach more suppliers, while reducing costs and carbon emissions associated with travel.

In 2013, we organized two webinars involving 93 new suppliers and, as part of our increasing focus on health and safety, we ran two training workshops for 29 suppliers in

India and China, focused on addressing health and safety, as well as labor and environmental risks.

Our procurement teams are also trained on sustainability issues to help them communicate our requirements to suppliers and identify potential sustainability risks. Around 96% of procurement staff completed training on ethical conduct and anti-corruption in 2013 as part of our Ethical Business Training for all employees (see [page 18](#)). We also developed additional web-based sustainability training related to procurement, health and safety and environmental requirements, which will be introduced in 2014.

Supplier workshops

	2008	2009	2010	2011	2012	2013	Total to date
Number of suppliers participating in NSN sustainability workshops and webinars	5	16	54	76	105	122	378
Number of management level supplier workers participating in NSN sustainability workshops and webinars	11	33	103	115	133	183	578

Suppliers continued

Reducing the environmental impact of our suppliers

We aim to reduce environmental impacts associated with our supply chain by encouraging key suppliers to report their climate impact and set carbon reduction targets through the CDP Supply Chain Program. Of our top 200 suppliers, 121 (representing 39% of our total procurement spend) have responded to CDP's request for information – up from 66 in 2012.

According to the CDP responses, around 50% of our top 200 suppliers are now disclosing their carbon emissions and 30% have set reduction targets. Their carbon reduction initiatives have saved a total of 46 million tonnes of CO₂ equivalent and around USD 1.8 billion in 2013 alone. [Watch the video for more on how we have been working with our suppliers to improve their energy efficiency.](#)

We have seen considerable improvements in our suppliers' willingness to disclose and address their climate change impacts, and aim to encourage our top 100 suppliers to set emissions reduction targets by 2016.

All our suppliers (except those with very low environmental impacts) must have a documented environmental management system (EMS) and, for key suppliers and those with higher impacts, this must be certified to ISO 14001.

Tackling conflict minerals

Electronic components contain many different metals often including tantalum, tin, tungsten and gold ('3TG'). These metals are derived from minerals which are widely mined in the Democratic Republic of Congo (DRC), where there are concerns that the proceeds from mining in certain regions are used by armed groups to fuel conflict and human rights abuses.

We do not tolerate the use of such 'conflict minerals' in our products. This is clearly outlined in our policy on conflict minerals and integrated in our Supplier Requirements, which are communicated to suppliers.

NSN is supporting industry efforts to tackle conflict minerals that seek to improve transparency in the supply chain to enable companies to trace back metals in their products to responsible, 'conflict-free' sources. We seek to develop sustainable solutions that enable support of legitimate trade and positive development in the DRC and adjoining countries.

Through the Electronics Industry Citizenship Coalition (EICC) and the Global e-Sustainability Initiative (GeSI), we support the industry's Conflict Free Sourcing Initiative (CFSI). The CFSI aims to trace metals back to smelters through supplier due diligence and certify 'conflict-free' smelters by tracing minerals to individual mines. These efforts aim to improve the traceability of minerals in the ICT supply chain, and help companies meet new U.S. legislation requiring them to report whether their products may contain minerals from the DRC and adjoining countries.

We have developed a robust due diligence approach that is aligned with the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals. We are conducting due diligence on all relevant suppliers and encouraging them to ensure their own suppliers are compliant, all the way down to the smelters or refiners where the minerals are processed into metals.

Suppliers continued

In 2013, we continued to evaluate our suppliers' due diligence activities and collect information on the smelters that the 3TG in our products is sourced from by asking all 282 relevant suppliers to complete the CFSI reporting template. We received 262 responses. All responses were analyzed and we followed up with corrective action plans where needed. We are introducing requirements that will direct our suppliers to source 3TG only from smelters that are validated as conflict-free. All this will help us work towards our goal of conflict-free products by 2016.

Further information on our due diligence activities and the results of our due diligence process in 2013 will be published in a Conflict Minerals Report, available at nsn.com/about-us/sustainability from May 31, 2014.

Supplier diversity

In North America, where there are regulations on supplier diversity, 3.9% of our procurement was spent with minority businesses as part of our supplier diversity program during 2013.

