

Nokia CR Report 2006

Making a human connection



NOKIA
Connecting People

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CEO message

For Nokia, 2006 was a period of tremendous growth and evolution. This Corporate Responsibility Report details how we managed this dynamic period in a responsible manner, by making business decisions that take into account our stakeholders' well-being.

As a market leader in a global industry that touches the lives of billions of people, we recognize our duty to act responsibly. This commitment is aligned with our strategic direction, which focuses on a human approach to technology. International dialogue concerning responsible business practices is alive, with people's purchasing decisions increasingly based on ethical as well as economic considerations. Recognizing its accountability to individuals and societies, Nokia has integrated ethical and ecologically sound practices throughout its value chain.

During 2006, Nokia continued its expansion in both new and established markets, achieving record net sales of EUR 41.1 billion and record mobile device volumes of 347 million units. This increased our leading share of the global device market to 36%. Running a company with a sustainable profit base is crucial for business and to being a good corporate citizen.

Growth and evolution

Our acquisition activity was stepped up in 2006 with the purchase of companies such as Loudeye, Intellisync, and Gate5, which allow us to enhance our products with business, music, and navigation services. These changes have led to an increase within the Nokia community, which now consists of just over 68,000 employees, representing more than 120 nationalities. This growing multicultural workforce further highlights our diversity and inclusion efforts.

Another aspect of our growth and evolution was announced in June 2006, with foundations put in place to establish a new networks company called Nokia Siemens Networks, jointly owned by Nokia and Siemens. This alliance will result in a broad, extremely competitive portfolio to address both the mobile and fixed needs of customers in a converging telecommunications market.

Enhanced communications

Beginning in 2006, further improvements were targeted in a variety of areas. For our internal Code of Conduct campaign, we set a target of achieving 90% total employee awareness and understanding. By the end of 2006 we had reached 81% and a commitment to continue the campaign in 2007. Employee feedback from the e-learning experience spoke positively of the training, providing concrete examples of work practices that may have seemed ambiguous or unclear.

We also recognized the need for further communication with our suppliers regarding ethical and social issues. Our work in this area evolved into an updated version of the Nokia Supplier Requirements, a supportive and constructive set of guidelines that communicates to suppliers what Nokia views as responsible production operations.

In improving energy efficiency, an area in which Nokia has already made considerable progress in our operations and products, we have now taken our thinking a step further by integrating climate impacting considerations into our business strategy. Overall Nokia continues to address the key environmental impacts of our products at each stage of their lifecycle.

New opportunities

Nokia strongly believes that telecommunications supports sustainable development, and we strive to align our technology with this belief. In 2006 we gained a clearer understanding of mobile telephony's impact at a ground level due to studies conducted in various emerging markets. The results so far are positive, but more research is needed in order to best meet the needs of those living in rural, remote areas around the world.

Though not new to Nokia, accessibility continues both as part of our social responsibility strategy and our mainstream business. Today, where 10% of the population lives with a recognized disability, our products could benefit more than 600 million people. In 2006 we continued to research new accessibility solutions to suit the various needs that exist within communities, and I look forward to seeing the fruits of this work with some of the projected mobile device products to be launched during 2007.

Concerning our engagement activities, we took another step forward in early 2006 by joining the European Union's Corporate Social Responsibility Alliance initiative. Through this forum we anticipate that we will gain new insights by sharing best practices with others in the industry.

Continuing onward

I am encouraged by all the good work that we achieved in 2006 and am eager to push ahead into 2007 and make yet more progress. With the growing reach of mobility, Nokia's massive potential to be the catalyst for positive change is increasingly evident. I feel confident that there is an understanding and determination from all Nokia employees to make this potential a reality as we move forward.

Company impact

Nokia in 2006

- ◆ World's leading manufacturer of mobile devices
- ◆ An estimated 36% share of the global device market
- ◆ Mobile device volume of 347 million units
- ◆ Net sales of EUR 41.1 billion
- ◆ Operating profit of EUR 5.5 billion
- ◆ 68,483 employees of more than 120 nationalities
- ◆ Strong R&D presence in 11 countries
- ◆ R&D investment of EUR 3.9 billion
- ◆ 21,453 people in R&D (approx. 31% of the Nokia workforce)
- ◆ 15 production facilities in nine countries
- ◆ Sales in more than 150 countries
- ◆ World's sixth most-valued brand (ranked by Interbrand)

Nokia today

[During our 140 year history](#), Nokia has evolved from its origins in the paper industry to become a world leader in mobile communications. Today, approximately 850 million people from virtually every demographic segment of the population use Nokia mobile devices for communications, business, entertainment, and as luxury items. Nokia also provides equipment, solutions, and services for network operators, service providers, and corporations.

- ◆ [Read about how Nokia is organized.](#)

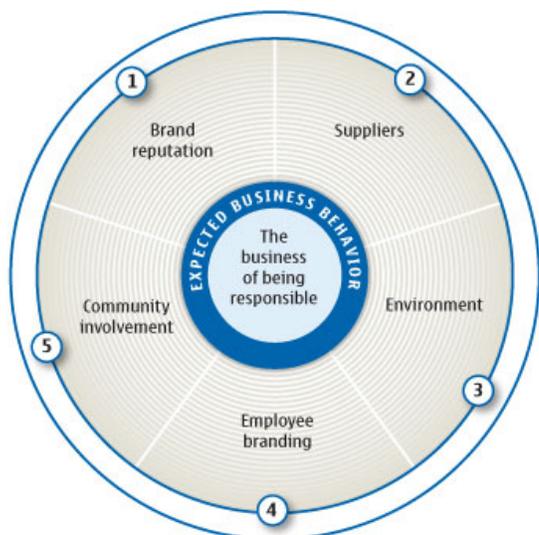
In 2006, Europe accounted for 38% of Nokia's net sales (42% in 2005), Asia-Pacific 20% (18%), China 13% (11%), North America 7% (8%), Latin America 9% (8%), and the Middle East and Africa 13% (13%).

A converging industry

While mobile devices today are still used primarily for voice and text message communication, people also increasingly use them to take and send pictures, listen to music, record video, watch TV, play games, surf the internet, check e-mail, manage their schedules, browse and create documents, and more. This trend - where mobile devices increasingly support the features of single-purposed product categories such as music players, cameras, pocket computers, and gaming consoles - is often referred to as digital convergence.

In 2006, Nokia shipped a total of 39 million converged devices, approximately 140 million devices with an integrated digital camera, and close to 70 million music-enabled devices in 2006. This makes Nokia the leader in the converged device segment and the world's largest manufacturer of cameras and digital music players.

Ethics



- 1 Brand reputation**
 - Brand loyalty is based on trust of products, identity, behavior and communications
 - Operator customers are developing frameworks for discussing the risks and opportunities of good CR business practices
- 2 Working with suppliers**
 - All Nokia products and services should be sourced according to internationally accepted standards
 - Nokia evaluates suppliers in terms of our environmental and ethical requirements
 - Nokia ensures compliance with these requirements by placing obligations in supplier contracts, training and communicating stakeholders' expectations, and on-site assessments
- 3 Environment**
 - Nokia aims to develop advanced human technology with no undue environmental impact
 - Nokia's environmental strategy is based on lifecycle thinking
 - Stakeholder engagement is encouraged to help us improve our environmental performance
- 4 Attracting/retaining talent**
 - Nokia is committed to an inclusive and diverse working environment
 - CR is vital to attracting and retaining the best talent
 - Nokia's Code of Conduct, international ethical standards and local legislation guide employee practices
 - Our operations are internally assessed on a regular basis
- 5 Community involvement**
 - Our goal is to have a positive impact beyond the advanced technology, products and services we provide
 - Targeting youth and supporting education with mobile technology
 - Bringing affordable mobile communications to rural communities
 - Charitable giving and disaster relief

The business of being responsible

- ◆ Our interests depend on compliance with the highest standards of business conduct
- ◆ Nokia aims to be among the world's leading companies in responsible business practices
- ◆ We examine the entire value chain and product lifecycles to ensure that we meet the expectations of responsible business

Appropriate business behavior

- ◆ Nokia communicates its corporate responsibility (CR) ambitions through all of its employees, with work practices reflective of Nokia's Code of Conduct

Governance

Nokia believes that real progress is made only when policies and programs are sustainable and embedded in every aspect

of a company's operations. Acting responsibly is one of the cornerstones of Nokia's competitiveness and it has shaped our company culture into what it is today. It is the voluntary activities undertaken by Nokia employees that translate into Nokia's corporate responsibility (CR) strategy, functioning as a collective effort of all members of the Nokia community. The Code of Conduct and Nokia's Values are the tools which employees utilize to ensure responsible business practices are common practice in the workplace.

- ◆ [Learn more about the Code of Conduct](#)
- ◆ [Learn more about the Nokia Values](#)
- ◆ [Learn more about the Corporate Governance](#)

[Veli Sundbäck, Executive Vice President, Corporate Relations and Responsibility](#), leads Nokia's corporate responsibility work at the Executive Board level, and presides over a number of CR teams and management groups, notably the Nokia Corporate Responsibility Steering Group and the Environmental Steering Group. These steering groups are made up of members from Nokia's various business groups. They support Nokia's horizontal and corporate structures, with the aim of encouraging and integrating responsible business elements into both traditional and non-traditional aspects of the overall business. In addition to supporting company-wide initiatives and projects, these teams are responsible for driving open communication and cooperation, both internally and externally.

During 2006, the Nokia Corporate Responsibility Steering Group reviewed and updated the social dimension of its strategic framework. Steps have been put in place for further implementation in the business groups during 2007.



Row 1: Johanna Kantokari, Veli Sundbäck, Arja Suominen. Row 2: Riitta Vänskä, Keith Parry, Paula Fontell, Kaisa Oikkonen, Kirsi Sormunen, Anne Klemetti. Row 3: Pertti Paasovaara, Martin Sandelin, Kimmo Lipponen. Taken from the September CR Steering group meeting.

- ◆ [Read more about Nokia's corporate governing process](#)
- ◆ [Learn more about Nokia's overall vision and strategy](#)
- ◆ [Read more about the structure of the business](#)
- ◆ [Nokia's current CR Steering group](#)

The basis for Nokia's CSR strategy

- ◆ **Profitable business is fundamental for good citizenship.** Being a leader in the mobile telecommunications industry also equates to developing products, providing jobs, paying taxes, rewarding shareholders, and providing market growth. All these elements have an impact not only on global economies but on the ways in which consumers live, work, and play.
- ◆ **Responsible business drives performance.** The voluntary investment in both ethical and environmental programs, combined with external legislation and risk management, promotes effective strategy building. The company is then positioned as a non-static, active entity within its community, at both local and global levels. This enables Nokia to pinpoint performance standards and then push them beyond the standard baseline. Nokia's experience of empowering its employees to implement responsible and ethical guidelines into their own work practices has proven that CR and innovation can go hand in hand.
- ◆ **Companies are not governments or law makers.** It is the role of governments and regulators to ensure that global standards for the free movement of products into the market are complied with, while at the same time guaranteeing that a fair and level playing field exists in the marketplace. This is a necessary element of healthy market growth, which encourages competition and furthers innovation. Nokia maintains an awareness of its role within communities and the environment, providing appropriate support and consultation on relevant issues when required.

- ◆ **Community involvement goes beyond core business activities.** Nokia connects to the communities it has an impact on through its employee volunteering program, disaster relief, corporate giving, and company-wide focus on youth life skills and education.
- ◆ **Business can maximize contribution with a systematic approach.** Nokia has continued to develop tools, such as its CR reporting process, to gauge CR progress and areas of need. Measurable results provide benchmarks with which to move forward and grow. Since 2002, Nokia has progressively committed to a greater level of transparency in not only its financial, but social and environmental endeavors. This need for clarity continues to increase as consumers and other stakeholders require more fact-based information as verification that Nokia is acting responsibly.

For these elements to operate effectively, active engagement with a large, varied network of stakeholders is necessary. Stakeholder cooperation enables Nokia to take its responsible business practices and put them into concrete actions at the local and community level.

- ◆ [See an overview of Nokia's stakeholders](#)

Human rights

Over the years stakeholders have placed increasing pressure on businesses to actively influence issues involving human rights that exist within the workplace. Although human rights are the primary responsibility of governments, companies as societal participants must operate in alignment with the Universal Declaration of Human Rights (UDHR) and are expected to promote and encourage the enjoyment of Human Rights accordingly.

During 2006, Nokia continued to follow international discussions concerning questions pertaining to human rights, particularly involving multinational enterprises. This generated internal discussions at Nokia regarding the possible need of an additional supportive element to Nokia's Code of Conduct, to further implement our commitment to promoting human rights. Nokia anticipates that the issue will be further clarified as the international standard regarding social responsibility (ISO26000) develops.

Nokia strives to respect the universal rights that are held by all of its stakeholders. These aspirations, as stated in the Code of Conduct, support the consideration of human rights within all business decisions and work practices, including the products' existence within communities. Nokia has established internal policies to provide more concrete guidance for employees who deal directly with issues and questions relating to human rights.

For Nokia, promoting human rights helps realize new opportunities and effectively manage risk, as well as meet essential global standards. Nokia's responsibilities as an employer with respect to human rights are based on the UDHR, ILO, and Global Compact principals.

Managing risk

Nokia's overall risk management concept is based on visibility of the key risks which might prevent Nokia from reaching its business objectives. This covers all risk areas: strategic, operational, financial, hazard and fraud risks. Risk management at Nokia is a systematic and pro-active way to analyze, review, and manage all opportunities, as well as threats and risks to Nokia's objectives rather than to solely eliminate risks.

The principles documented in Nokia's Risk Policy and approved by the Audit Committee of the Board of Directors require risk management and its elements to be integrated into business processes. One of the main principles is that the business or function owner is also the risk owner. However, it is everyone's responsibility at Nokia to identify risks preventing us from reaching our objectives.

Key risks are reported to the business and Group level management to create assurance on business risks and to enable prioritization of risk management implementation at Nokia. In addition to general principles, there are specific risk management policies covering, for example, treasury and customer finance risks.

- ◆ [Read about Nokia's key risks during 2006 in the Form 20-F Report](#)

Sustainability summary

All monetary figures are in EUR million unless otherwise noted. Figures found here align with Nokia's Form 20-F report.

Nokia 2006 2005 2004

Net sales 41 121 34 191 29 371

Operating profit 5 488 4 639 4 326

Earnings/share diluted, EUR 1.05 0.83 0.69

Payments to shareholders *, EUR billion 4.9 5.8 4.1

Market capitalization 61 390 64 463 52 138

Research & development 3 897 3 825 3 776

Total tax 1 357 1 281 1 446

Liquid assets 8 537 9 910 11 542

Total liabilities 10 557 9 938 8 270

Retained earnings 11 123 13 308 13 874

* Includes dividends and share buy backs

Ethics

Employee Code of Conduct awareness, % 81 75 NA

Languages of the Code of Conduct 31 25 15

Supply chain

Total purchases of goods and services *, EUR billion 29.5 24.2

Supplier diversity, USD million 28 20

* Includes all external purchases

Employees 2006 2005 2004

Total number of employees * 68 041 58 673 55 361

Total number of permanent employees 62 851 50 839 47 883

Employees in production 33 031 25 437 22 224

Total payroll & benefits 3 457 3 127 2 805

Pension expenses, net 310 252 253

Total employee training cost 125 103 92

Average cost of training per employee, EUR 1 908 1 850 1 665

Injury/illness rate within production ** 0.82 1.08 0.66

Women in senior management, % 12.5 12 12

Non-Finnish nationalities in senior management, % 45.1 41 37.5

Voluntary attrition, % 6.2 4.8 4.3

Total attrition, % 9.8 8.8 7

* Employee figures do not include companies OD2, Gate5, and Four-Tec (acquired during 2006), and reflect differently in Nokia's Form 20-F. ** IIR = (N/EH) x 200 000, where; N = Number of occupational injuries and illnesses; EH = Total hours worked by all employees during the calendar year; 200 000 = Hours theoretically worked by 100 full time employees (40 hours per week, 50 weeks per year)

Environment 2006 2005 2004

Energy consumption, GWh 850 810 770

Indirect CO₂, t 315 854 281 702 189 640

Direct CO₂, t 15 755 14 743 14 445

Water consumption, m³ 1 357 385 1 196 508 1 281 500

Total waste, t 49 952 35 236 27 072

Solid waste recovery rate, % 83 82 84

Emissions of ODS, kg of CFC-11 equivalent * 326 101 139

Countries with Nokia take-back points ** 85 NA NA

* Nokia uses no ODS in its products or production. The reported ODS figures are due to ODS contained in cooling systems in facilities. ODP (Ozone Depleting Potential) = emission in kg of CFC-11 equivalent. ** Many countries have multiple take-back locations.

Society 2006 2005 2004

Countries with community involvement programs 37 35 20

Countries with volunteer efforts 35 29 23

Employee volunteer hours 25 000 17 700 16 800

Total headcount volunteered, % 11 6.8 6.5

Economic impact



At the end of 2006, Nokia had...

- 68 483 employees
- 15 production facilities in nine countries
- sales in more than 150 countries
- net sales of EUR 41.1 billion
- sold 347 million mobile devices for the year
- 21 453 employees in R&D
- invested EUR 3.9 billion on R&D

Finland

- Net sales are EUR 387 million which makes up 0.9% of Nokia's total net sales
- Capital expenditure is EUR 275 million
- Taxes paid locally are EUR 941 million
- The main headquarters contains 34.9% of Nokia's overall personnel (23 884 persons)
- 13 571 employees focusing on R&D
- 3 production locations: Salo, Espoo and Oulu

China

- Net sales, EURm 4 913
- % of Nokia net sales 11.9
- Capital expenditure, EURm 125
- Personnel 7 191
- % of Nokia personnel 10.5

United States

- Net sales, EURm 2 815
- % of Nokia net sales 6.8
- Capital expenditure, EURm 63
- Personnel 5 127
- % of Nokia personnel 7.5

India

- Net sales, EURm 2 713
- % of Nokia net sales 6.6
- Capital expenditure, EURm 65
- Personnel 6 494
- % of Nokia personnel 9.5

United Kingdom

- Net sales, EURm 2 425
- % of Nokia net sales 5.9
- Capital expenditure, EURm 11
- Personnel 2 317
- % of Nokia personnel 3.4

Germany

- Net sales, EURm 2 060
- % of Nokia net sales 5.0
- Capital expenditure, EURm 23
- Personnel 3 887
- % of Nokia personnel 5.7

Brazil

- Net sales, EURm 1 044
- % of Nokia net sales 2.5
- Personnel 1 950
- % of Nokia personnel 2.9

Russia

- Net sales, EURm 1 518
- % of Nokia net sales 3.7

Indonesia

- Net sales, EURm 1 069
- % of Nokia net sales 2.6

Spain

- Net sales, EURm 1 139
- % of Nokia net sales 2.8

Italy

- Net sales, EURm 1 394
- % of Nokia net sales 3.4

Research and Development (R&D)

- In 2006, Nokia invested EUR 3.9 billion on R&D with a strong R&D presence in 11 countries
- R&D accounts for nearly 31% of Nokia's workforce, or 21 453 people

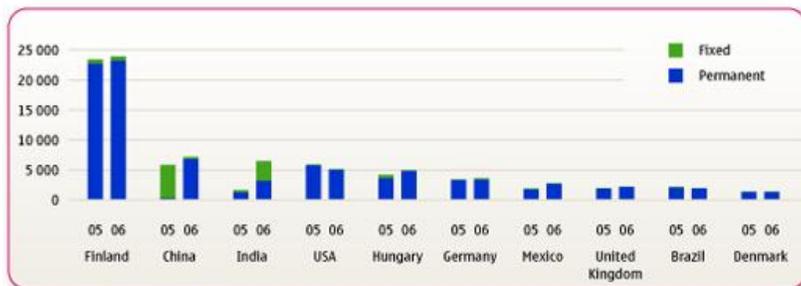
2006 Net sales, Top 10 major markets (EURm)

China: 4913
 United States: 2815
 India: 2713
 United Kingdom: 2425
 Germany: 2060
 Russia: 1518
 Italy: 1394
 Spain: 1139
 Indonesia: 1069
 Brazil: 1044

Top ten countries by personnel

Finland: 23894
 China: 7191
 India: 6494
 United States: 5127
 Hungary: 4947
 Germany: 3887
 Mexico: 2764
 United Kingdom: 2317
 Brazil: 1960
 Denmark: 1377

10 major countries by personnel



Figures are tabulated end of December

Nokia's production locations

Brazil: Manaus
 China: Beijing
 Dongguan
 Suzhou
 Finland: Salo
 Espoo
 Oulu
 Germany: Bochum
 Hungary: Komárom
 India: Chennai
 Mexico: Reyonsa
 South Korea: Masan
 Great Britain: Fleet

Our stakeholders

Nokia recognizes that it has a duty of care to act responsibly towards its stakeholders; the people and groups that are affected by our business activities. These stakeholders include Nokia employees, customers, and the communities in which we operate. Nokia appreciates that understanding what stakeholders expect from us as a company is just as important as understanding our customers' expectations of Nokia products.

Being a good corporate citizen involves listening to our stakeholders, responding to their concerns and expectations, and developing our business accordingly. Nokia's strategy is to translate stakeholder expectations into business value, to integrate specific programs into our everyday operations throughout the organization, and to measure progress and improve accountability.

Customers

At Nokia, creating customer satisfaction is the basis of all our strategies and actions. Customers and end-users are the most important people for Nokia, and its commitment to them is reflected not only in the quality of its products, but also its approach to the various environmental, social, and ethical issues which affect consumers.

Nokia recognizes that it has a duty of care to all of its customers and other stakeholders. This duty of care involves an awareness of environmental and ethical issues, both during the design and production phases of our products, and also in terms of creating services to assist and inform customers about products and how to use them safely and effectively.

Quality assurance

Nokia is committed to delivering innovative products and an unparalleled range of customer services. Quality assurance is extremely important, both in terms of our product design and the range of different services offered to all customers.

Nokia's design principles demonstrate a commitment to quality, taking a human approach to design in an industry which generally prefers to focus exclusively on technology. Nokia aims to create stylish products which work the way people want them to. There is a constant exploration towards innovative ideas for new and different types of devices - based on the core principles of usability, high quality, and innovative features.

Nokia Care

Given the importance of quality assurance, Nokia has developed a variety of services designed to assist and support consumers in understanding and using Nokia products. These services, called Nokia Care, are designed for everyone who owns a Nokia mobile device and include online assistance, a customer service center, a repair center, innovative new services such as firmware updates, and assistance with matters such as warranties.

Nokia provides consumers with extensive online product support. Nokia Care Online Services is designed to fulfill a broad range of consumer needs. These services include, for example, interactive demonstrations of product features, FAQs about technical and troubleshooting issues, user guides, phone software updates and applications, downloadable product settings, and tips for troubleshooting a mobile device.

- ◆ [Learn more about Nokia's commitment to environmentally sound product design](#)
- ◆ [Learn more about Nokia's policies regarding the ethical management of harmful substances](#)

Accessibility

The Nokia accessibility team actively researches the varied needs of customers with limitations in vision, hearing, speech, mobility, and cognition. This happens by including the disabled community in product studies as well as design and focus studies on usability. The team also attends major tradeshows and conferences worldwide, participates in related industry fora, meets with advocacy and usability groups, visits schools and healthcare institutions, and sponsors external research.

Nokia Accessibility also runs an informative public website and provides pre-sale and after sale care for customers. In 2006, a shopping assistance program was introduced to help visitors seek out the best specialized device for their needs.

Nokia products

Nokia has been fully engaged for more than a decade to inclusive product design and product development which takes into account the needs of people with disabilities. At Nokia, accessibility means using a universal design which allows the greatest number of models to be usable by the greatest number of people.

The award-winning Nokia loopset was the first inductive coupling loopset in the wireless industry, allowing Nokia customers with telecoil-equipped hearing aids to use digital handsets. Nokia devices were the first to include text-to-speech software, providing blind customers with a means to access the many features and capabilities of Nokia handsets. For some, Nokia innovations have provided the first opportunity to speak to family and friends using a mobile phone.

Ease of use as a design goal makes many of our mainstream devices accessible to a wide variety of users. Nokia's line of advanced mobile devices, known as the N-Series, is highly intuitive with advanced speeds and functionality. N-Series handsets offer the opportunity for more voice-operated functions - ideal for people with sensory or physical impairments. Other N-Series features include visual aids such as flashing lights and larger screens and font sizes, as well as advanced vibrating functions suitable for people with hearing impairments. These features can also be found in Nokia's E-Series.

20 digital wireless devices have been launched with reduced RF emissions, making the handsets suitable for use with some hearing aids.

For customers who are blind or have low vision, Nokia expanded the availability of "talking phones," which provide audible feedback for phone operations. These devices are now available in all of North America, Latin America, the Asia Pacific, and in more than 20 countries in Europe, the Middle East, and Africa.

Awards

Nokia was honored to be the recipient of the Finnish Federation of Hard of Hearing (FFHOH) Urpo Siirala Medal for technological advancements and consumer awareness programs, which benefit deaf and hard of hearing people. The Urpo Siirala medal is the highest recognition given by the FFHOH.

Nokia also received the Access Innovation Award from the Association of Access Engineering Specialists for the mobile inductive loopset, an accessory that enhances communication by blocking background noise and interference. Nearly 300,000 Nokia loopset accessories are in use today in 33 countries.

Looking forward

In line with a growing amount of external interest in Nokia's accessibility products and programs, we have committed to increasing our community outreach, looking for new ways to make our products available to the people who need them. This means working to open more communication channels with focus groups, advocates, and customers in new high-growth markets such as the Middle East, Africa, and Asia.

Plans are underway for the further development of an emergency warning system for users with disabilities. Current ideas include SMS for deaf users, audio for blind users, and an icon-based system for illiterate users or those who require cognitive assistance.

Responsible products use

Mobile communications brings many benefits to society. Unfortunately, however, these products can also be used in ways not intended by the manufacturers. One of the central concerns regarding the responsible use of mobile communications products is the use of the internet, particularly in terms of children accessing inappropriate content.

During 2006, Nokia responded to the European Commission Public Consultation on Child Safety and Mobile Phone Services by submitting the following information regarding users' capabilities to manage use of the internet according to personal choice:



The evolution of technologies brings the benefits of the internet to mobile users, at the time and place of their choice and according to their need.

- ◆ The current legislative environment is adequate to manage the risks associated with internet content, whether access is provided through fixed line or mobile access. Due to the borderless nature of the internet, the harmonization of rules which apply to internet content management is a positive achievement, easing the efforts of global and region-wide players to comply with regulations. Further, due to the technological convergence, the harmonization of regulation across the traditional silos of telecommunications, TV, media, and cable should be considered.
- ◆ People need to have the freedom to manage their and their children's use of the internet according to their own needs and individual choice. This is a very personal matter to people and no third party can define what is appropriate in all cases.
- ◆ Nokia as a device and network infrastructure manufacturer supports offering technological means for people to manage internet content together with industry players such as access and service providers, and also parties such as law enforcement.
- ◆ Education is the key to ensuring that people understand their role and responsibility regarding the use of the internet by children. No technological means can replace that, even though technology will support parents in implementing the actions they consider necessary.

The European Commission Public Consultation ended with the following conclusion: "The culture of communication gets shaped further by harnessing the technology, and providing users with new, improved and more feasible opportunities to become engaged. We endorse creating more opportunities for youth and children to become actively involved with positive content creation initiatives and other opportunities to pragmatically explore the new technology applications in conjunction with social engagement, societal influencing and building confidence in their capacity to become a positive change agent on an individual level or through more collective initiatives within the societies that matter to them."

Nokia fully supports the Commission's findings regarding children and the internet and is committed to providing opportunities for children and teenagers to create positive internet content. Nokia undertook several community involvement efforts in 2006 which were connected to product development initiatives targeting youth and positive content creation.

Examples of these projects include:

- ◆ [Bridget - Supporting education with mobile technology](#)
- ◆ [Nokia Mobile Learning Institute](#)
- ◆ [MobilED: Education on the move](#)
- ◆ [Read more about Nokia's community involvement efforts](#)

Health and safety (EMF)

A harmonized regulatory standard

Based on a structured regulatory process and regardless of distribution area, all Nokia products comply with international standards. However, mere compliance is not enough. Nokia is working towards globally harmonized regulatory standards based on scientific research that has been reviewed and accepted by the world's expert scientific community.

We support the regulatory guidance offered by the International Commission on Non-Ionizing Radiation Protection (ICNIRP), which is based on stringent reviews of science relating to radio wave emissions, and are currently lobbying for its introduction in countries which at present have no regulation relating to radio wave emissions. By working with trade associations this past year we have sought to aid the regulatory process in various countries including Russia, India, and Latin America (a region where a number of countries have yet to introduce regulation governing the deployment of mobile communications equipment).

- ◆ [For an overview of Nokia's approach to EMF \(electromagnetic field\) protection, please visit our recently updated website.](#)

Reassessment of risk - Supporting the WHO

From 2007-2008, the WHO (World Health Organization) will revisit the subject of risk assessment relating to EMF as the

current research programs from the Interphone study conclude. Interphone has been one of the largest collaborative research programs conducted on the subject of EMF and comprises many studies across the radio frequency spectrum which consider a variety of exposure scenarios. Results thus far indicate that current guidance from the WHO and International Commission on Non Ionizing Radiation Protection (ICNIRP), which is based on research going back several decades, remains valid. Through the Mobile Manufacturers Forum (a trade association focusing on EMF issues) Nokia has contributed financial backing to many studies, although always as a minority stakeholder so as to guarantee and sustain the independence of the overall study process.

Operators

Throughout 2006 Nokia worked with its leading operator customers to ensure that socially responsible practices are, and continue to be, used throughout the service delivery chain. Nokia also sought to lend support to customers in terms of assisting them in meeting their own corporate responsibility objectives. Some of the central aspects of Nokia's co-operation with operators are information sharing, alignment with the operator's approach to responsible business practices, management of environmental and labor issues throughout the supply chain, and future developments related to reporting and certification. A number of Nokia's operator customers have conducted assessments of Nokia's approach to corporate responsibility, with very positive conclusions as well as suggestions for further development in some areas.

"Vodafone recognises Nokia's good practice approach in managing labor and environmental standards within its own operations and supplier base. Nokia is a strong supplier in meeting Vodafone's Corporate Responsibility expectations. Vodafone continues to challenge Nokia to drive standards and reduce environmental impacts throughout our industry's value chain." Vodafone Global Supply Chain Management

Shareholders

Nokia recognizes the growing importance of sound and ethical business practices to both mainstream and socially responsible institutional investors.

During 2006, Nokia actively participated in third-party evaluations of its performance in areas relevant to such investors. The subjects most frequently raised by these investors include supply-chain management, environmental impact, societal contribution, and corporate governance. The highlights from the third-party evaluations held in 2006 are as follows:

Nokia was again selected as a component for the Dow Jones Sustainability World Indexes (DJSI World). Due to a decrease in the number of companies from the telecommunications sector included in the Dow Jones EURO STOXX® Sustainability Indexes (DJSI STOXX), Nokia was not a component of this index in 2006.

Nokia was also counted again as a constituent of the FTSE4Good social responsibility investment index, which includes 42 companies able to meet the stringent CR criteria of this high-profile series.

Vigeo, a CR rating agency that is highly regarded by socially-responsible investors in Europe, reported in 2006 that Nokia demonstrates an advanced and integrated approach to CSR management, and that Nokia is the leading company in the domain of corporate governance.

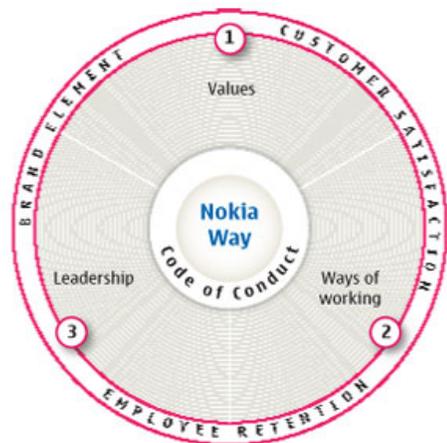
In 2007, Nokia will continue to explore ways of increasing its range of services to meet the informational needs of investors.

Employees

Nokia's corporate culture strives to ensure that working at Nokia is an experience which has a positive impact on the lives of its employees. Nokia seeks to do this by offering its employees education, training, and development programs, rewarding good performance, and ensuring that the Nokia business culture is one that values openness and appreciates diversity.

Throughout 2006, Nokia implemented a number of different schemes and initiatives to help improve its working environment and overall culture. Nokia has undertaken internal labor conditions assessments, conducted employee surveys, and designed specific employment guidelines in order to make Nokia a better place to work.