Progress against targets

Target	Progress in 2013	Status
Work with suppliers to address open findings from audits conducted during 2012, and continue auditing suppliers in line with the planned audit program	All six open audits were addressed, although three remain open due to management changes 10 new audits were conducted	Ⓛ
Increase the number of suppliers reporting their energy use and greenhouse emissions via the CDP to 70	121 suppliers reported to CDP	●
Complete due diligence process on conflict minerals for 80% of relevant suppliers	As part of our due diligence process, all relevant suppliers were asked to complete the CFSI conflict minerals reporting template and 93% of them responded	●
Re-launch in-depth training on sustainability for procurement staff	Three new online trainings developed on sustainability for procurement staff	●
Continue to engage with and train suppliers on sustainability through workshops and webinars	Two workshops and two webinars conducted	●

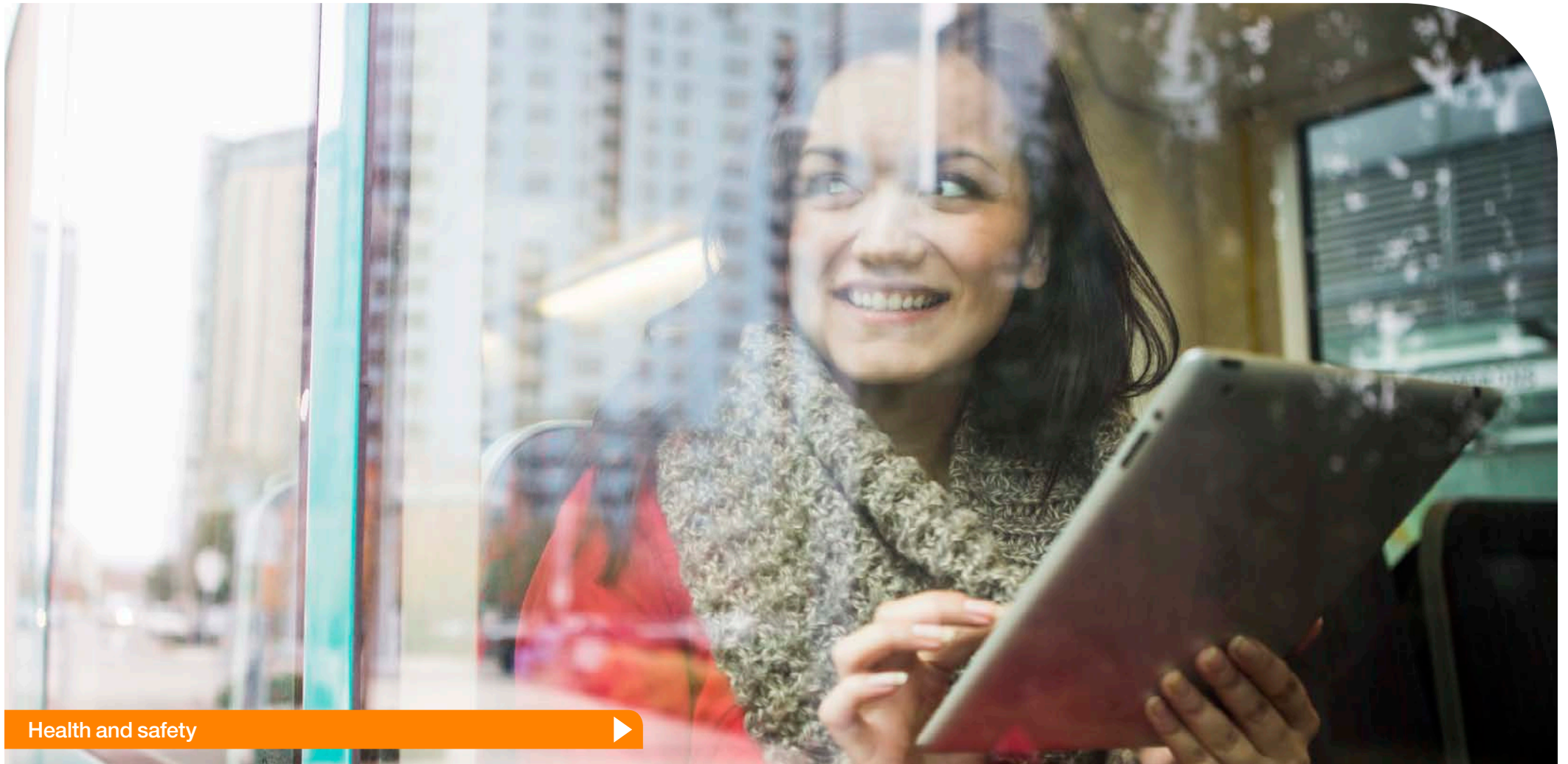
Future targets

Target	Target date
Work with suppliers to ensure all open audit findings are addressed, and perform 20 new audits	14
Increase the number of suppliers reporting their energy use and greenhouse gas emissions via the CDP to 150	14
Continue to engage with and train suppliers on sustainability issues through workshops and webinars	14
Increase the number of suppliers using the EcoVadis supply chain management tool to cover 50% of our supplier spend	14
Roll out health and safety consequence management systems in further markets	14
Continue working to ensure our products are conflict free	16

Key

● Achieved Ⓛ Partially achieved ○ Ongoing ○ Not achieved 📅 Target dates

Health and safety



Health and safety



Health and safety

We put safety first. The health, safety and wellbeing of NSN employees and our contractors is central to how we do business at NSN.

We strive to ensure that all employees and contractors are aware of the risks associated with their job, and receive the necessary training and equipment to work safely – whether in the office or on site. Our focus on safety is not only important to us as a responsible business, but is also demanded by our customers. Differentiating ourselves by demonstrating robust safety standards and improved performance helps us build trust and win work.

Performance in 2013

We continued to improve our health and safety performance in 2013 by raising employee awareness and engaging leaders to promote a 'safety-first' culture worldwide. The rate of lost-time incidents per 1,000 employees decreased by 32% compared with 2012.

Our efforts to improve health and safety have helped to significantly reduce the number of fatalities in 2013. But any fatality is unacceptable to NSN. We deeply regret that two contractors died as a result of falls from height during installation and preventive maintenance work for NSN in India. Both incidents were fully investigated and corrective and preventive actions have been taken to prevent similar incidents.

Health and safety performance

	2011	2012	2013
Total lost-time incidents	160	101	57
Lost-time incident rate per 1 000 employees	2.18	1.73	1.17
% Critical and Fatal Incidents of all incidents reported	4.80%	3.43%	0.45%
Near miss incidents reported	55	141	636

Fatalities

	2011	2012	2013
Total number of employee fatalities	4	2	0
Total number of contractor and subcontractor fatalities	9	10	2

Improving safety management

In 2013, we achieved OHSAS 18001 certification for all our global operations except China, due to changes to China's certification requirements. We aim to certify our operations in China by the end of 2014. OHSAS 18001 is an internationally recognized standard that provides the framework and foundation for our health and safety management system, and drives continuous improvement. Achieving this certification, following a series of independent external audits, demonstrates our focus on preventive measures, contractor controls, employee awareness and meeting customer and legal requirements.

Health and safety continued

Our mandatory health and safety training underscores the importance of identifying and avoiding risks and reporting incidents. Engaging our leaders and encouraging reporting of near-misses – hazards or incidents that did not result in injury but could have – helps to reinforce the importance of proactive safety management. By creating a culture that identifies hazards and supports active risk prevention and action, we can significantly lower the number of incidents that occur. As part of this shift, senior leaders are getting more actively involved in safety with regular management reviews and site tours.

We have increased our focus on reporting of near miss incidents in 2013, tracking 636 near misses – more than three times the amount recorded in 2012. We investigate high potential incidents and near misses to identify and analyze their root causes, so we can put in place effective measures to prevent similar incidents from happening again. All fatal and high potential incidents are reviewed with members of the Executive Board and we hold quarterly fatality prevention meetings.

Our internal Safety Award recognizes outstanding efforts to improve safety across the business. A team working with one of our key customers in Italy won the award in 2013 for the development of mandatory safety training for subcontractors, which supplemented existing training with information specific to NSN site activities and contributed to zero accidents in that part of the business in 2013.

Addressing key risks

In addition to conducting risk assessments, we track and analyze high potential incidents to identify our most pressing risks and develop effective corrective plans. Key safety risks for our employees and contractors include driving and working at a height, which together accounted for 76% of high-potential incidents in 2013.

More than half of high potential incidents recorded in 2013 were road traffic accidents. We provide targeted road safety awareness programs and safe driving initiatives in high-risk regions. In Latin America, for example, initiatives such as GPS tracking to monitor employees' driving speeds and 'How's my driving?' stickers to encourage the public to report unsafe behavior have helped to reduce speeding fines and traffic accidents.

Many high-risk activities, including working at height, are carried out by subcontractors for our customer operations, so it is important they are aware of the proper safety procedures and use the right equipment. In addition, we are working hard to enhance our safety standards by conducting field and site inspections and rigorous risk assessments, as well as requiring appropriate personal protective equipment to be worn at all times when working at height. To support this effort, in 2013 we ran two training workshops for suppliers in India and China that aimed to support them in identifying and addressing safety issues. We have also introduced a consequence management system for contractors that fail to demonstrate robust safety management (see [Suppliers](#), page 26).