Nokia Way



- 1 Customer Satisfaction, Respect, Achievement and Renewal**
 The Nokia Way has been promoted and implemented locally, particularly with new employees in new growth areas. This has allowed employees to explore the Nokia Values in relation to relevant daily work practices. Globally, more value-based behavioral descriptors were introduced to annual performance evaluation criteria and the importance of Nokia Values based behavior was strengthened in the process. The performance of all employees and managers is evaluated under the categories of Customer Satisfaction, Respect, Achievement and Renewal.
 A large study involving employees and external stakeholders was conducted to see how aligned our values are across the organization.
- 2 WorkSmart@Nokia**
 Methods of leveraging mobile and virtual tools into new ways of working were explored with a focus on the environmental benefits that could stem from possible changes. When considering work and management practices, Nokia understands that the entire working area of each employee has the potential to be improved for greater effectiveness and employee satisfaction.
 Nokia's aim is to enable employees to work where, when and how it makes the most sense – both from an individual and company point of view. Innovation is a key element within Nokia's Ways of working concept. Remote working/teleworking, mobile working and virtual meetings within the context of employee satisfaction and potential direct or indirect impacts on the environment will be studied during 2007.
- 3 Leadership**
 A renewed **Nokia Leadership model** has been defined to focus on the True Nokia Leader concept. This model is a result of internal and external research, studies, and interviews. The Nokia Leadership model will be launched in 2007 throughout the organization globally, shortly followed by activities to reinforce its concepts to all Nokia leaders.

Code of Conduct
 Reflective of our company's ethics and ways of business practice, we continue to promote Nokia's Code of Conduct to all employees.
 By December 2006, almost 56 000 or more than 82% of all Nokia employees, had completed the e-learning training.

Code of Conduct

Nokia's country and business management teams, as well as HR representatives, have continued to encourage awareness of the Nokia Code of Conduct to both existing and new employees during 2006. The strong message Nokia sends across every level and geographical area of its organization is: We take our responsibilities seriously, and we support each other in achieving our ethical goals through our Code of Conduct. The campaign was awarded first prize in the Federation of European Business Communicators Association's Grand Prix 2006 in the category of Business Strategy Communications.

By December 2006, a little over 56,000, or more than 81% of all Nokia employees, had completed the Code of Conduct e-learning course. Nokia's Code of Conduct is now available in 31 languages.

- ◆ [Take a look at the complete contents of the Nokia Code of Conduct.](#)

During 2006, Nokia focused its attention on raising awareness about the Code of Conduct in its production sites, where access to e-learning is less straightforward. Face-to-face workshops were held with groups, facilitated by site management and HR. At Nokia's production sites in the US, India, Hungary, South Korea, and China, over 80% of employees have attended workshops. Sites in Brazil, Mexico, and Germany are currently being targeted.

Innovation

Encouraging innovation is a vital part of Nokia's business today and an integral aspect of the Ways of work element in Nokia's business culture. The ability to transform ideas into successful products or services is essential for a competitive advantage.

In 2006, Nokia used the Ways of Work concept in order to embed innovation into everyday working practices. The ongoing aim is to encourage creativity while exploring new ways of working with different tools and solutions. The Nokia Labs process is one example where Nokia has created a cross-Nokia innovation platform that allows ideas, applications, and services to be shared through virtual teams. In 2007, the target is to form a structure of teams that create and market trial consumer services in an agile way by continuously improving services on the basis of direct consumer feedback and popularity statistics.

My Nokia Challenge 2006

An important part of innovation management is allowing enough room for people to think in new ways and exceed boundaries. Nokia continues to take determined actions to renew its product creation processes. The focus of this renewal is on increased process productivity as well as integrating an innovation angle into everyday processes. This is based on the premise that product process renewal is not only about processes, it is also about people.

This past year, My Nokia Challenge 2006 was a Nokia-wide business idea campaign, open to Nokia employees and externals around the world. The idea campaign was designed to generate ideas which would create top mobile experiences for Nokia consumers. This campaign was the most successful Nokia has run since the campaign began in 2000. Altogether, 148 ideas out of the 669 which were submitted were recommended by the judges for further development and implementation. Key criteria for selection were consumer retention potential, insightfulness, novelty, and implementation ability.

Choices 2006

Nokia Choices Discovery Leadership Journey is dedicated to Innovations, Leadership, Customer Orientation, and Personal Development. The general objectives of Choices 2006 were to widen employee scope and capabilities in managing new business in a changing environment, developing leadership and communication skills for the virtual world, and improving personal networking and self-management skills. Under the theme "Internet Services", the Choices participants demonstrated their capacity for renewal by providing opportunities for employees to learn about markets, gather intelligence about the technology fields, and, most importantly, gain a good understanding of the company's strategic direction.

The project themes included: Independent Elderly, Mobile Advertising, Consumer Online Services, Innovation at the Base of the Pyramid, Intelligent Media Management, and Nano-Media Networks and Podcasting. The project themes resulted in the formulation of clear business plans which are currently under investigation in the various business lines. A two-year follow up of the proposed business plans and the personal development plans of the attendees will begin in 2007.

Inclusion

Nokia is committed to equal opportunities in all policies and procedures and does not condone any discrimination under any circumstances.

We continue to value and appreciate the global community that makes up Nokia and encourage internal dialogue with our employees. Our 2006 "Listening to You" results continue to show our employees as having a fairly high opinion of Nokia as an equal opportunity employer. 71% (70% in 2005) responded "yes" to the question: "All employees of Nokia are treated as individuals regardless of age, race, gender, physical capabilities, etc."

Nokia has committed itself to furthering its understanding of how inclusive standards impact our employees' day-to-day actions by conducting yearly internal surveys which target the topics of diversity and inclusion. The third survey of this kind will be launched in early 2007, and the results will be discussed by upper management during the spring business review. The goal is to further understand effective work practices that have over time translated into a more inclusive workforce, as well as to establish action plans for further or continued change as needed.

In recent years, the ownership of Nokia's diversity and inclusion initiatives has moved from a corporate function to the business groups in order to reinforce the business impact of diversity. Due to the differing nature of each business group,

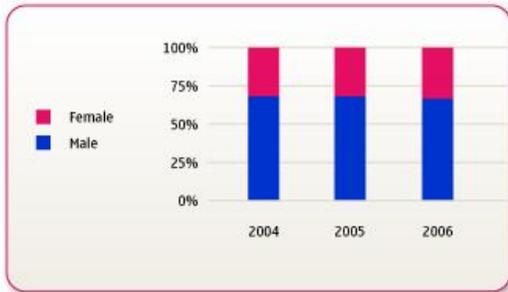
Nokia feels that it better suits the needs of both employees and business units to tailor-make their own diversity programming.

Below are details of Nokia's employee distribution and movement up to the year 2006:

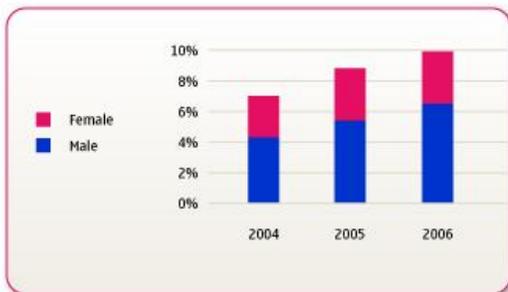
Age distribution, %



Employee gender distribution, %



Total attrition by gender, %



When looking at business action plans, Nokia tries to focus on how to optimize accurate representation both culturally and geographically in support of business goals. Targeting women and minority groups for leadership positions is an ongoing practice at Nokia.

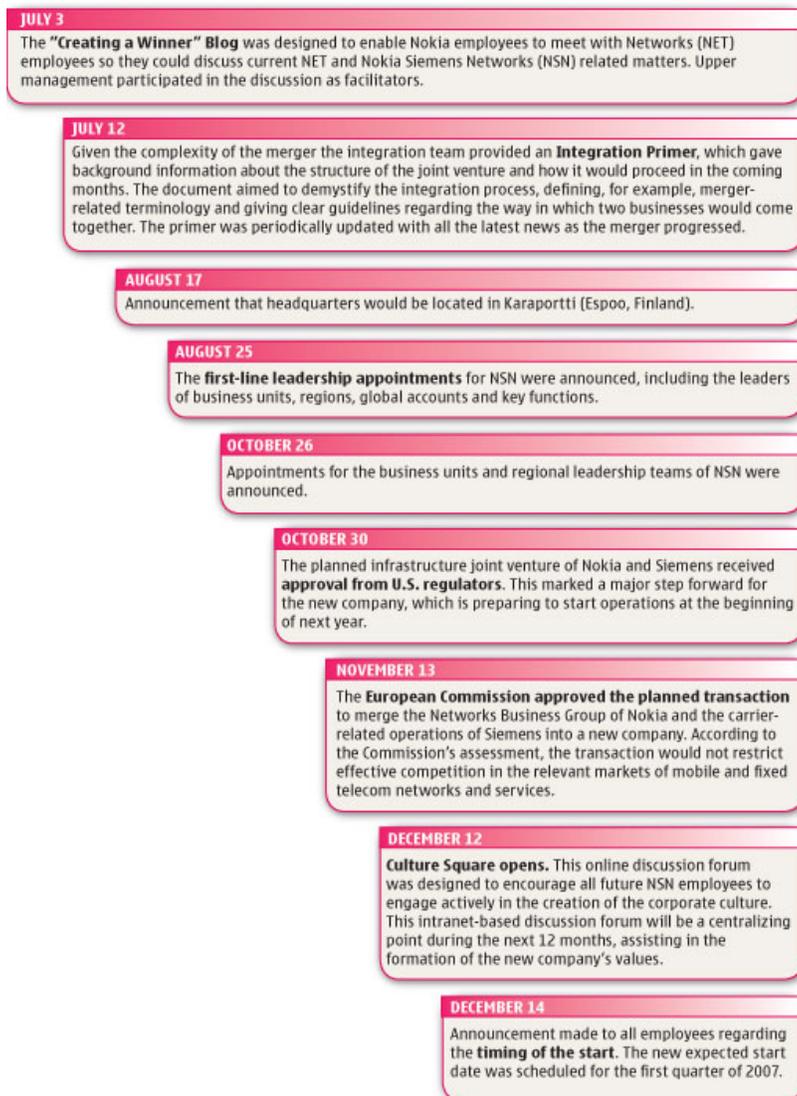
In order to continue to use the global talent pool that is available, Nokia is increasing its efforts to integrate diversity targets into various people management processes. The aim of these efforts is to further expand employment from various geographical locations, cultures, and racial backgrounds.

Employment practices

In June 2006, Nokia and Siemens announced their intention to merge the Networks business group of Nokia and the carrier-related operations of Siemens into a new company, to be called Nokia Siemens Networks (NSN). The spirit of the NSN

agreement was that all people dedicated to Nokia's networks business, approximately 20,000 employees, or those who spent the majority of their time within Networks, would transfer to NSN. This also affected employees belonging to horizontal groups and corporate functions. The platform supporting Nokia's networks business is expected to comprise approximately 2,000 employees.

Bringing employees into the process



The changes are expected to result in a headcount adjustment over the next four years of approximately 10-15 percent from the initial combined base of approximately 60,000. Headcount reduction assessments will be made as part of the integration planning process and subject to required consultation with employee representatives.

Employment guidelines

In 2006, the Global Employment Guidelines (created in 2005) were further implemented and local HR was consulted to ensure that new local employment policies were aligned with global principles. These guidelines cover basic principles related to compensation, working time and location, employee well-being, equal opportunities, confidentiality and privacy issues, guidance on external assignments, instructions for identifying conflicts of interest, ensuring efficient communications, and recognition of freedom of association.

Global Employment guidelines were also integrated with Nokia's global labor conditions criteria. The extent to which Nokia

operation sites comply with the guidelines was examined in connection with the labor conditions assessments carried out in 2006.

The guidelines are available to Nokia managers and employees on the intranet. They have also been used as a reference for more detailed local or business specific policies. However, the level of implementation across all countries is not particularly clear and this is something that Nokia has targeted for clarification during 2007.

Factory assessments

Labor conditions at all Nokia production sites must meet recognized international standards. This is extremely important for Nokia. We have developed an internal labor conditions management system, consisting of regular assessments, action planning, follow-up, and business management reporting and ownership. In 2006, we conducted internal labor conditions assessments at all Nokia production sites globally.

Assessment criteria was based on Nokia's Code of Conduct, the SA8000 standard, local labor law and legislation, international labor standards (ILO) and Nokia internal policies. The assessment teams consisted of an SA8000 certified lead assessor and various trained Nokia HR professionals from the global, regional, and local HR teams. The assessments included a factory tour, factory management, HR, security, and employee representative interviews. A comprehensive documentation review was also performed. The topics assessed included working hours, compensation, discrimination, freedom of association, disciplinary practices, child labor, forced labor, and management systems.

While the assessment results have improved from the last assessment round (2004), some challenges still remained. Meeting international overtime criteria is still an issue where continued effort is needed. Building on improvements from 2005, further recommendations for reducing or evening out the distribution of overtime hours have been provided to help rectify the current situation. A need for improved communication was another key area which the assessment results highlighted.

Factory assessment findings

Topic Outcomes

Good practices valued by employees:[Collapse](#) [Expand](#)

CompensationNokia benefits such as transportation, food, insurances/allowances, recreational facilities and wellbeing related benefits, such as massage, gym and sports. **Outcomes:**Continue with the good reward and benefits program
Disciplinary practicesNo disrespectful disciplinary practices, warning records well kept. **Outcomes:**Support the practices.
Forced laborEthical and soft skill training given to security guards and as a result their behavior is seen as respectful and discreet. **Outcomes:**Continue giving ethical and soft skill training to security guards
Management systemsMany good practices to enhance communications between management and employees established at many locations, e.g. mandatory monthly communication meetings, weekly meetings, and employee opinion survey workshops. **Outcomes:**Continue with the good practices and develop new ones if needed

Acceptable practices:[Collapse](#) [Expand](#)

Child laborNo evidence of child labor and appropriate age verification systems exist. **Recommendations given:**Ensure remediation plans are in place at every site

Forced laborEmployment terms and conditions mainly well communicated and proper documentation exists, no deposits taken. **Recommendations given:**Clarify the communication of different factory policies

Improvement required:[Collapse](#) [Expand](#)

Working hoursChallenges with international working hour criteria (max 12 overtime hours/week) remained, especially during high production peaks. **Corrective actions required:**Ensure systematic follow-up, reduce overtime, and/or distribute overtime more evenly among the voluntary employees

CompensationSalaries exceed the local legal requirements and international criteria (i.e. basic needs + discretionary income), but the total compensation calculations are sometimes unclear to employees. **Corrective actions required:**Clarify and enhance communications

DiscriminationEqual opportunities and treatment usually well realized in local practices, but there are some challenges in

ensuring consistent implementation. **Corrective actions required:** Enhance manager training and employee communications

Freedom of association Freedom of association and right to join/form unions existed in all factories. There is well established employee representation in Europe and in other regions employee committees and works councils exist, but they were not always very active. **Corrective actions required:** Facilitate active employee/management communications to ensure employee representation

Management systems Anonymous feedback/grievance channels established on most sites (e.g. opinion boxes), but the overall process not perceived as effective by employees **Corrective actions required:** Ensure good grievance procedures and enhance employee communications

Looking forward

There has been a significant improvement in the awareness of international labor standards across the organization during 2006. This is primarily due to an internal awareness raising campaign targeted at all Nokia employees globally, specific labor conditions training for Human Resources personnel, and the assessment process itself. However, an even more systematic approach is needed in the future to ensure that all improvement activities are completed.

At a global level, the assessment results indicated a need for a clearer and more straightforward set of criteria for the factories to follow. Towards the end of 2006, Nokia began to develop a comprehensive internal management and development framework for labor conditions. The framework includes a set of specific criteria based on the ILO conventions and other recognized international labor standards. More straightforward criteria should help the implementation activities at a local level, as well as improving communication with external stakeholders. Clear metrics, integrated with Nokia management processes, make the status follow-up easier and more reliable.

All operational sites commenced the improvement activities immediately after the assessments, and will continue with this project in 2007. The new, approved framework and criteria will be deployed throughout 2007.

Occupational health and safety

Nokia continued to develop its global OHS organization during 2006 in order to allow for better control and management of OHS related issues. In addition to the existing team, new OHS area managers were recruited for Europe, APAC, and China. These managers have worked to share local OHS resources, a practice which has enabled regional co-operation and best practice sharing strategies.

During 2006, Nokia carried out internal OHS assessments at our production sites in India, South Korea, and China. Although some improvements are still needed, many of the recommendations made during previous assessments (2004 and 2005) had been undertaken. At all of the currently reassessed sites, detailed action plans have been created and are currently under implementation at the local level.