Progress against targets

Target	Progress in 2013	Status
Achieve zero fatal accidents by collaborating closely with our customers and contractors	Fatal accidents declined from 12 in 2012 to 2 in 2013, but any fatality is unacceptable and we are working to tackle the root causes of these incidents	○
Achieve global certification to OHSAS 18001 for all NSN operating countries by end 2014	Achieved global certification to OHSAS 18001 for all NSN operating countries except China	●

Future targets

Target	Target date
Achieve zero fatal accidents by collaborating closely with our customers and contractors	○
Achieve global certification to OHSAS 18001 for all NSN operating countries by end 2014	14

Key

● Achieved ● Partially achieved ○ Ongoing ○ Not achieved ○ Target dates

Employees



Employees



Employees

NSN is emerging from a major restructuring process. We aimed to support our employees throughout and keep them informed of changes through regular dialogue. We are now entering the next phase of change, focused on NSN's cultural transformation.

Performance in 2013

We achieved our cost savings target of more than 1.5 billion by the end of 2013. We also continued to focus on delivering an efficient and effective change management program, and we are now entering a new phase of change that will focus on embedding a strong values-based corporate culture. Results of our global employee survey show that employees recognize our efforts and are increasingly engaged with our new business strategy, and scores increased in all areas. We continue to invest in training and maintain our commitment to provide safe, fair and equal working conditions by following global standards for labor conditions.

Restructuring

The two-year restructuring program announced in 2011 was essential to improve the efficiency of our business. It has also led to significant changes in our workforce. By the end of 2013, we had 48 628 employees – one third fewer than 2011 (see table opposite).

Throughout the restructuring process, we aimed to provide support and clearly communicate changes to affected employees – and wherever possible, transfer them into new roles within NSN. In instances where redundancies were unavoidable, we followed local legal requirements when and where required, and worked with local communities to help people find employment.

Changes in our workforce

	2011	2012	2013
Total number of employees at 31 December	73 529	58 411	48 628
Total number of leavers	10 534	18 584	16 278
Voluntary leavers	6 919	8 341	3 737
Employee turnover of voluntary leavers	9.9%	9.9%	7.5%
Employee turnover of involuntary leavers	–	14.2%	18.2%
Attrition due to common agreement	–	5.8%	7.1%
Leavers through voluntary severance package	302	1 744	758
Involuntary leavers	3 615	8 453	8 905
Leavers through common agreement	610	1 745	2 878
Leavers through outsourcing and divestments	386	1 374	3 290
External temporary labor	12 169	10 617	5 684
New employees	17 228	6 757	6 270

Employees continued

Change management

In 2013, we continued our Focused Mind program to help our people feel equipped to cope with change and motivated to deliver our new business strategy. We also began the global rollout of our Discipline, Accountability and Profit and Growth (DAP) mindset program, following a pilot in 2012.

By outlining a common approach for all business units to follow, DAP is helping to drive a consistent way of working and encouraging a collective transformation of our business. Each business unit has an action plan to address DAP related challenges, and performance against DAP is now part of employee performance evaluations. The results of our Employee Support for Direction and Change survey showed that DAP is working, with 68% of employees responding positively in 2013, exceeding our target.

In 2014, we will begin implementing a program to embed our values and build a strong corporate culture to support NSN's business strategy. We used feedback from employees and leaders to develop a framework to support this cultural transformation.

Engagement

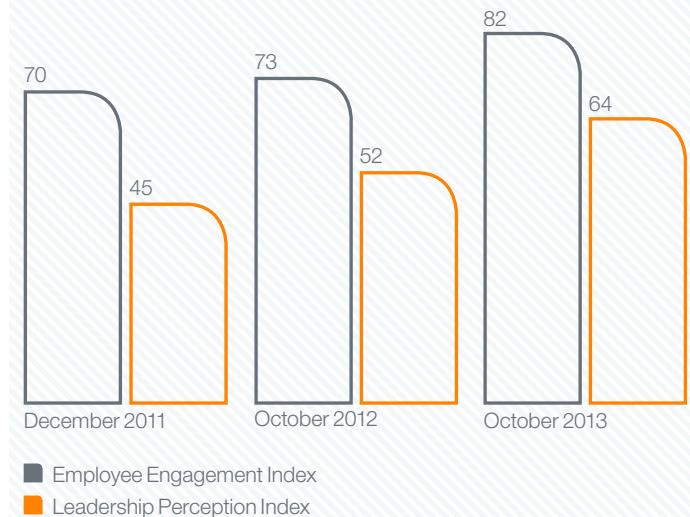
In 2013, we increased the number of questions in our annual employee engagement survey to give us a better understanding of employees' perspectives on our business and how we are managing them. Results from our survey showed record high employee engagement levels in 2013, with our highest ever response rate of 93% (up from 87% in 2012) and an overall Employee Engagement Index of 82%, a nine point increase from 2012.

Our efforts to manage change, create a clear direction for the company and address other key areas for improvement identified in our previous surveys are paying off. In 2013, we saw significant increases in all areas of the engagement survey (see table on [page 37](#)). Employees' optimism about the future of NSN increased by 15 points, pride in working at NSN increased by 14 points and overall perception of leadership increased by 12 points.

Despite the significant change we have undergone, NSN's engagement results are now comparable with other telecommunications companies overall (based on comparative normative data), and stronger than comparative scores in the areas of change (+3.4%) and innovation (+5.1%). However, performance and personal development remain lower than the external benchmark of the telecommunications industry and we aim to address this in 2014 by encouraging employees to complete Personal Development Plans (see [page 37](#)).

Employee Engagement Index

The Employee Engagement Index measures our people's emotional, rational and motivational commitment to the company based on a set of nine survey questions. The Leadership Perception Index measures employees' confidence in our leaders' capabilities based on a set of seven survey questions.



Employees continued

Survey questions (% positive responses)

	Dec 2011	Oct 2012	Oct 2013
I am proud to tell others I work for NSN	63	63	77
I fully support NSN's values	84	86	90
I strongly believe in the goals and objectives of NSN	66	72	82
The senior leadership of NSN communicates a clear sense of direction	46	57	69
Changes within NSN are well communicated	–	63	74
I am optimistic about the future of NSN	–	56	71
I believe I have the opportunity for personal development and growth	54	–	67

Training and development

We continued to invest in training and support for our people to develop the capabilities needed to deliver our new business strategy. In 2013, we spent approximately EUR 41.5 million (compared with EUR 50 million in 2012) on 124 600 days of training for employees through our Academy. This reduced expenditure is the result of a significant reduction in the number of employees at NSN, as well as our increasing use of more cost-effective virtual technologies to deliver training, such as virtual classroom learning.

Training days

	2011	2012	2013
Total amount of training days provided by our Academy	118 563	106 759	124 600
Average number of training hours per employee	9.9	14.1	19.2

Leadership development is a priority for NSN and we remain committed to enabling employees at all levels to develop their leadership skills. In 2013, programs included Leading for Performance, designed to develop the leadership skills of high potential managers, Leading with Influence for high potential employees, and Communication for Presence for senior managers and executives. We also offer training programs such as Leading Teams and Coaching for Performance. Globally, over 1 400 employees were involved in our leadership programs (more than double the number in 2012), and the overall satisfaction rate was 5.43 out of 6.

We recognize personal development is a key factor in retaining and engaging our employees, and improving opportunities in this area has been a focus in 2013. We encourage employees to complete a Personal Development Plan (PDP), agreed with their line manager, outlining how they will work towards their personal and career aspirations in the short and long term. In 2013, the number of employees with a PDP increased significantly to 68% from 36% in 2012. Additionally, over 84% of employees completed a performance evaluation.

Employees continued

Gender balance

	2012		2013	
	Male	Female	Male	Female
Total employees (%)	81	19	80	20
Line managers* (%)	87	13	85.5	14.5
Senior Management† (%)	87.5	12.5	87	13
Executive Board (%)	82	18	71	29

*Employees with one or more subordinates.

†Representing approximately 350 employees.

Diversity

Having a gender-balanced and ethnically diverse workforce is important to our business and we have a very diverse Executive Board. In 2013, the number of women on the Executive Board increased from two to four out of 14 executive members, and nine different nationalities are represented. Despite the reduction in our overall workforce, in 2013 the male to female ratio remained relatively steady at 4:1 and the proportion of women in management continued to increase (see table above). NSN employees represent approximately 150 different nationalities.

Labor standards

Our Code of Conduct sets out clear standards for labor conditions. We operate according to the detailed Global Labor Standard, aligned with International Labor Organization conventions, SA8000 and common industry code of conduct.