Global operation injury and illness rate ¹

Location	IIR 2006	IIR 2005	IIR 2004
United States of America (Alliance) ²	0	0.12	na
Mexico (Reynosa)	1.72	3.1	1.18
Brazil (Manaus)	3.61	3.24	0.21
Finland (Salo, Oulu, Espoo)	1.27	2.21	1.02
Germany (Bochum)	1.64	0.89	1.62
Hungary (Komárom)	1.31	1.3	1.19
United Kingdom (Vertu)	0.42	1.36	0.42
India (Chennai) ³	0.15	na	na
South Korea (Masan)	0	0.14	0
China (Beijing [BDA,HPL], Dongguan, Suzhou)	0.76	0.33	0.15
Total	0.82	1.08	0.66
Industry average ⁴	na	0.4	0.4

¹ The referenced injury and illness incidence rate (IIR) is a compilation of Nokia's global production operations, based on the formula of the US bureau of labor statistics

$IIR = (N/EH) \times 200,000$, where: N = Number of occupational injuries and illnesses; EH = Total hours worked by all employees during calendar year; 200,000 = Hours theoretically worked by 100 full time employees (40 hours per week, 50 weeks per year)

² No full scale production took place at the facility during 2006.

³ Opening date 1.3.2006

⁴ The US radio and television broadcasting and wireless communications equipment manufacturing industry average for occupational injuries and illnesses resulting in lost work days per 100 employees. The numbers for 2006 have not yet been published.

Other highlights:

- ◆ Global framework developed for OHS management systems at all production sites.
- ◆ Global OHS handbook created to establish OHS services in emerging areas of operation.
- ◆ Injury and illness reporting procedure further improved to make gathering of data more coherent, resulting in more comparable global statistics.
- ◆ Crisis management plans updated to include the pandemic threat caused by Avian Influenza.
- ◆ Road safety recognized as a major OHS risk in Nokia's new operations in India, leading to the development of a road safety policy.
- ◆ Annual voluntary influenza vaccination program expanded to new regions in China and APAC.

Rewarding performance

Nokia's reward programs acknowledge employees based on individual, team, and company performance. In addition to basic pay, individual and company performance is taken into account in various ways:

- ◆ Cash incentive plans. 95% of professional employees participate in short-term incentive, R&D incentive, sale incentive, and production bonus plans.
- ◆ The "Nokia Connecting People Bonus" is targeted at employees who are not senior employees with equity, or sales employees with direct revenue responsibilities.
- ◆ Equity Programs - a wide number of employees in many levels of the organization are eligible for nomination to receive an equity grant. The equity incentive program is selective and focuses on rewarding achievement and retaining critical talent. There are two main elements in Nokia's broad-based equity compensation programs: stock options and performance shares. Both long-term incentive instruments and are tied to the performance of Nokia over a number of years.

In July 2006, employee participants were rewarded with a partial payout from the Nokia Connecting People Bonus, based on the business performance over 1H06. Ambitious targets were set for the 2H06 payout of the NCPB. The Performance Share Plan, introduced in 2004, resulted in a maximum interim payout in 2006. An interim payout under the year 2005 Performance Share Plan is expected to be delivered to participants in May 2007.

Improved benefits and services for Nokia's globally mobile professionals were implemented in January 2007. Over 700

sales employees have now been moved to a sales incentive plan which rewards individual achievement for product and revenue goals.

Nokia continues to investigate and analyze the competitiveness of its benefit programs with a focus towards better employee work-leisure management.

Employee development

Professional and personal growth

All Nokia employees can participate in a wide variety of learning and development activities, including classroom-based training, e-learning, virtual learning, and on-the-job development with monitoring and coaching opportunities. As a healthy company does not operate as a static entity, providing space for employee growth and development is a significant contributing factor to the overall well-being of the company.

- ◆ [Learn more about Nokia as an employer](#)
- ◆ [Learn more about Nokia's employee volunteering program](#)

Performance management

Nokia continues to build on its 2005 process quality intention with a specific focus on how managers and employees can live the Nokia Values and use such behaviors in their day-to-day work processes. Continuous efforts to educate managers about the criticality of modeling these behaviors have been successful and are now reflected in performance management tools. Nokia continues to place great significance on creating a communicative and authentic environment, which is believed to enhance employees' capacity to achieve maximum potential.

A recent review of the annual Performance Evaluation (PE) process resulted in a renewed PE approach. The following changes occurred during 2006:

- ◆ Performance evaluations re-balanced so that the two components have equal weight and 50%-50% importance
- ◆ Focus placed on the value of qualitative and constructive (positive) performance conversations
- ◆ Videos dealing with the subject of effective PE processes made available for educational use

A targeted focus on the quality of the Performance Development Plan (PDP) process is starting to produce results. Nokia is currently developing workshops to raise awareness about the importance of PDPs and their role as a motivational tool. Coaching to encourage employee/managerial dialogue and to optimize the value of the PDP is also available.

Talent management

Nokia continued to build on the 2005 integration and simplification focus of current talent management practices. Throughout 2006, talent review activities and implementation received a more dedicated focus and are now widely understood and accepted within Nokia. This has enabled good visibility of Nokia's internal talent pool at various organizational levels.

Onboarding

A new Onboarding (induction) process and materials, both generic and target-group specific, were developed and piloted during 2006. These will be implemented in 2007. The aim is to provide a harmonized Onboarding process that ensures equal treatment for all newcomers.

Behavioral interview training for managers

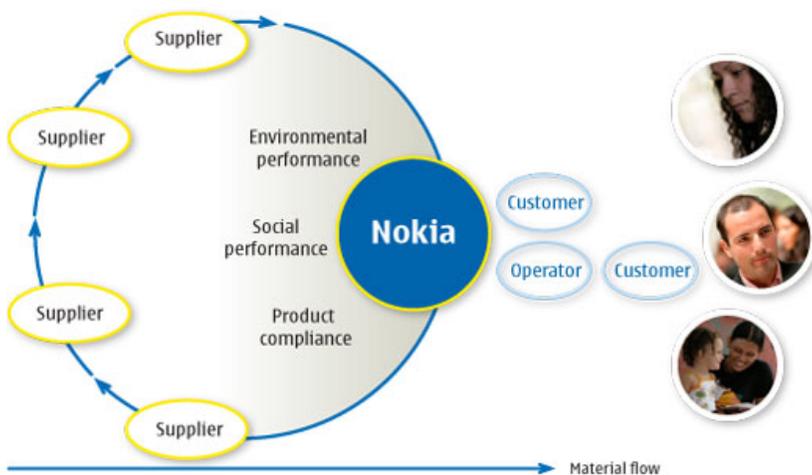
Global HR commenced work on a global selection assessment process and toolbox, developing the Behavioral Interviewing (BI) learning solution. Objectives were developed to ensure that all Nokia managers who participate in the selection process are able to conduct a fair and legally robust interview that is free from bias or discrimination and concentrates on the competencies that are critical for the position.

In March 2006, the first pilot of the new training material was given to internal and external trainers. Of the almost 6,000 managers at Nokia, 80% will have participated in the BI training by 2009.

360 Assessment tool

In 2006 around 800 managers and leaders participated in a 360 Leadership Assessment process, gaining valuable insight from their closest peers. In order to make this type of innovative development tool standard practice at Nokia, various staff were trained to administrate the tool (38 people), to facilitate feedback (143 people) and to provide external facilitation (58 people). We are now assessing how to widen participation in this 360 process within specific employee populations beyond leaders in 2007.

Supply chain



Nokia continually strives to create a business culture in which work practices not only meet existing standards of practice but go beyond, driving best practices on a global level. For this to happen, sound environmental and ethical principals need to be incorporated into all areas of our work. Nokia then extends these principles throughout the supplier network.

Substance management

Since early 2006, all Nokia mobile devices have been EU RoHS compliant. However, this does not imply that the issue is no longer active. Substance management is an ongoing area of development at Nokia. New substance restrictions are constantly being defined, which directly impacts our suppliers. Implementing these new criteria often involves joint efforts. Some examples of this cooperation during 2006 include our activities to phase out halogen and antimony trioxide based flame retardants. Nokia is also working with suppliers to implement the "Marking for Control of Pollution Caused by Electronic Information Products" in China.

- ◆ [Learn more about Nokia's approach to substance management](#)

Supplier requirements

In 2005, Nokia began to update the Nokia Supplier Requirements (NSR) as part of its program of continuous improvement within the sourcing organization. This work continued throughout 2006, during which the knowledge and experience gained from Nokia's on-site supplier assessments and stakeholder feedback was incorporated into the process. Nokia's updated NSR are scheduled for rollout during 2007.

The new and updated provisions of Nokia's supplier requirements aim to increase environmental and social focus, with

particular requirements directed specifically towards Human Resource management. Suppliers will be required to define and implement an ethical policy, ensure effective workplace planning activities are in place, and provide necessary competence and development activities to employees. This is in addition to the standard issues such as no discrimination, appropriate disciplinary practices, compensation, working hours, and so forth. Nokia has also updated its environmental requirements by placing a greater emphasis on waste and substance management.

When making these additions and updates, Nokia's goal is to present topics in a more constructive business-related way. This would involve, for instance, discussing topics such as the prevention of forced labor in the context of areas like recruitment and exit procedures. By utilizing terminology that is more within standard Human Resource practices, Nokia has found that discussions with suppliers are more positive and open, which contributes to more sustainable change. In order to effectively communicate and roll out these new requirements, an introduction brochure was created to introduce suppliers to the new requirements, explain the reasons behind them, and help them to prepare for implementation once approved. Internal feedback from the brochure has so far been very positive.

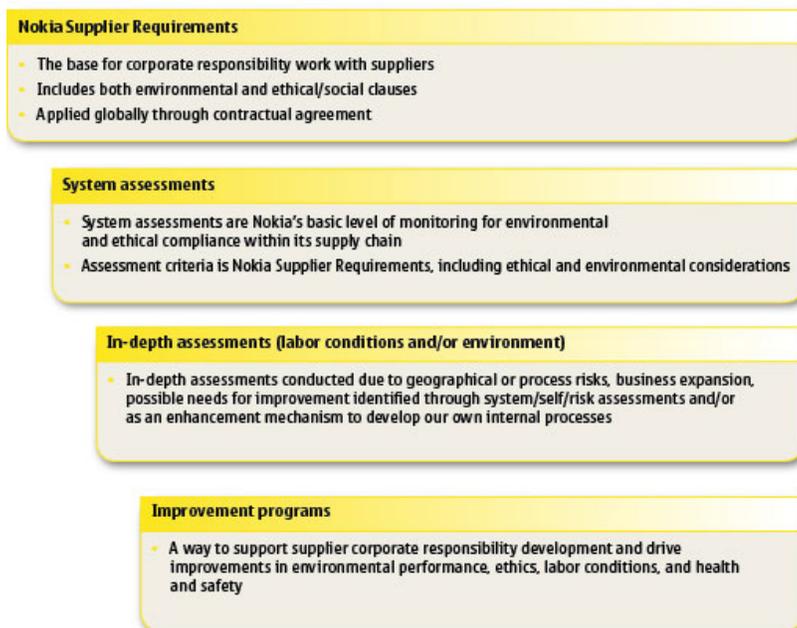
Environmental management systems

Approximately 26% of Nokia's mobile phone manufacturing is outsourced to contract manufacturers and Original Design Manufacturers (ODM). All of the production sites (Nokia, Contract Manufacturing, ODM) that manufacture Nokia products have certified ISO14001 environmental management systems.

- ◆ [Learn more about Nokia's EMS process.](#)

Supplier assessments

Steps in managing corporate responsibility issues in Nokia's supply chain



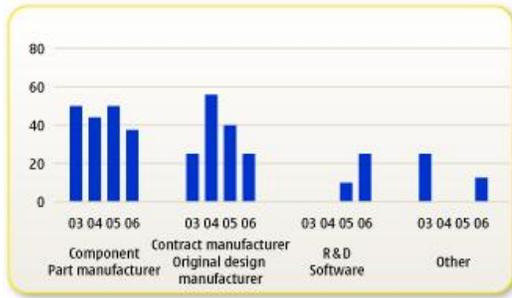
Nokia made its assessment processes much more public this year by adding them to the corporate website. [You can find detailed process information there.](#)

During 2006, Nokia conducted over 100 on-site system assessments to include environmental, health and safety, and labor issues. A number of in-depth assessments were also conducted based on geographical or process risks, business expansion, needs for improvements identified through our system assessments, or as an enhancement mechanism to develop Nokia's internal processes.

In-depth assessment focus

Nokia sources a variety of different products and services from a range of suppliers. In-depth labor conditions and environmental assessments have traditionally focused on our hardware suppliers, but recently Nokia has evolved to include R&D and software suppliers, each of which face different kinds of issues in the environmental and social arena. The table below shows a breakdown by percentage of the areas which Nokia has targeted its assessment efforts towards over the last four years.

Assessment focuses



Responsible trends in Nokia's supply chain

Nokia has identified a number of typical supplier non-conformances through its on-site assessments, which are highlighted on [our recently updated website](#). Over the years, however, a number of positive trends within our supply base have been observed:

- ◆ Increased awareness of the concept of corporate responsibility, incorporating topics such as ethics, environmental issues, labor conditions, and health and safety
- ◆ A decrease in the use of fines as a disciplinary practice
- ◆ An increase in corporate responsibility expectations from our suppliers' overall customer base

Although progress has been made in some areas, Nokia acknowledges that promoting environmentally and socially responsible behavior in the supply chain is an ongoing process.

Learning and capability building

Realizing that assessments are just one tool for improving conditions in the supply chain, Nokia also recognizes that it needs to work towards building awareness and capabilities.

Internal training

To strengthen the competence of Nokia's internal sourcing personnel and raise awareness of the relevant issues, sessions were held in 2006 concerning both environment and ethics. These sessions took place in two areas of Finland and China. In total, 92 personnel (down from 100 in 2005) received this training.

Supplier training

At present, training is provided for suppliers on request in order to support and encourage supplier development. This training typically focuses on Nokia Supplier Requirements, managing labor conditions, health and safety within the work place, and Design for Environment.

In addition to providing supplier training, Nokia participates in the Learning & Capability Building Work Group of the GeSI SCWG. As part of this work, Nokia, together with other suppliers, actively participates in a multi-stakeholder Capability Building project. The aim of this project is to create a capability building strategy for the ICT sector in China that addresses the main obstacles to responsible business performance improvement and defines clear metrics from which to gauge change.

Supplier diversity

In the US, Nokia actively seeks to increase the ratio of minority and women-owned suppliers in our sourcing projects. Nokia's Supplier Diversity initiative is an economic development program set up to encourage the creation, growth, and expansion of small, minority, and women-owned businesses within our supplier network.

Under the initiative, Nokia tracks the expenditures to minority groups and benchmarks progress over time. In 2006, we have spent to date over USD 28 million (up from USD 20 million in 2005) with diversity suppliers and expect to further increase this amount in 2007.

Open communication

Open and effective communication is extremely important to the success of Nokia's business. Listening to employees and external parties and translating their expectations into business value is one of Nokia's highest priorities. Open communication is at the heart of our business.

Employees

Internal publications - **Nokia Hub**



In 2006, the intranet-based news channel, the News Hub, was renewed. This news channel is aimed at Nokia personnel worldwide, allowing employees to publish their comments about current news items. Comments are published without any prior monitoring or selection. This feature was added due to requests from employees, and has received very positive feedback. It has increased Nokia's internal engagement capabilities by generating meaningful conversations on a wide range of business topics. Nokia News Service is accessed by approximately 156,000 readers, on multiple occasions, each month.

Internal publications - **Nokia People**

Seven issues of the magazine were published this past year. The readership for each issue has been 16,000 employees, counting both print and online versions.

Internal publications - **Special Change**

The intranet site was launched on the first day of the Nokia Siemens Networks (NSN) announcement, targeted to to-be transferring employees, but with open access. Pages contain a comprehensive Q&A site, an open discussion forum, internal new releases, and announcements.

Internal publications - **Environment**

Nokia has developed a wide range of tools and solutions to raise awareness and mobilize Nokia employees on environmental issues which affect both business and personal life. An environmental e-magazine and a newsletter for environmental experts are published regularly.

Internal dialogue forum - **Jazz Café**

The portal featured 164 new topics, generating a total of 1,106 responses, of which 14 were host responses.

Internal dialogue forum - **AskHR**

Nokia's online employee assistance service responded to 142 questions last year. Employee questions can be posted anonymously and are categorized as employment, development and career, people management, about HR, and other. The employee section is the most popular topic area.

Internal employee survey - **Listening to You**

The annual survey for all employees expanded from measuring job satisfaction to measuring engagement. The response rate for Nokia overall was 82%, with over 55,000 responses globally. This is approximately 6,000 more responses than in 2005.

Internal employee survey - **Merger Pulse survey**

The survey was conducted monthly after the NSN announcement to measure employee opinion regarding communication efforts relating to the planned upcoming venture. The survey results will be directly incorporated into future communications planning.

Employee representatives - **NSN merger in Finland**

Nokia participates in active discussions and cooperation with all relevant unions where our business operations exist. A special highlight from 2006 was the close cooperation with employee representatives during the NSN merger in Finland. A summary of the engagement efforts which were made in conjunction with employee representatives can be found below:

- ◆ Negotiations (local consultations) were held concerning the support platform reorganization in September-November. The existing corporate support platforms were reorganized to enable the establishment of two different support platforms, one supporting Nokia's network business and one supporting Nokia's device business.
- ◆ Nokia initiated this process according to regulatory requirements. These consultations were about reorganization rather than reductions in personnel. The aim was to transfer the reorganized support platforms so that they would provide complete services for NSN. The number of employees to be transferred was also determined.
- ◆ The first consultation meeting was held on September 11th, with negotiations closing on September 29th.
- ◆ After the official negotiation process, employer representatives organized regular conference calls with all respective employee representatives. Nokia's employee and employer representatives agreed on a meeting practice. The representatives of these two parties met regularly to discuss the employment issues associated with transferring support employees, which amounted to a total of 887 people in Finland.

Subject to the closing of the merger, the Nokia employees in Finland who will be transferred to NSN will transfer with the existing terms of employment; therefore, no new employee contracts will be made. The transfer is considered to be a lateral move, unless agreements had been otherwise made. All transferring employees will maintain existing Nokia equity grants, as well as other benefits, such as saved holidays.

Internal training - **Environmental awareness building**

Global and regional environmental forums are organized throughout the year, bringing together senior management and employees. In addition, regular interactive environmental road shows are held at Nokia sites to promote both general and local environmental issues. In 2006, Nokia intensified its training efforts to ensure a consistent environmental message. Environmentally friendly work practices such as turning off lights, recycling and printing practices, and unplugging phone chargers were relayed to Nokia's employees.

Environmental issues are included in most of Nokia's regular management training programs. A modular e-learning solution about environmental issues is open to all employees and an information pack on environmental issues and Nokia's environmental policy and approach is part of the employee induction process.

Customers

Environment - **Letter Box initiative**

In cooperation with one of its key customers, Nokia launched an investigation into packaging strategies. This resulted in a recyclable packaging solution that also enhanced deliverability.

- ◆ [Read more about Nokia's efforts to make its packaging more environmentally friendly](#)

Environment - **Nokia's environmentally sustainable business approach**

Nokia's Networks business group has been developing its environmentally sustainable business approach to show how its operator customers can benefit from including an environmental aspect in networks business cases. Initially developed in cooperation with WWF, the approach is based on achieving environmental and economic benefits through reducing total network-level power consumption, optimizing product space and weight, minimizing network visual impact, and using environmental criteria in network planning.

Suppliers - As many of Nokia's customers do not have production sites, we are often the first manufacturing stage of their supply chain. In 2006, Nokia was questioned more specifically about its approach to managing environmental and labor conditions in the supply chain. This has led to an increase in focused discussions with our business customers regarding Nokia's CR platform.

Society - **Digital inclusion**

Nokia participates in action groups which seek to understand how to bridge the digital divide by increasing availability and affordability. These groups also search for solutions about how to make the information society more accessible to people lacking the required skills or who have disabilities.

Non-governmental organizations

Society - **International Youth Foundation**

Together with the International Youth Foundation, Nokia has had a youth development initiative in more than 24 countries since 2000 benefiting more than 360,000 young people. During 2006, funding for our existing programs in Brazil, Nigeria, Peru, Russia, and Turkey was renewed for an additional 3 years and new programs in Italy and Belgium will be launched in early 2007.

Society - **Plan**

During 2006 Nokia announced a joint cooperation with the international children's organization, Plan, to use modern information communications technologies in Africa to raise children's awareness of their rights and opportunities. The collaboration aims to give children a voice, increasing their social participation and employment opportunities in the future. During 2007, the partnership will continue to expand with new projects started in the region.

Society - **Grameen Foundation**

In 2005, Nokia and Grameen Foundation joined forces to expand the Village Phone concept to create new small businesses and affordable access to telecommunications in rural communities around the world. Building on the successful experiences from Uganda and Rwanda, the model has also been extended to the Philippines and Cameroon.

Environment - **WWF partnership**

Nokia and WWF, the global conservation organization, extended their partnership during 2006 for a second three-year period. Both organizations view the partnership as an opportunity to learn from each other in finding new ways to develop environmental awareness among Nokia employees, enhance Nokia's environmental performance, and support WWF's nature conservation goals.

Increasing employee awareness and understanding of environmental matters remains at the heart of the partnership. To achieve this aim, examples of joint activities include the internal web-based learning platform Connect to Protect, management training workshops on business cases with an environmental focus, and seminars covering relevant and topical environmental issues.

On the operational side, WWF will support Nokia in its main environmental focus areas of substance management, energy efficiency, and take-back and recycling. This complements WWF's Climate Change and Toxics Programme, which is aimed at reducing CO2 emissions and facilitating the phase out and ban of the most hazardous chemicals. Nokia will also pilot

WWF's One Planet Business concept, which is designed to reduce companies' environmental impact.

Suppliers - **NGOs**

Nokia received increased interest during 2006 from various NGOs regarding its CR performance within the supply chain. These inquiries and discussions provided valuable input into Nokia's sourcing CR initiatives.

Governments

Environment - **Sustainable Energy Europe**

Nokia has joined the Sustainable Energy Europe 2005-2008 Campaign as a partner member, being one of the first mobile communications manufacturers to do so. This campaign aims to raise public awareness and promote sustainable energy production and use among individuals and organizations, private companies and public authorities, professional and energy agencies, industry associations, and NGOs across Europe.

- ◆ [Read more about the Sustainable Energy Europe 2005-2008 Campaign](#)

Environment - **Integrated Product Policy (IPP)**

Falling under the umbrella of the Integrated Product Policy (IPP) of the European Commission, Nokia was selected to run a pilot project to look at how the mobile phone industry as a whole can work with stakeholder groups to reduce the environmental impact of its products throughout their lifecycle.

Led by Nokia, a group of mobile manufacturers, network operators, suppliers, recyclers, and consumer and environmental organizations completed the exploratory element of this pilot project in 2006.

The group agreed to a series of new initiatives which would reduce the environmental impact of mobile phones, including reducing energy consumption, eliminating the use of specific materials of concern, improving the amount of phones collected through take-back schemes and recycled, and giving consumers more environmental information about products.

This pilot project shows that a voluntary and market-driven approach can lead to innovative and focused improvements that are in line with both environmental and business benefits. Defined task forces will continue to work on the practical implementation of each initiative, with the first tangible outcomes are expected in 2007.

- ◆ [Read more about the IPP](#)

Society - **Inclusive Information Society**

Nokia has been proactively preparing for the EU's review of the e-inclusion policy, which will be released in 2008. We are currently in the process of developing a new stakeholder platform, known as the eIP - European Inclusion Platform. This group includes the European Commission, Member States, industry and EDF (European Disability Forum), and Age (European Older People's Platform).

Society - **EU-Africa Business Forum**

Nokia participated in this EU-organized forum, the goal of which was to improve EU-African relations and economic development through closer private sector cooperation and dialogue.

United Nations

Environment - **UNEP Basel Mobile Phone Partnership Initiative**

This initiative, a sustainable Public-Private Partnership of the parties and signatories to the Basel Convention and mobile phone manufacturers, telecom operators, countries, the recycling and refurbishment industry, environment NGOs, and industry associations, is addressing the current discussion concerning e-waste trade through establishing guidelines for the

environmentally sound management of used and end-of-life mobile phones. This reflects a situation where a large demand for high-value and low-cost products from fast developing markets is solved by filling this gap with repaired/refurbished products from saturated markets, a trade practice where little attention has been given the problem of products versus waste traffic.

- ◆ [Read more about Nokia's activities in this area.](#)

Society - **Digital inclusion**

Digital inclusion is a key focal area in the United Nations Millennium Development Goals on poverty reduction. Nokia works in cooperation with civil society, governments, and industry towards the goal of widening access to digital technology in order to improve the quality of individual lives. Nokia also participated in the implementation and follow up of the World Summit on Information Society (WSIS), a process endorsed by the United Nations to establish the foundations for an Information Society which is accessible to, and benefits, all people. As part of these activities, Nokia participated in 2006 in the first Internet Governance Forum (IGF), which focused largely on capacity building.

Universities

Society - **University sponsorship and collaboration**

Nokia currently cooperates with more than 100 universities in 24 countries. This past year, activities have grown in Africa and Romania, and Nokia has also established new networks with universities in Pakistan.

Nokia's goal with its university relations is to strengthen cooperation, such as the creation of the Nokia-MIT lablet and the Nokia-Stanford lablet, with Nokia and universities working together at the same premises. Throughout 2007, Nokia will focus on evaluating the benefits of such collaborative projects and then aligning Nokia's attention with the universities where its presence has had the most impact.

Brandeis University's Heller School for Social Policy and Management

The university carried out a study of 13 youth development programs run by the International Youth Foundation and Nokia. The study showed that the programs significantly increased young people's engagement in their communities as well as their self-confidence and focus on the future.

- ◆ [Read more about the results of this study](#)

Industry-wide

Environment - **International Electrotechnical Commission (IEC)**

Nokia is actively involved in this international standardization working group. The purpose of the working group is to develop the standard procedures for the level determination of the six RoHS regulated substances in electronic and electrotechnical products. By utilizing the test methods defined within this standard, it is possible to ensure that the materials used in Nokia products are RoHS compliant.

Suppliers - **Global e-Sustainability Initiative (GeSI)**

Nokia's participation in GeSI continued in 2006. The GeSi Supply Chain Working Group is collaborating with the Electronic Industry Code of Conduct (EICC) implementation group to promote environmental protection and social development in the supply chain. Highlights from this year's cooperation include learning and capability building activities, the continued development of the online tool E-TASC, and an audit process which includes corrective action monitoring and stakeholder events.

- ◆ [Read more about the Learning & Capability Work Group.](#)

Supplier activities

Nokia is committed to active dialogue with suppliers and in 2006 continued to provide a platform for informational exchanges. Nokia hosted events such as Supplier Day (held late last year, where CR issues were one of the key themes) and various training sessions with certain commodities that have provided open space for discussion and a positive learning experience for all the parties involved.

Ethics - EU CSR Alliance

In 2006, Nokia became a member of the EU CSR Alliance, an industry-led initiative which aims to promote CSR throughout the European business sector. The purpose of this initiative is to highlight best practices and new ways to develop joint projects between companies and stakeholders. The alliance stems from the recent European Commission publication entitled, "Implementing the partnership for growth and jobs: Making Europe a pole of excellence on corporate social responsibility (CSR)".

Ethics - National Mirror Committee in Finland

Nokia participated with other stakeholders in the SR working group for the development of the ISO 26000 standard through a "mirror committee". The participation of different stakeholders at the national level adds to local legitimacy of the ISO SR process.

Society - European Information, Communications & Consumer Electronics Technology Industry Associations (EICTA)

Nokia is an active member of this digital technology association which represents 27 European countries. The group aims to improve the business environment for the European ICT and CE sectors, and to promote the economic and social growth which results from industry cooperation.

Society - Mobile Manual for Social Development

As a follow-up action to the Stakeholder Event which was held in 2005, Nokia and Vodafone have been setting the ground work for NGOs, foundations, and developmental and governmental agencies to share their successes and challenges in using mobile technology. The planned online "Mobile Manual for Social Development" will offer valuable insight into the use of mobile communications in civil society. Some of the areas covered include education, the environment, and health. The web-site will be launched in 2007 with the aim of creating a lively online community.

Other affiliations

Nokia's additional affiliations include:

- ◆ World Business Council for Sustainable Development (WBCSD)
- ◆ International Chamber of Commerce (ICC)
- ◆ The European Roundtable (ERT)
- ◆ European Information and Communications Technology Industry Association (EICTA)
- ◆ Cellular Telecommunications Industry Association (CTIA)
- ◆ Electronic Industry Alliance (EIA)
- ◆ German Association for Information Technology, Telecommunications and New Media
- ◆ Intellect
- ◆ German Electrical and Electronic Manufacturers' Association
- ◆ Confederation of Finnish Industries
- ◆ Technology Industries of Finland

Society

Investing in the community is an important way for Nokia to put its values into action. One such way is to share the benefits of mobile technology with poorer communities, and also with the government and non-governmental agencies that work in these areas. Other activities range from youth development and education to employee volunteering, disaster relief, and corporate giving.

Universal access

Bridging the digital divide

The socio-economic benefits of being connected are widespread - building from the local impact on individual livelihood to higher gross domestic product (GDP) growth in macro terms.

Nokia is committed to making universal access a reality. This goal goes beyond being an industry leader and producing innovative products and solutions. It means working closely with other private-sector companies, the public sector, and civil society to promote the spread of mobile technology. Nokia envisages connected societies that enable people to fulfill their potential.

- ♦ [Read more about Nokia's commitment to universal access](#)

Socio-economic impact

In 1997, there were less than 200 million people with mobile subscriptions. By the end of 2007, the number is expected to grow to three billion, with estimations reaching four billion by 2010.

The rapid pace of global adoption and diffusion of mobile communications have dispelled many common beliefs about people's willingness and ability to invest in new technology, both in developed and developing markets.

Early estimates based on disposable income levels have failed to show how investments in mobile communications technology can provide positive gains by enhancing social communication. Mobile communication is improving access to information access, thus lessening the need for unnecessary travel. For many, especially in developing markets, the ability to communicate remotely for the first time has brought forward economic opportunities for entrepreneurship.

Recent research findings indicate positive correlations between mobile communications and GDP, individual economic welfare through mobile telephony-enabled entrepreneurship. This can range from primary industries to services, and the direct role of mobile telephony-induced cost savings in organizing public services such as health care.

It is estimated that the current findings form only the tip of the iceberg, as many of the socio-economic implications of mobile telephony are what economists call soft issues and harder to measure. Issues such as community formation, ever widening information sharing, and the refining of knowledge, are and will be ever crucial to our understanding of the positive relationship between technologies and global socio-economic development.

In the context of global challenges such as poverty, discrimination based on information access, and women's societal role, the positive socio-economic impact of mobile telephony can contribute in many ways to lessening global societal ills.

Mobile Development Report

Mobile communications are already revolutionizing economic and social life in rural areas, encouraging a wave of local entrepreneurs and creating greater access to social services. The Mobile Development Report, by The Center for Knowledge Societies and Nokia, shows how rural income could grow further through the creation of appropriate technologies and identifies seven major service sectors (transport, micro-commerce, finance, healthcare, governance, education, and infotainment) that could be radically transformed through mobile technologies.

Village Phone

In 2005, Nokia and Grameen Foundation joined forces to expand the Village Phone concept to create new small businesses and affordable access to telecommunications in rural communities around the world. Building on successful projects in Uganda and Rwanda, Grameen Foundation and Nokia have extended the model to the Philippines and Cameroon.

In response to requests from microfinance institutions, Grameen Foundation and Nokia are currently developing a new concept called "Village Phone Direct." This is aimed at making a "Village Phone Business Kit" available for purchase in emerging markets. The kit will include a Nokia mobile phone, a booster antenna, a recharging solution, and custom-designed cables to connect the components. Village Phone Direct uses the existing mobile operator's network and allows microfinance institutions to directly implement the program. Pilots for Village Phone Direct are currently planned for four countries: India, Haiti, Angola, and Pakistan.

- ◆ [Read more about Village Phone](#)

Wireless village

The Wireless Village concept is a mobile communications network solution that makes mobile communication possible in hard to reach, rural areas where the costs of laying traditional wireless networks were previously considered too expensive. The solution reduces the operator's capital needs as well as the operating expenses, such that the network becomes feasible even in rural areas with few, low-income subscribers.

The network solution comprises access points within a village that handle call control and call completion. Multiple access points existing within neighboring villages are united at a regional Access Centre. One access point can support up to 150 subscribers.

While the environment varies across countries, the core Wireless Village model is flexible. Wireless village primarily caters to telecom operators in emerging markets that are witnessing a high level of urban mobile penetration but have not been able to enter rural markets because of the costly exercise of laying GSM networks.

Discussions with potential customers have confirmed that the main advantages of the solution include:

- ◆ Fulfills need for wireless connectivity for the rural population
- ◆ Provides a business model that is viable and manageable for both operator and subscriber
- ◆ Addresses concern regarding high costs in laying networks over vast expanse of lands with low population density, low disposable average incomes
- ◆ Solves the issue of spread out subscriber management

Youth development

During 2006 Nokia and the international children's organization, Plan, announced the establishment of a cooperation to use modern communications technologies to raise children's awareness of their rights and opportunities in Africa. Initially, this cooperation has focused on Plan's existing media and communications technology projects for children and youth in Egypt, Kenya, and Senegal. In the future, funding will be used to start new projects and develop programs for Nokia employees to support Plan's development work in additional countries.