Progress against targets

Target	Progress in 2013	Status
Increase Employee Engagement Index by three percentage points	Employee Engagement Index increased by nine percentage points to 82	●
Increase Leadership Perception Index by four percentage points	Leadership perception increased by 12 percentage points to 64	●
Increase employee support for direction of the business by four percentage points	Support for direction of the business increased by six percentage points to 68	●
Provide leadership training programs to 1 280 high potential employees	Provided Leading for Performance and Leading with Influence programs to over 1 400 high potential employees	●
Retain 90% of top-performing employees	Retained 97% of our top-performing employees	●

Future targets

Target	Due by
Increase Employee Engagement Index by 1.5 percentage points	14
Increase Leadership Perception Index in our annual survey by two percentage points	14
Increase employee support for direction of the business by at least four percentage points	14
Provide leadership training for around 1 950 leaders at various levels of the business	14
Retain 90% of top-performing employees	14

Key

● Achieved ● Partially achieved ○ Ongoing ○ Not achieved 📅 Target dates

Performance summary



KPI summary



Progress against targets summary



Independent assurance statement



KPI summary

	2010	2011	2012	2013
Environment				
Energy				
Total Energy Use (GWh)	518	540	558 ¹	507
Product usetime energy consumption (GWh)	19 924	24 777	– ²	30 270 ³
Carbon footprint				
Total CO ₂ from our operations (thousand tonnes)	369	426	341	275
Total CO ₂ normalized by sales (g/€)	20	20	16.5	15.4
Health and safety				
Number of lost-time incidents	118	160	101	57
Employees				
Employee satisfaction/engagement index (%)	73	70	73	82
Diversity				
Senior leader gender balance (%)⁴				
Male	89	88	87.5	87
Female	11	12	12.5	13
Training and development				
Hours of training per year per employee	14.8	9.9	14.1	19.2
Ethics				
Percentage of employees who have completed online training on ethical business conduct	92	90	86	96
Suppliers				
Number of in-depth audits (focused on labor conditions and environment)	13	17	2	10

¹ 2012 increase due to inclusion of full year data from former Motorola sites for the first time.² 2012 data not available.³ 2013 energy consumption is based on products sold in high volumes, representing over 80% of the total usetime energy consumption.⁴ Representing approximately top 340-370 employees.

Progress against targets summary

Environment

Target	Progress in 2013	Status	Future targets	Target date
Products and services				
Introduce product creation process change aimed at energy efficiency improvement in the product portfolio	An energy efficiency scorecard is now included as part of our NSN Create process	●	Improve the energy efficiency of our products in each main release	🎯
			Work with customers to reduce energy consumption of telecommunications networks through our innovative product solutions	🎯
			Implement a methodology to measure product energy efficiency, following the European Telecommunications Standards Institute's standard	15
Operations				
Average 5% reduction year on year for energy consumption of own operations	We reduced energy consumption in our facilities by 9%, exceeding our target	●		
Reduce CO ₂ emissions from IT operations and use of IT products by 20% (from the 2008 baseline) by 2015	We continued to work towards our 20% goal for 2015	🎯	Ongoing	15

Key

● Achieved ● Partially achieved 🎯 Ongoing ○ Not achieved 📅 Target dates

Progress against targets summary continued

Ethics and human rights

Target	Progress in 2013	Status	Future targets	Target date
Contribute to the collaboration between the Telecommunications Industry Dialogue on Privacy and Freedom of Expression and the Global Networking Initiative by end 2013	Continued to work with the Industry Dialogue and hosted a meeting for its Advisory Panel where representatives shared best practices and discussed the implementation of the Industry Dialogue's Guiding Principles on Freedom of Expression and Privacy	●		
Train sales teams in high-risk countries on our human rights policy and due diligence process by end 2013	Held three training sessions – in the Americas, Asia-Pacific and Europe – and plan to hold further training in 2014, as well as providing customer teams with information specific to each region	◐	Provide training and information on human rights policies and due diligence for sales teams in high-risk countries	14 End 2014
			Ensure all employees complete annual ethical business training	14 End 2014
			Ensure all employees complete anti-corruption training	14 End 2014

Key

● Achieved ◐ Partially achieved ◑ Ongoing ○ Not achieved 14 Target dates

Progress against targets summary continued

Security and privacy












Target	Progress in 2013	Status	Future targets	Target date
Introduce privacy impact assessments in design and development of all products	The privacy impact has been deployed and documented in the process description	●		