International Youth Foundation

Since the year 2000, together with the International Youth Foundation, Nokia has had a global youth development initiative in more than 24 countries. During 2006, funding for our existing programs in Brazil, Nigeria, Peru, Russia, and Turkey was renewed for an additional 3 years and new programs commenced in Italy and Belgium. Meanwhile, three-year programs in Thailand, Korea, and the Philippines were completed.

Proven results

In 2006, Brandeis University's Heller School for Social Policy and Management carried out a study of 13 youth development programs run by the International Youth Foundation and Nokia. The study showed that the programs significantly increased young people's engagement with their communities as well as their self-confidence and focus on the future.

The study was based on surveys of over 3,500 youth, and set out to measure changes in young people's life skills and related outcomes. Some of the most significant findings were:

- ◆ Ninety-five percent of the young people surveyed were able to point to an increase in life skills targeted through the initiative. The most significant increases occurred in teamwork/cooperation, self-confidence, and creative thinking
- ◆ In programs that emphasized youth volunteerism, 72% of youth continued their involvement in volunteer projects after completing the program
- ◆ Across the 13 countries, 77% of participants said that participating in their local program had prepared them for a better life
- ◆ In all countries where educational outcomes were assessed, half the youth reported that they were working harder in school, getting better grades, and thinking they could now reach a higher level of education than they believed possible before the training
- ◆ [Read more about Nokia's work with the International Youth Foundation](#)

Our contribution

Nokia's main objective with its corporate giving is to invest in programs that are preventive and sustainable, connecting expertise from a multitude of societal components. Some contributions are embedded within normal business practices, such as the employee volunteering program, but others are offered during times of great need or crisis. The ideas behind Nokia's corporate giving efforts involve connecting people as well as fostering Nokia values such as respect and renewal.

2006 has been a fortunate time period with minimal natural tragedies occurring. Below you can find follow-up information regarding previous disaster relief efforts, as well as an update of Nokia's employee volunteering program.

Disaster relief

Tsunami reconstruction initiative

Nokia responded to the Asian tsunami tragedy of 2004 with direct cash contributions, product and service donations, and extensive employee volunteering. However, Nokia also wanted to support long-term rebuilding efforts in the area and has partnered with the International Youth Foundation and the Grameen Foundation to build skills and offer microfinancing loans to young people. The programs will support a revival of traditional handicrafts, diversify the sources of income for the population, provide access to capital and training, and promote production.

Nokia Education Fund

The Nokia Education Fund was established after the events of September 11, 2001 to provide educational scholarships to the dependent families of victims of the tragedy (US and international). Nokia provided US\$1 million for this purpose and additional funds were also donated by Nokia employees. The Fund is managed by the International Youth Foundation and administered by Scholarship America.

Since July 2002, the fund has disbursed 125 scholarships to 89 dependent children of victims of the tragedy. Students from a variety of academic disciplines have received Nokia Education Fund awards. The most popular degree programs are Business (9%), Law (9%) and Education (7%). Moreover, about two thirds of the recipients are undergraduate students, while the remaining one third is pursuing graduate degrees. The Fund's availability to qualified students is irrespective of their nationality or the location of their academic institution.

Pakistan earthquake

In response to the Pakistan earthquake of 2005 Nokia pledged support for the reconstruction of the affected areas, working together with the Edhi Foundation. During 2006, 100 new homes were built, construction commenced on three schools, and

17 craft centers were established. Furthermore projects have been set up to train young men in traditional craftsmanship and children in arts and theater projects.

Future plans extend to the construction of more schools, a health facility, and mountain pathways and trails to improve access to the region.

Mobile Learning Institute, Hurricane Katrina

A cooperative program between Nokia and the Pearson Foundation, the Mobile Learning Institute (MLI) is designed to fuse valuable educational experiences with the expanding communications possibilities that Nokia products provide. The program gives students the opportunity to build a greater sense of global community and express their unique perspectives on the world around them by creating films, music, and websites. Their art can then be shared on mobile communications devices at school.

In 2006, the Mobile Learning Institute used proven techniques from Nokia's Digital Storytelling Workshops to encourage children in the Gulf Coast region who were affected by the devastation of Hurricane Katrina to document their experiences in words and pictures. The result was Katrina: Our Side of the Story, a series of short films made by young people about their unique perspective on this national crisis.

- ◆ [Read more about the Mobile Learning Institute](#)
- ◆ [Watch the videos - Katrina: Our side of the story](#)

Employee volunteering

During 2006, Nokia employees volunteered 25,000 hours in 35 countries. The activities included nature clean-ups, blood donations, raising funds for various good causes, mentoring, and collections for clothing, school supplies, and toys.

As an example of our efforts, in October 2006 more than 50 Nokia volunteers participated in the inauguration of the Nokia Hope School in Hongyuan County, Sichuan, China. This was a follow-up trip of the 2005 Long March for Education, when 53 Nokia volunteers walked 60 kilometers from Songpan to Jiuzhai to raise money to build a school.



The volunteers stayed at the school for two days to provide educational training, and together with local doctors provided medical assistance to students and local residents. In addition, Nokia donated educational materials to the school. More than 500 students from surrounding areas will attend the Nokia Hope School.

Gao Rui, from Nokia China commented about the event, saying "the children there are lovely and very smart. I taught them computer skills which they learned in a very short time. This was such a meaningful activity that I will use my hands and heart to help others in the future as well!"

Society figures

Village Phone

Uganda - Since 2003, the number of Village Phones deployed: 6,701
Monthly growth of Village Phones: ~220-300
Rwanda - Since the project launch in June 2006, the number of Village Phones deployed: 167

- ◆ [Read more about Village Phone.](#)

Bridgeit

Over the past three years, text2teach has benefited more than 200 schools and 122,000 students, as well as trained 920 5th and 6th grade teachers and 203 school heads.

- ◆ [Read more about Bridgeit.](#)

Youth development

Since the year 2000, more than 360,000 young people have benefited from our global youth development initiative in conjunction with the International Youth Foundation.

Employee volunteering

During 2006, our employees volunteered 25,000 hours and volunteering activities took place in 35 countries.

Environment

Nokia's environmental strategy

Nokia aims to be a leading company in environmental performance. This aim is integrated into all aspects of its operations and is reflected in its top-level management commitment to sustainability.

Nokia's environmental activities are based on lifecycle thinking, covering the whole product lifespan from cradle to grave. The objective of this environmental strategy is to reduce the adverse environmental impacts of its products and activities while supporting Nokia's business priorities.

Strategy

The key focus areas of Nokia's environmental strategy are to drive the use of safe substances and materials in its products, improve the energy efficiency of its products and in its operations, and to create effective take-back and recycling programs.

At the heart of substance management at Nokia is the Nokia Substance List (NSL). This identifies substances that Nokia has banned, restricted, or targeted for reduction with the aim of phasing out their use in its products. Nokia works with its suppliers to investigate alternative materials and solutions and to help eliminate restricted or monitored substances from its total product line.

Energy efficiency is an important area for continuous performance improvement at Nokia. Focusing on its products and services, operations, offices, and work and management practices, Nokia's climate strategy covers all relevant areas focusing on the reduction of its CO2 emissions.

Effective end-of-life practices close the lifecycle loop, returning energy and materials back into circulation. Nokia's approach to take-back and recycling is to offer easy access to collection points for the return of used mobile devices and accessories. Nokia looks for ways to optimize the recyclability of mobile devices from the initial design phase in order to ensure the possibility of extracting valuable materials for re-use and recycling in a safe and efficient manner.

In June 2006, Nokia and Siemens announced their intention to merge the Networks business group of Nokia with the carrier-related operations of Siemens into a new company, to be called Nokia Siemens Networks. Nokia and Nokia Siemens Networks will align their activities and work in close cooperation regarding environmental issues.

- ◆ [Read more about Nokia Siemens Networks](#)

- ♦ [Find out about Nokia's Environmental Policy and management structure in detail](#)

2006 milestones



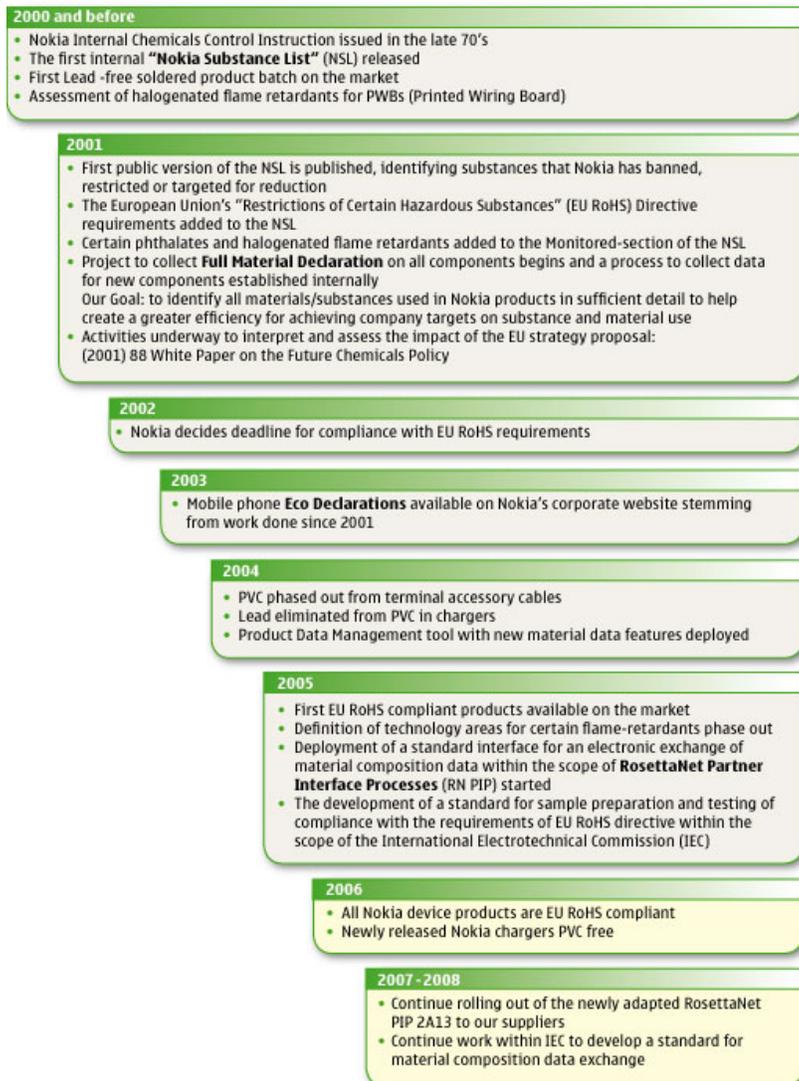
- 1 Raw materials**
 - All Nokia products sold in Europe are RoHS compliant, RoHS requirements will be applied to products sold globally
 - New Nokia chargers are PVC free
 - Phase out of Nokia restricted flame retardants ongoing according to Nokia Substance List requirements
- 2 Supply chain**
 - Nokia supplier requirements including environmental elements updated
 - Supportive structures provided by Nokia to assist suppliers on capability issues caused by new requirements
- 3 Own operations**
 - Nokia Management System (covering both certificates ISO9001 and ISO14001) for improved consistency at production sites
- 4 Use**
 - The "Energy Star" label implementation commenced
 - Flexi WCDMA BTS rolled out to markets
- 5 Recycling**
 - Further improvement of our understanding of consumer take-back habits
 - Take-back outreach across 85 countries with multiple service centers in a number of countries
 - 17 of these countries have additional Nokia take-back services outside of the Nokia Service Centers

Substance management

Substance management at Nokia is built on the underlying guiding principle that the use of chemicals in its products and processes shall be safe to both humans and the environment. During the planning and design of its products, Nokia continuously collects and analyzes information on the materials it uses to drive the use of safe substances and materials.

Nokia's approach is based on the precautionary principle. Where Nokia has reasonable grounds for concern over the possibility of severe or irreversible damage to health or the environment, lack of full scientific certainty should not be an obstacle to triggering actions to gather and assess additional data. This may lead to Nokia voluntarily taking steps, such as substituting substances of concern with safer alternatives where feasible alternatives are available.

Nokia's development of its substance management practices



Suppliers

Nokia implements 'Full Materials Data' collection for all components, parts, and assemblies used in its products. This enables a better understanding of how substances and materials are used in its products. It also gives Nokia the ability to quickly scan for substances and materials of possible concern and identify suppliers to assess possible material substitutions.

The Nokia Substance List specifies substances Nokia has banned, restricted, or targeted for reduction based on regulatory requirements and reasonable facts. Divided into two sections, Restricted Substances and Monitored Substances, Nokia applies these requirements worldwide. The scope of the restrictions covers substances present in Nokia's products and packaging materials.

- ◆ [Read more about Nokia Substance Management and the Nokia Substance List](#)

Nokia's target is to create a fully automated data collection process for material composition data exchange based on RosettaNet standards for electronic information interchange in 2007. For suppliers not currently using the RosettaNet system, Nokia will use International Electrotechnical Commission (IEC) standards compatible with RosettaNet.

Since 2001, Nokia has voluntarily provided eco declarations of all its mobile device and accessory products. The eco declaration provides information regarding the use of materials, energy consumption, packaging, disassembly, and recycling.

- ◆ [Read more about Nokia product and accessory eco declarations](#)

Nokia works together with its suppliers to ensure that the origins of materials used in the components of its products are not in areas where either human or animal rights are being violated. One substance over which there is much international debate is Coltan.

- ◆ [Read more about Nokia's position on Coltan](#)

Meeting requirements

RoHS

RoHS, the European Union directive for 'the Restriction of the Use of Certain Hazardous Substances in electrical and electronic equipment', became effective on July 1 2006. The directive applies to the use of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB), and polybrominated diphenyl ether (PBDE).

Nokia launched its first RoHS compliant product, the Nokia 5140i, a year ahead of the RoHS directive schedule in spring 2005, and has continued its work to apply RoHS requirements for its products globally.

In 2006, the Chinese Ministry of Information Industry promulgated the 'Management Methods for Control of Pollution Caused by Electronic Information Products (China RoHS)' regulation and related technical standards. Nokia has worked to ensure full compliance with this regulation and the relevant technical standards on schedule. Nokia has also worked on many fronts to promote the harmonization of China RoHS with the EU RoHS directive.

Preparing for REACH

REACH, the European Union regulation concerning the Registration, Evaluation, Authorisation, and Restriction of Chemicals, will enter into force on June 1 2007. This regulation will require the registration of some 30,000 substances in use today. The Regulation also calls for the progressive substitution of the most dangerous chemicals when suitable alternatives have been identified. Nokia has, since 2001, closely followed up and analyzed the development of the EU Commission's White Paper on the Strategy for a future Chemicals Policy into this regulation and is working to ensure it is adequately prepared for the practical application and efficient implementation of this legislation.

Packaging

Compact packaging

Nokia has been exploring the use of a smaller final packaging solution since early 2005. It designed and rolled out a space saving, compact sales package in spring 2006. This has reduced the amount of packaging materials by 54% compared to the previous solution, and using the same paper-based material inside and out has enhanced the overall recyclability of the packaging. The smaller size has doubled transportation efficiency with a more than 50% reduction in land and air shipping requirements. During 2006, Nokia shipped 60 million mobile devices in this small package alone, using more than 1,200 fewer trucks than the previous packaging solution.

Sales package size, g	2005	2006
Sales carton	62	42
Inner part (pulp)	30	-
Master carton	45	25
User guides	80	56
Total material weight	217	123
Transportation impact		
Pieces per pallet	420	900



Listening and responding

Nokia is reducing its environmental impact and meeting the requirements of consumers by optimizing its packaging design. An example of this is Nokia's cooperation with O2, one of its key operator customers.

In planning its online and telephone sales direct home delivery service in the UK, O2 was concerned that if a recipient should not be at home to receive the product, it would be returned and shipped again, perhaps several times. This is because the standard sales packaging needed to be packed inside an unprinted box to prevent physical damage or theft, which made it too large to fit through a home letterbox.

As there were no known packaging solutions available for this purpose, O2 asked Nokia to design a packaging solution that would be extremely strong, give visual protection to prevent theft while at the same time work as an icon for the service and support the customer's brand, and be small enough to fit through a letterbox.

Nokia's unique packaging solution, constructed from 100% fiber-based thin corrugated board which can be recycled, uses an outer box that protects the content from physical damage and offers visual protection against theft, an inner folder design that holds the content and is suitable for high-quality offset printing, and meets European standard mail delivery measurements - which means it fits through a home letterbox.

Nokia's packaging solution is helping to improve the service it offers its customers, to reduce shipping costs, and to benefit the environment. Due to its initial success, Nokia plans to roll out this award-winning package design for use in its own e-sales in 2007.

Energy efficiency

Energy efficiency is an important area for continuous performance improvement at Nokia. Focusing on its products and services, operations, offices, and work and management practices, Nokia's climate strategy covers all relevant areas focusing on the reduction of its CO2 emissions.

Nokia's approach to climate change

Extensive scientific research and statistics show that global warming as a result of CO2 emissions and other green house gases is a reality.

ICT as a whole accounts for less than 1% of CO2 emissions in the world. As Nokia does not have any heavy manufacturing operations it is considered a low-impact company when it comes to energy use and CO2 emissions. However, in order to show leadership and leverage its outreach, the way Nokia addresses the global challenge of climate change is integral to its environmental and business strategy.

Product efficiency

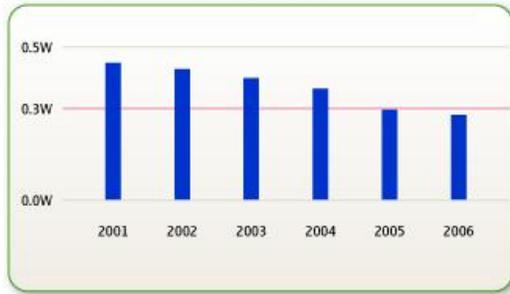
Nokia's mobile devices

For mobile devices in general, energy consumption during active use and when idle is already largely optimized due to

mobility and the restrictions of available battery capacity, and accounts for about one third of a mobile device's total lifetime energy consumption. Of this, one third is used when charging a mobile device's battery and two thirds when the charger is unplugged from the mobile device but is still drawing on the mains - a charger's no-load energy consumption.

From an energy saving perspective, a charger's no-load energy consumption is an important issue. The average no-load energy consumption of Nokia chargers is about 300mW, with Nokia's best-in-class chargers being around 150mW.

Average no-load figures based on charger models/volumes sold in specific year



0.3W has been established by the EC Code of Conduct on Energy Efficiency

Nokia has set the target to reduce the average no-load consumption of its chargers by 50%, and the no-load consumption of its best-in-class chargers to close to zero, by 2010. Nokia will equip its first devices with reminder alerts for consumers to unplug chargers once the battery is recharged, in 2007.

Mobile networks

In mobile networks, the majority of energy consumed is by base station sites, which are the links between mobile devices and the network infrastructure. The overall energy consumption of a networks' infrastructure is largely defined by the number of base stations and by the energy consumption of each base station.

Nokia Flexi WCDMA BTS



Nokia's new modular Nokia Flexi WCDMA base stations, for example, are 80% smaller and lighter than traditional equipment and use around 60% less power. This effectively demonstrates the trend in base station technology development, which will continue in the future.

Product energy efficiency (PEE) in base stations, W



Energy consumption calculated for reference configuration including three sector WCDMA base station with each sector with 20W output power and with capacity of 64 speech channels.

Meeting external criteria

Examples of how Nokia is reducing its environmental impact through energy efficiency in its products are through voluntarily participation in the European Commission Code of Conduct on Energy Efficiency of External Power Supplies and the United States Environmental Protection Agency (EPA) Energy Star initiative.

Since 2000, under the scope of the EC Code of Conduct's aim to minimize energy consumption, Nokia has committed to ensuring its chargers meet energy efficiency criteria set under no-load and load conditions.

Through collaborating with its suppliers, Nokia has met energy efficiency criteria set by the EPA and the US Department of Energy, and the Nokia AC-3, AC-4 and AC 5 chargers have received Energy Star approval. By 2008, all new Nokia mobile devices will use Energy Star certified chargers.

Supply chain

The manufacturing of key components and logistics are important sources of CO₂ emissions in Nokia's operations in the mobile device supply chain. Various mobile phone Life Cycle Analyses indicate that the production of printed wiring boards, integrated circuits, liquid crystal displays, and chargers represents the largest portion, around 60-90% of energy consumption.

Nokia will set energy efficiency and CO₂ reduction targets for its global suppliers that are in line with Nokia's internal target setting. Nokia will also require target setting for the reduction of energy consumption and CO₂ emissions from its logistics service providers.

- ◆ [Read more about Nokia's efforts with its suppliers during 2006](#)

Nokia offices and sites

Nokia creates direct CO₂ emissions related to energy consumption from its own operations and indirect CO₂ emissions from the energy that it buys. Nokia can reduce its energy consumption through energy efficiency and energy management as well as energy acquisition decisions.

Energy saving projects at Nokia started in Europe in 2003, the Americas in 2004, Finland in 2005, and China in 2005. As a result of these initiatives, Nokia's present total energy savings from 2003 levels in its facility technical systems is approximately 3.5 % of its total electrical energy consumption globally. Nokia's target for further cumulative energy savings from 2006 to 2012 is 5-8 % of additional savings from its annual facilities' energy consumption.

Green energy at Nokia

The green energy market has been developing during the past few years, and Nokia made its first green energy acquisition in October 2006 for one year at Nokia in the UK.

Nokia's total global electrical energy consumption today is approximately 640 GWh. Nokia's global target for green electrical energy is 25% of its electricity needs during 2007-2009, increasing to 50% in 2010.

The European Union aim is for renewable energy sources to provide 22% of all electricity needs in its member states by the year 2010. Nokia's target of 25% during 2007-2009 ensures Nokia is well ahead of schedule.

- ◆ [Read more about Nokia's energy consumption](#)

Nokia work and management practices

Teleworking, remote working from home or at an office other than an employee's own office, is already relatively common at Nokia. Combined with truly mobile working, where employees work where and when it makes most sense, this offers the potential to reduce CO2 emissions and energy use.

Nokia will aim to reduce its employees' business-related travel by increasing the amount of teleworking and introducing voluntary carbon offsetting.

Take-back and recycling

Making take-back and recycling easy

Mobile devices contain valuable materials which can be extracted and re-used, as well as certain substances which need to be disposed of in a safe and efficient manner. The safe and environmentally sustainable disposal of mobile devices and accessories can benefit both business and the environment.

Nokia's take-back and recycling activities are focused on offering easy access to collection points for the return of used mobile devices and accessories. Nokia is committed to driving the visibility and awareness of this issue wherever it does business.

Nokia take-back and recycling timeline

1997

Aiming to be a leader in environmentally sound practices.

Active member of the Mobile Phones Manufacturers Group which participated in the ECTEL pilots, the first launch of the take-back initiatives.

2000

Nokia Service Centers launched in the European Union.

- A voluntary initiative that established take-back channels at all Nokia-owned service centers.

2002

Nokia entered a sustainable partnership with the signatories to the Basel Convention and other stakeholders to develop and promote the environmentally sound management of end-of-life mobile phones. The working group is known as the **Mobile Phone Partnership Initiative (MPPI)**.

Nokia China started the nation-wide "End-of-Life Mobile Phone and Accessories Take-back Program". The first commercial and/or charitable collection and recycling schemes aimed at refurbishment and resale start to compete with Nokia's voluntary take-back and recycling.

2003

Electronics industry-wide cooperation

In connection with the WEEE-legislation, Nokia worked with various producer organizations in order to assist the establishment of industry-wide collections at a local level throughout the EU.

- Nokia's take-back programs now active in all EU countries which began implementing this process.
- Once this EU system is operating at full capacity it will be easier to gauge customer take-back understanding and what can be improved within recycling systems for enhanced results.

2004

Nokia continues to build up its take-back capacities with an increased focus on consumer education.

2005

Results from take-back programs less successful than anticipated as consumer awareness remains low. Nokia further re-evaluates its take-back processes and outreach.

2006

Take-back message fine-tuned. New pilot programs launched covering different return channels, awareness mechanisms, and incentives. Key Nokia take-back programs include:

- China: Green Box
- US: E-bay, America Recycles Day, Earth Day, Flagship Stores, Experience Centers, Marketing Events, and Bag in the Sales Pack
- Finland: WWF/Holiday campaign

Research and development undertaken to improve current recycling habits/patterns

Multi-stakeholder pilots launched to further develop existing take-back channels with information learnt from WEEE cooperation, IPP, and UNEP

Refurbishment Guidelines introduced through the MPPI (UNEP) working group moving towards adoption.

Nokia service points are now located in 85 countries.

2007 - 2008

- Nokia will undertake focus studies on its take-back campaigns to better understand which methods have a positive impact on customers' take-back habits.
- MPPI will complete its testing of guidelines and gathering feedback in order to produce a final version for adoption in 2008. The aim is to establish globally accepted practices for the "environmentally sound handling" and refurbishment of mobile goods.
- Further training will be provided to Nokia Service Center staff to increase take-back awareness
- Regular environmental performance assessments will continue at authorized recycling vendor facilities to ensure that all Nokia environmental requirements are met.

Nokia aims to offer take-back opportunities at all of its Nokia Service Centers around the world. This extended to 85 countries by the end of 2006, with additional take back services in 17 of these countries where consumers can return used mobile devices and accessories through prepaid envelopes, producer associations, cooperation with retailers and operators, as well as specific take-back and recycling campaigns. All mobile devices and accessories returned to Nokia are sent to Nokia authorized recyclers for end-of-life management in safe and controlled conditions, enabling safe extraction of re-usable materials.

Nokia's take back efforts in action

Nokia is committed to continually driving visibility and awareness of take-back and recycling and constantly looks at ways to expand both the global and local availability and accessibility of take-back channels. There are examples of Nokia take-back and recycling initiatives wherever it does business.

The Green Box program, initiated by Nokia and in cooperation with China Mobile and Motorola, is an industry-wide mobile device take-back initiative for consumers in China. Starting with take-back boxes placed throughout 40 major cities and at Nokia Care Points in China, this nationwide program has grown to include the collection of any type and brand of mobile devices and accessories.

Nokia's take-back options in the United States include an online service on the Nokia USA website for printing postage-paid labels for envelopes in which used mobile devices and accessories can be returned, placing 1.5 million prepaid and addressed mobile device and accessory recycling envelopes in sales packages, and collaboration with eBay on its Rethink Initiative to return mobile devices free-of-charge.

In Finland, Nokia and WWF launched a joint campaign running from December 2006 until February 2007 to distribute envelopes for the return of used mobile devices for recycling. For each returned mobile device and accessory, Nokia donated 2 Euros towards WWF Finland's climate change prevention work.

- ♦ [Read more about Nokia's take-back and recycling programs](#)

Responsible recycling practices

For the recycling of obsolete mobile devices and batteries, Nokia selects companies audited through its Set of Requirements for Service Providers. In addition to fulfilling legal requirements and good operational practices, Nokia assesses how eco-efficient are a company's recycling processes and the down-stream flow it utilizes.

Nokia made over 25 site assessments of potential recycling partners globally in 2005, and 15 in 2006. Companies under existing contracts are re-assessed and audited on a frequent basis. Nokia currently collaborates with around 15 recycling companies globally.

Refurbishment and MPPI guidelines

Stemming from Nokia's work with the Mobile Phone Partnership Initiative, a voluntary partnership under the Basel Convention (United Nations Environmental Program), and at a governmental and industry level, a set of guidelines have been established that address the refurbishment of mobile devices in mature markets for re-sale in developing markets.

The guidelines address the refurbishment of used mobile phones, the collection of mobile phones, material recovery and recycling of end-of-life mobile phones, awareness raising-design considerations, and the transboundary movement of collected mobile phones.

Nokia does not support the refurbishment of mobile devices due to there being no generally recognized or accepted way to quantify or prove any environmental benefits resulting from current refurbishment practices, as well as the lack of an established business model to ensure high-quality refurbished goods.

All end-of-life handling and recycling of Nokia products is carried out in accordance with relevant local regulations and legal requirements, meeting recommendations set out in the 2006 UNEP Guidance Document on Environmentally Sound Management of Used and End-of-Life Mobile Phones as a minimum requirement.

- ◆ [Read more about the Mobile Phone Partnership Initiative](#)

Operations

Energy consumption, waste management, and water consumption are the key environmental impacts of Nokia's operations. During 2006, Nokia's Management Systems continued to meet the requirements of international standards ISO9001 and ISO14001, further improving consistency at its manufacturing sites globally.

Environmental management systems

Environmental Management Systems (EMS) at Nokia production sites are ISO 14001 compliant, with the exception of its production site in Chennai, India, where Nokia is working towards ISO 14001 compliance in 2007. Taking guidance from this international standard, Nokia has additionally implemented internally verified environmental management systems at all its main office and R&D facilities.

Nokia facilities

Sustainable construction

Based on Nokia's Sustainability Guideline for Construction Projects, Nokia is currently testing the integration of sustainability concepts in some of its key building projects in Espoo, Finland. The Guideline integrates mechanical, energy and environmental issues in the design and construction process. In 2007, Nokia will be seeking LEED Green (Leadership in Energy and Environmental Design) building certification for a new office and R&D building in Beijing, China.

Sustainability guidelines for real estate site selection

Nokia's Operational Guideline sets out standard practices on how Nokia selects its new sites from an environmental and sustainability perspective. Providing a systematic process to ensure that new real estate facilities meet sustainability criteria, and that a standard set of principles is utilized globally, the Nokia Operational Guideline is scheduled to be rolled out in 2007.

Nokia's Supplier Network Management

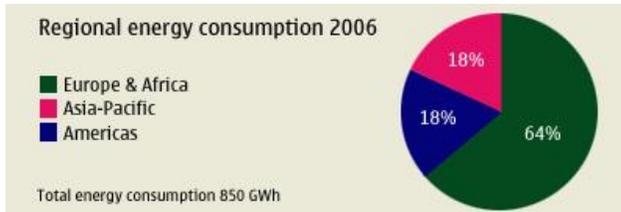
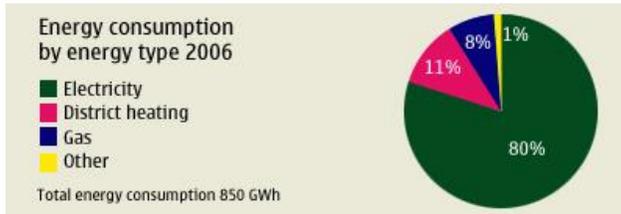
A large part of the lifecycle environmental impact of Nokia's products arises from the activities of its suppliers. As part of Nokia's environmental supplier network management, Nokia requires its suppliers to evaluate the environmental performance of their own suppliers and set targets for improvement as needed in order to reduce the environmental impact of upstream supply chain activities.

- ◆ [Read more about Nokia's Supplier Network Management](#)

Data

Energy consumption

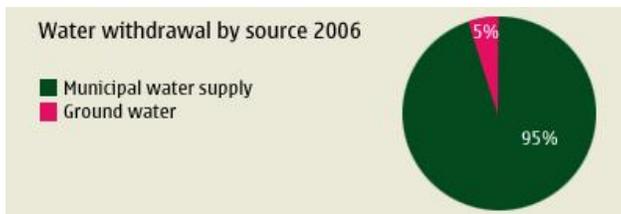
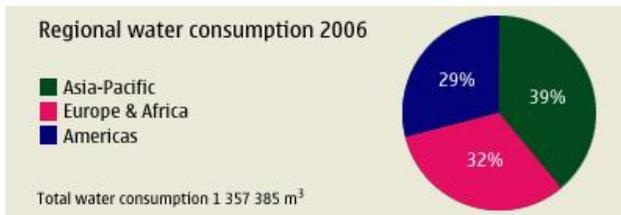
Half of the energy consumed at Nokia facilities is used for maintaining indoor air conditions for production processes and work spaces. Several energy-saving campaigns in different regions have been conducted in Nokia offices. Nokia is currently creating an energy metering system which will ensure that targeted levels are continuously met.



◆ [Take a look at Nokia's figures since 2000](#)

Water consumption

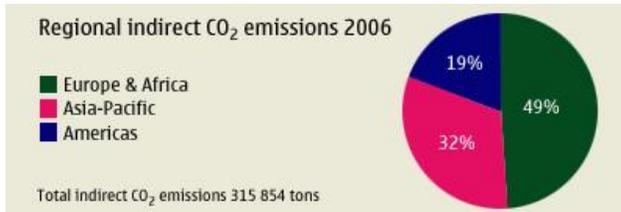
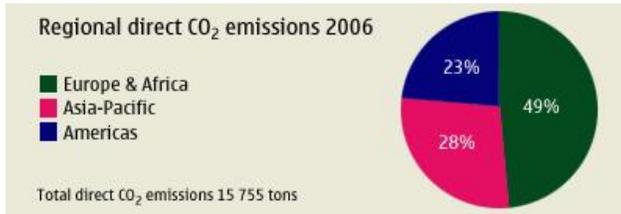
Water at Nokia facilities is mainly used for sanitary and catering purposes, with only small volumes used in the production processes, such as for cooling systems.