Key

● Achieved ● Partially achieved ○ Ongoing ○ Not achieved ⌚ Target dates

Progress against targets summary continued

Suppliers

Target	Progress in 2013	Status	Future targets	Target date
Work with suppliers to address open findings from audits conducted during 2012, and continue auditing suppliers in line with the planned audit program	All six open audits were addressed, although three remain open due to management changes 10 new audits were conducted		Work with suppliers to ensure all open audit findings are addressed, and perform 20 new audits	 End 2014
Increase the number of suppliers reporting their energy use and greenhouse emissions via the CDP to 70	121 suppliers reported to CDP		Increase the number of suppliers reporting their energy use and greenhouse gas emissions via the CDP to 150	 End 2014
Complete due diligence process on conflict minerals for 80% of relevant suppliers	As part of our due diligence process, all relevant suppliers were asked to complete the CFSI conflict minerals reporting template and 93% of them responded		Continue working to ensure our products are conflict free	 16
Continue to engage with and train suppliers on sustainability through workshops and webinars	Two workshops and two webinars conducted		Ongoing	 End 2014
Relaunch in-depth training on sustainability for procurement staff	Three new online trainings developed on sustainability for procurement staff		Increase the number of suppliers using the EcoVadis supply chain management tool to cover 50% of our supplier spend	 End 2014
			Roll out health and safety consequence management systems in further markets	 End 2014

Key

 Achieved
  Partially achieved
  Ongoing
  Not achieved
  Target dates

Progress against targets summary continued

Health and safety

Target	Progress in 2013	Status	Future targets	Target date
Achieve zero fatal accidents by collaborating closely with our customers and contractors	Fatal accidents declined from 12 in 2012 to 2 in 2013, but any fatality is unacceptable and we are working to tackle the root causes of these incidents	●	Ongoing	●
Achieve global certification to OHSAS 18001 for all NSN operating countries	Achieved global certification to OHSAS 18001 for all NSN operating countries except China	◐	Ongoing	14 End 2014

Key

● Achieved ◐ Partially achieved ○ Ongoing ○ Not achieved 14 Target dates

Progress against targets summary continued

Employees

Target	Progress in 2013	Status	Future targets	Target date
Increase Employee Engagement Index by three percentage points	Employee Engagement Index increased by nine percentage points to 82	●	Increase Employee Engagement Index by 1.5 percentage points	14 End 2014
Increase Leadership Perception Index by four percentage points	Leadership perception increased by 12 percentage points to 64	●	Increase Leadership Perception Index in our annual survey by two percentage points	14 End 2014
Increase employee support for direction of the business by four percentage points	Support for direction of the business increased by six percentage points to 68	●	Increase employee support for direction of the business by at least four percentage points	14 End 2014
Provide leadership training programs to 1 280 high-potential employees	Provided Leading for Performance and Leading with Influence programs to over 1 400 high-potential employees	●	Provide leadership training for around 1 950 leaders at various levels of the business	14 End 2014
Retain 90% of top-performing employees	Retained 97% of our top-performing employees	●	Ongoing	14 End 2014

Key

● Achieved ● Partially achieved ○ Ongoing ○ Not achieved 14 Target dates

Independent assurance statement

Scope and objectives

DNV GL has undertaken independent assurance of the Nokia Solutions and Networks' (NSN) Sustainability Report 2013 ('the Report').

The assurance process was conducted in accordance with AA1000AS (2008). We were engaged to provide Type 2 moderate level assurance, which covers:

- evaluation of adherence to the AA1000APS (2008) principles of inclusivity, materiality and responsiveness ('the Principles'); and
- the reliability of specified sustainability performance information, as listed in the NSN Key Performance Indicators (KPIs) section on [page 40](#).

Responsibilities of the directors of NSN and of the assurance providers

The directors of NSN have sole responsibility for the preparation of the Report.

We were not involved in the preparation of any part of the Report and we have no other contract with NSN. This is the third year that we have provided assurance.

In addition to the assurance of the Report, we reviewed evidence for a sample of material claims in NSN's 20-F submission to Nokia Group.

Our statement represents our independent opinion and is intended to inform all of NSN's stakeholders. We adopt a balanced approach towards all stakeholders.

Basis of our opinion

Our work was designed to gather evidence to provide moderate level assurance as defined in AA1000AS (2008). We undertook the following activities:

- Review of the current sustainability issues that could affect NSN and are of interest to stakeholders;
- Interviews with selected directors and senior managers responsible for management of sustainability issues and review of selected evidence to support issues discussed;
- Review of NSN's approach to stakeholder engagement and recent outputs;
- Review of information provided to us by NSN on its reporting and management processes relating to the Principles;
- Review of supporting evidence for key claims and performance indicators prioritised according to materiality at a consolidated corporate level; and
- Review of the processes for gathering and consolidating performance data and for a sample, checking consolidation from reporting system to the Report.