◆ [Take a look at Nokia's figures since 2000](#)

Air emissions

Direct CO₂ emissions from Nokia facilities into the air are insignificant in comparison to the CO₂ emissions from the production of energy used at our facilities. Volatile organic compounds (VOC) arise from the use of solvents in the soldering process; these emissions have been reduced, however, and are low.



- ◆ [Take a look at Nokia's figures since 2000](#)

Ozone-depleting substances

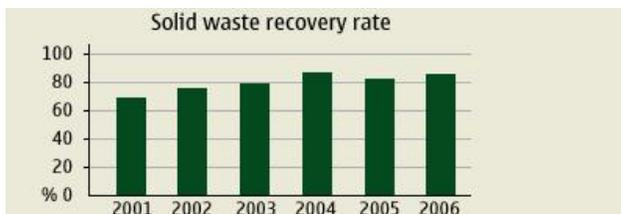
ODS are compounds that contribute to stratospheric ozone depletion. They include chlorofluorocarbons (CFCs) - which can be used as refrigerants, solvents, and aerosol propellants - and halons, which are used primarily as firefighting agents. ODS are not used in our products or production. The reported ODS figures are due to ODS contained in cooling systems in facilities.

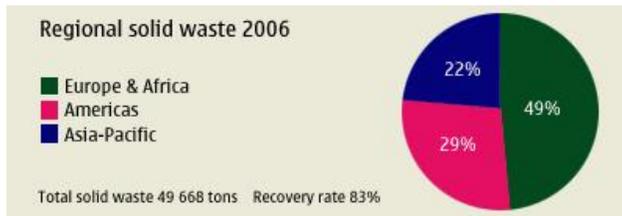


- ◆ [Take a look at Nokia's figures since 2000](#)

Waste management

Nokia's goal is to reduce all waste fractions to a minimum, especially those destined to end up untreated in landfills. 83% of Nokia's solid waste is reused as such, recycled for materials or used as a source of energy. Increased reuse and recycling of packaging has significantly reduced the volume of waste at production sites.





- ◆ [Take a look at Nokia's figures since 2000](#)
- ◆ [Get an overview of Nokia's environmental data in relation to net sales](#)

Targets

[Customer care targets](#)

[Customer care targets](#)

Issue	Action	To be completed
Accessibility	<ul style="list-style-type: none"> Development of additional advanced hands-free operations such as texting and personal organization for higher-speed multimedia devices 	2007
Health & safety (EHF)	<ul style="list-style-type: none"> Roll out of training course to network teams in order to facilitate further constructive engagement within communities regarding public perceptions of network technology 	2007

[Human resources targets](#)

[Human resources targets](#)

Issue	Progress	To be completed
Nokia Values	<ul style="list-style-type: none"> Strong efforts made towards employee engagement regarding Nokia Values in the context of Nokia's overall corporate culture. The Nokia Leadership model will be launched throughout the organization globally, followed by reinforcement activities for all Nokia leaders. 	2007 2007
Talent review	<ul style="list-style-type: none"> Continue talent review exercise for enhanced visibility of key talent existing within the organization, utilizing historical data to provide insights and foresights. 	2007 onwards
Talent management	<ul style="list-style-type: none"> Increased attention to emerging economies. 	2007 onwards
Performance evaluation	<ul style="list-style-type: none"> Closely monitor implementation of new PE approach with an intensified focus on quality discussions between manager and employee. Balanced attention to the "what" and "how", providing tools to facilitate process and coach managers/employees. 	2007
Investing in People (IIP)	<ul style="list-style-type: none"> Nokia's performance management process: By increasing IIP functionality balancing on objective settings, on-going review, competency management and development plans, as well as performance evaluation and rewards, a line of sight is created between the highest level strategic priorities and team/individual objective settings, driving employee engagement at all levels. 	ongoing
Performance based rewarding	<ul style="list-style-type: none"> Review our reward practices at production sites for alignment with the local competitive market. 	2007
Employment guidelines	<ul style="list-style-type: none"> Systematically follow how the process of updating local policies has ensured consistent employment practices across all countries. A review of the guidelines will be undertaken to identify possible new topics for inclusion and whether the recent organizational change has had any other implications. 	2007
Occupational Health & Safety	<ul style="list-style-type: none"> Chennai factory is targeted to certify their combined Environment, Health & Safety (EHS) management system. 	2007

[Supply chain targets](#)

[Supply chain targets](#)

Issue	Action	To be completed
Nokia Supplier Requirements	<ul style="list-style-type: none"> Implementation of updated Nokia Supplier Requirements 	2007 onwards
Supplier on-site assessments	<ul style="list-style-type: none"> Continuation of on-site supplier assessments and review of methodologies as part of continuous improvement 	ongoing
Capability building	<ul style="list-style-type: none"> Increase capability building activities with key suppliers and continue training for internal sourcing personnel 	ongoing
Metrics	<ul style="list-style-type: none"> Review current metrics for tracking management of environmental and social issues in the supply chain 	ongoing
Substance management	<ul style="list-style-type: none"> Support roll out of the "Marking for Control of Pollution Caused by Electronic Information Products" (China RoHS) 	2007
Industry participation	<ul style="list-style-type: none"> Continue to participate within GeSI SCWG and assess implications of recent organization change 	2007

[Environmental targets](#)

[Environmental targets](#)

Issue	Action	To be completed
Environmental management systems (EMS)	<ul style="list-style-type: none"> Chennai operations covered by the corporate ISO14001 certificate 	2007
	<ul style="list-style-type: none"> Enhance energy saving projects at own operations and increase waste management control 	2007-2010
Substance management	<ul style="list-style-type: none"> Incorporate an internationally standardized tool to exchange full material composition data between suppliers via the RosettaNet PIP2A13 	2007
	<ul style="list-style-type: none"> Continue work with the IEC to develop standards for material composition data exchange 	2007-2008
	<ul style="list-style-type: none"> Continue work regarding challenges of limited availability within the supply chain to fill current Nokia substance requirements 	ongoing
	<ul style="list-style-type: none"> Implement upcoming China and APAC RoHS requirements to Nokia 	2007
Energy efficiency	<ul style="list-style-type: none"> "Reminder" alerts for consumers to unplug their phone available in first Nokia devices 	2007
	<ul style="list-style-type: none"> All new Nokia mobile devices will use Energy Star certified chargers 	2008
	<ul style="list-style-type: none"> Reduce average no-load consumption of chargers by 50%, with no-load best-in-class chargers close to zero 	2010
Take-back and Recycling	<ul style="list-style-type: none"> Focus studies on current take-back campaigns to further understand methods to encourage customers' take-back habits 	2007
	<ul style="list-style-type: none"> Aiming to establish globally accepted practices for "environmentally sound handling" and refurbishment of mobile goods in conjunction with MPPI guidelines 	2008
	<ul style="list-style-type: none"> Further training provided to Nokia Service Center staff to increase awareness 	2007
	<ul style="list-style-type: none"> Conduct regular environmental performance assessments at authorized recycling vendors' facilities to ensure that all Nokia environmental requirements are met 	ongoing

Indexes

Nokia provides two separate indexes:

[Global Reporting Initiative \(GRI\) Guidelines](#) Nokia's CR report within the GRI framework to ease compatibility with other organizations

[Ten principles of the United Nations Global Compact](#) Nokia's continued commitment to the UN Global Compact

GRI

Nokia's 2006 reporting criteria have been selected based on their relevance to our business, the overall impact of our operations, and feedback from our stakeholders.

Nokia has not attempted full compliance with the Global Reporting Initiative (G3 Sustainability Reporting Guidelines) and GRI Telecommunications Sector Supplement (July 2003), although in many instances, we have either fully or partially taken into consideration GRI indicators when creating content for our reporting materials.

Strategy and analysis

1.1 CEO statement [CR report](#) and [corporate website](#)

1.2 Key impacts, risks and opportunities [CR report](#) and [corporate website](#)

Organizational profile

2.1-2.9 [CR report](#) and [corporate website](#), and [Form 20-F](#)

Report parameters

3.1-3.4 Report profile [CR report](#)

3.5-3.7, 3.11 Report scope and boundary [CR report](#)

Governance, commitments, and engagement

4.1-4.10 Governance [CR report](#) and [corporate website](#)

4.11-4.13 Commitments to external initiatives [CR report](#) and [corporate website](#)

4.14-4.16 Stakeholder engagement [CR report](#) and [Open dialogue](#)

Economic performance indicators

GRInumber GRIndicator Where to find more

EC1 Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.

[Sustainability summary](#)

EC2 Financial implications and other risks and opportunities for the organization's activities due to climate change. [CR report](#)

EC7 Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. [Sustainability summary](#)

EC8 Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. [Sustainability summary](#)

EC9 Understanding and describing significant indirect economic impacts, including the extent of impacts. [CR report](#) and [corporate website](#)

EC3, EC4, EC5 and EC6 These indicators have not been highlighted. Nokia's 2006 reporting criteria have been selected based on their relevance to our business, the overall impact of our operations and feedback from our stakeholders. Geographical or other organizational breakdowns have replaced some indicators in cases where full reporting would compromise our competitor confidentiality.

Environmental Performance Indicators

GRInumber GRIndicator Where to find more

EN3 Direct energy consumption by primary energy source. [Sustainability summary](#)

EN4 Indirect energy consumption by primary source. [Sustainability summary](#) and [Environment](#)

EN5 Energy saved due to conservation and efficiency improvements. During 2006, Nokia's energy efficiency projects in facility technical systems saved e.g. in China 7500 MWh and in Finland 10 000 MWh. Nokia's overall target for new energy savings in its facility technical systems is up to 8% per annum of its total electrical energy consumption by 2012.

EN6 Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives. [Energy efficiency](#)

EN7 Initiatives to reduce indirect energy consumption and reductions achieved. [Environment](#)

EN8 Total water withdrawal by source. [Sustainability summary](#) and [Environment](#)

EN14 Strategies, current actions, and future plans for managing impacts on biodiversity. [CR report](#) and [EMS](#)

EN16 Total direct and indirect greenhouse gas emissions by weight. [Sustainability summary](#) and [Environment](#)

EN18 Initiatives to reduce greenhouse gas emissions and reductions achieved. [CR report](#)

EN19 Emissions of ozone-depleting substances by weight. [Sustainability summary](#) and [Environment](#)

EN20 NO, SO, and other significant air emissions by type and weight. [Environment](#)

EN21 Total water discharge by quality and destination. [Environment](#)

EN22 Total weight of waste by type and disposal method. [Sustainability summary](#) and [Environment](#)

EN23 Total number and volume of significant spills. There have been no spills in 2006.

EN26 Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. [CR report](#) and [Environment](#)

EN28 Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. There have been no environmental sanctions in 2006.

EN1, EN2, EN9-13, EN15, EN17, EN24, EN25, EN27, EN29, EN30 These indicators have not been highlighted. Nokia's 2006 reporting criteria have been selected based on their relevance to our business, the overall impact of our operations

and feedback from our stakeholders. Geographical or other organizational breakdowns have replaced some indicators in cases where full reporting would compromise our competitor confidentiality.

Social performance indicators

Labor practices and decent work

GRNumber **GR**indicator **Where to find more**

LA1 Total workforce by employment type, employment contract, and region. [CR report](#) and [Form 20-F](#)

LA7 Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. [Sustainability summary](#)

LA8 Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. [CR report](#)

LA10 Average hours of training per year per employee by employee category. [Sustainability summary](#)

LA11 Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. [Careers](#)

LA12 Percentage of employees receiving regular performance and career development reviews. Performance reviews and development plans occur regularly, as a continuous ongoing process. Achievement against objectives is formally reviewed and discussed with the manager twice per year. Performance evaluations are held at the end of each calendar year. Every employee has a personal development plan, formally reviewed once per year.

LA13 Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. [Sustainability summary](#), [CR report](#), and [Form 20-F](#)

LA2-6, LA9 and LA14 These indicators have not been highlighted. Nokia's 2006 reporting criteria have been selected based on their relevance to our business, the overall impact of our operations and feedback from our stakeholders. Geographical or other organizational breakdowns have replaced some indicators in cases where full reporting would compromise our competitor confidentiality.

Human rights performance indicators

GRNumber **GR**indicator **Where to find more**

HR2 Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. [Supply chain](#)

HR3 Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. [Code of Conduct](#)

HR5 Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. [Code of Conduct](#)

HR6 Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. [Code of Conduct](#)

HR7 Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor. [Code of Conduct](#)

HR1, HR4, HR8 and HR9 These indicators have not been highlighted. Nokia's 2006 reporting criteria have been selected based on their relevance to our business, the overall impact of our operations and feedback from our stakeholders. Geographical or other organizational breakdowns have replaced some indicators in cases where full reporting would compromise our competitor confidentiality.

Society performance indicators

GRNumber **GR**indicator **Where to find more**

SO1 Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. [CR report](#) and [Society](#)

SO3 Percentage of employees trained in organization's anti-corruption policies and procedures. [Code of Conduct](#) and [Sustainability summary](#)

SO5 Public policy positions and participation in public policy development and lobbying. [CR report](#) and [Engagement](#)

SO2, SO4 and SO6-8: These indicators have not been highlighted. Nokia's 2006 reporting criteria have been selected based on their relevance to our business, the overall impact of our operations and feedback from our stakeholders. Geographical or other organizational breakdowns have replaced some indicators in cases where full reporting would compromise our competitor confidentiality.

Product responsibility performance indicators

GRI number GRI indicator Where to find more

PR1 Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. [CR report](#) and [EMF](#)

PR3 Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. [Corporate website](#)

PR5 Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. [CR report](#) and [corporate website](#)

PR6 Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. [Code of Conduct](#)

PR2, PR4 and PR7-9 These indicators have not been highlighted. Nokia's 2006 reporting criteria have been selected based on their relevance to our business, the overall impact of our operations and feedback from our stakeholders. Geographical or other organizational breakdowns have replaced some indicators in cases where full reporting would compromise our competitor confidentiality.

Global compact

Nokia's continued support

Nokia is committed to the principles of the United Nations Global Compact and has been a signatory and active member since its inception.

In this report, we have sought to review progress on our activities and programs that support the ten principles of the Compact in the area of human rights, labor standards, the environment, and working against corruption. Veli Sundback, Executive Vice President, Corporate Relations and Corporate Responsibility

Global compact - 10 principles

Human rights

- ◆ Businesses should support and respect the protection of internationally proclaimed human rights
- ◆ Businesses should make sure that they are not complicit in human rights abuses

Labor standards

- ◆ Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
- ◆ Businesses should uphold the elimination of all forms of forced and compulsory labor
- ◆ Businesses should uphold the effective abolition of child labor
- ◆ Businesses should uphold the elimination of discrimination in respect of employment and occupation

Environment

- ◆ Businesses should support a precautionary approach to environmental challenges
- ◆ Businesses should undertake initiatives to promote greater environmental responsibility
- ◆ Businesses should encourage the development and diffusion of environmentally friendly technologies
- ◆ Businesses should work against corruption in all its forms, including extortion and bribery

Personal Report

About the report

This is Nokia's 4th Corporate Responsibility (CR) Report, covering the calendar year of 2006. The report is available online and can be downloaded in a structure that allows readers to decide which topics are most relevant to them; hence they

create their own CR report.

The report aims to highlight Nokia's performance within the realm of the areas where business practices affect society and the environment. It is divided into the following key areas: ethical, socio-economic and environmental, in conjunction to the various stakeholders Nokia engages with on a regular basis. Background information, further details, and a history of Nokia's CR activities can be found within the [corporate pages of Nokia's website](#).

Details about Nokia's financial performance are published in Quarterly Results Release, the Annual Form 20-F Report, and Nokia's Annual Accounts. All these can be viewed on the [corporate website](#). Nokia's CR Report and the Form 20-F are released simultaneously in order to present a more cohesive image of Nokia's global operations.

The country-by-country approach used in Nokia's 2005 CR Report is currently being integrated into the corporate CR website as standard practice when presenting Nokia's global commitments to communities. This is scheduled for completion in mid-2007.

A condensed version of Nokia's CR Report 2006 will be available with Nokia's corporate brochure in late spring, 2007. Previous reports can be found on the [company's CR website](#).

Nokia's CSR team can be contacted for more information at csr.feedback@nokia.com

- ◆ [Disclaimer](#)

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