We used the AA1000 Accountability Principles Standard as criteria to evaluate the nature of adherence to the principles of Inclusivity, Materiality and Responsiveness and the Global Reporting Initiative Quality of Information Principles as criteria for evaluating the selected performance information.

Findings and opinion

We reviewed and provided feedback on drafts of the Report and, where necessary, changes were made in relation to the information and data assured.

On the basis of the work undertaken, nothing came to our attention to suggest that the Report does not properly reflect its material issues or describe NSN's adherence to the Principles or its performance, with the following exceptions:

- NSN discovered in August 2013 that the system for flagging potential human rights issues during due diligence processes had failed to operate automatically as expected. It is understood that this means there is a risk that sales could have potentially gone ahead that may have been declined if human rights issues had been properly identified during the due diligence process. We understand that remediation actions are being put in place, and that NSN will report on this issue in the next sustainability report.

Observations

Without affecting our assurance opinion we also provide the following observations.

- Last year we stated that NSN should demonstrate how the business priorities have been adapted for the newly restructured business and how the new business strategy will be implemented. The ongoing transformation programme and wider business review process is impacting on NSN's ability to finalise its longer term sustainability strategy including setting meaningful measurable targets. We understand that the next report will outline the new strategy and targets.

Independent assurance statement continued

Inclusivity concerns the participation of stakeholders in developing and achieving an accountable and strategic response to sustainability

- NSN continues to demonstrate an inclusive approach to employee engagement and has undertaken a specific employee survey. Despite the recent restructuring and changes to the business, we note that the employee survey results are still largely positive and indicate positive support from employees for the future direction of the company. This reflects the efforts in communications and management of the impact of the restructuring programme.
- In our statement last year we noted that NSN collaborates closely with its stakeholders. We recommended reviewing the opportunities from a formalised structure, for example a stakeholder panel, to integrate stakeholders' views into strategic decision making, enhancing sustainability management. We restate this recommendation.

Material issues are those which are necessary for stakeholders to make informed judgments concerning NSN and its impacts

- Last year NSN undertook a review of its material issues to align its sustainability efforts with the new business strategy. We understand that future materiality reviews will be validated with external stakeholders including investors and customers who are engaged as part of the development of NSN's sustainability platform. This will allow a broader scope of stakeholders to understand in greater detail how their concerns have been addressed in line with NSN's overall sustainability strategy. We recommend that this activity continues to be prioritised.

- NSN has identified that emissions from products constitute significant impacts on the environment. We would recommend that the measurements are based on a publicly available methodology on how NSN compares and calculates energy efficiencies, to enable improved comparability and transparency across operations.

Responsiveness concerns the extent to which an organisation responds to stakeholder issues

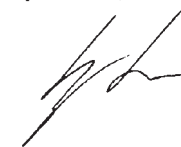
- Last year we recommended disclosure on the rationale for changes to targets, particularly relating to Health and Safety, Employees, and Supplier performance, as they remain material. We restate this recommendation.
- NSN has implemented energy efficiency measures, such as sub-meters, for different sites in its real estate portfolio. We recommend extending this to all material sites (e.g. based on energy consumption) to allow for granular data to be collected at site level. This will enable NSN to identify site level efficiencies and target investments.

Performance information

- We observed generally robust data collection, collation and reporting systems and processes. On the basis of the work undertaken, nothing came to our attention to suggest that the data published is inaccurate or materially misstated.
- We observed greater accuracy of emissions data for facilities as the use of estimates has been reduced and the calculations are now largely based on actual billed data.

- Reported emissions data currently do not include any data on emissions from the company fleet. NSN are aware that this data is material and NSN will report on fleet emissions in the future.
- As per last year, the fatality numbers reported match the evidence provided; however, NSN is aware of an improvement opportunity for the data collection system to enable capturing each individual fatality, rather than incidents, which has the potential to over or under report fatalities.
- For many KPIs data collection remains largely manual, thus increasing the risk for potential human error in data transmission. We recommend consideration of automated data collection processes/systems where practicable.
- For example, as supply chain activities expand more data is being collected and reported. This data is held in different systems and aggregation is largely manual. Processes would benefit from further integration of systems and automation.

DNV Two Tomorrows Ltd
London
April 17th, 2014



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