

# CR Report 2005



**NOKIA**  
Connecting People

# CR Report 2005



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## CEO Message



### Message from Olli-Pekka Kallasvuo, CEO

**Nokia Corporation 1 June, 2006**

Despite the complexity surrounding Corporate Responsibility (CR) issues, I see sound environmental, ethical and social principles as central to building long-term value. Effective environmental management, for example, cuts waste and reduces costs. Responsible labor practices can result in lower absenteeism and labor turnover as well as higher productivity, creativity and quality.

We are increasingly approached by our customers, suppliers, our own employees, investors and the wider public to engage on these kinds of issues. This report is one important channel for this.

The year 2005 was an important year for engagement. Our Executive Board fully updated our Code of Conduct, rolling it out in September as a web-based learning tool, which 75% of our employees have now completed. Highlights in other areas include, staging a successful global stakeholder event, increased focus on improving internal labour conditions management, the industry's first mobile phone and network product compliant with new EU restrictions on hazardous substances, and the initiation of a mobile phone microfinancing project in Africa.

In our sourcing work, feedback from our suppliers, led us to revise and update our Nokia Supplier Requirements. In particular, the environmental and ethical sections of the new guidelines, to be introduced later this year, reflect an increasing public focus on concerns such as substance and waste management, as well as human rights.

On broader sustainability issues, I see the success of big business and the wellbeing of the world as closely linked. Nokia's core business, mobile communications, is in itself good for development. There is already a clear correlation between access to low-cost mobile communications in the world's least developed countries and increased economic growth, social networks and quality of life.

Going beyond our core business, I also see a role for private sector activity in tackling global challenges. More work needs to be done on defining the exact nature of this role but the general consensus is that firstly a responsible, values-driven business sector can be crucial in addressing global development issues, and secondly that partnerships among private and public sectors, and civil society — even with all the complexities such relationships bring — can have enormous potential for achieving results.

Nokia is already visible at local and global levels through our many community involvement projects that go beyond the technology, products and services we create. In addition to disaster relief, corporate giving and volunteering, we work together with governments, corporate partners and the non-profit sector in addressing important social issues through our focus on youth life-skills and education.

I am proud of the commitment we have always tried to show in demonstrating responsible behaviour to our stakeholders. However, continued good work must be done in ensuring that Nokia's environmental and ethical programs are not seen as separate add-on management features. They must become embedded in all our processes and attitudes.

In making this happen, I am calling for the determination of all Nokia employees to carry out their work responsibly through our values and our newly updated code of conduct. Newcomers to the Nokia team must also commit to the code, which has now been translated into 30 languages, and understand what it means for them and their contribution to our business.

# Letter to stakeholders



## Introduction

At Nokia, reporting is an integral part of our corporate responsibility work. We see clear and consistent communications on our progress as fundamental to building trust and reputation that goes far beyond the financial community.

We produced our first corporate responsibility report in 2002. Since then, we've worked steadily to increase the quality and scope of our reporting content as well as raise the level of awareness on ethical and environmental issues internally and with our stakeholders.

In this way, you could say that our reporting has been more than just a journey towards producing an annual publication. It has become an active and ongoing dialogue with our own people and those outside our organization with whom we cooperate and work.

## 2005 — A year of communications

The year 2005 can be characterized as a big year for communications. Many of our major actions and achievements involved engaging both internally and with our external partners. Early in the year, Nokia's Group Executive Board made a full update of our Code of Conduct and launched a companywide awareness-building campaign.

Based on an e-learning training and discussion platform, launched in September, more than 65% of our employees had been reached by the year end. Our Code of Conduct, which sets out how our employees should carry out their work, was translated into 25 languages by the end of 2005, compared to 15 in 2004.

### Stakeholder days 2005

In 2005, we staged a successful global stakeholder event, bringing together 110 participants from 28 countries representing civil society, the public sector, academia, and a range of businesses. The aim of the event was not to chair a Nokia-centric forum, but rather provide a level platform for participants to give frank views on broader issues important in the societies where we operate.

Discussions over the two days moved from the importance of multi-sector cooperation and taking care of youth to corporate responsibility reporting and mobile communications for development. This led to several initiatives, including our commitment to publish a study on Mobile Communications and Development in 2006 as well as a pledge to run a similar event in 2007.

### EC integrated product pilot

Another good example of our external involvement comes through in our work with the European Commission's Integrated Product Policy. This is a totally new approach for achieving environmental improvements and finding new ways to steer them instead of the traditional command and control regulatory measures used by authorities today. The Commission chose Nokia as one of two companies to help pilot this new approach.

During 2005, we worked intensively with our suppliers, competitors, customers, recyclers, public authorities including the Commission, consumer organizations and NGOs to identify relevant life-cycle environmental issues as well as policy tool related issues to steer environmental improvements effectively. As a full member of the UNICT Taskforce, Nokia also played a key role in the second World Summit on the Information Society in Tunisia.

### **RoHS compliance in sight**

Also working with our own people and our suppliers, we are now well on the way to full compliance with the European Union's RoHS directive restricting the use of potentially harmful substances in product manufacturing. This applies to all electric and electronics equipment put onto the market following 1 July 2006.

In 2005, we launched two fully-compliant products, the Nokia 5140i, which became the first RoHS-compliant mobile device on the market and the Nokia FlexiHopper Plus microwave radio, one of the industry's first mobile network products compliant to RoHS including lead-free manufacturing capability in volume deliveries since the first quarter of 2005.

### **Takeback and recycling**

In our work in takeback and recycling, Nokia's strategic aim is to offer globally available and accessible takeback channels to all our customers. We are also committed to driving visibility and awareness around this issue, wherever we do business. However, governments, industry groups, retailers and consumers in every region approach this issue slightly differently.

In Europe, for example, last year our focus was on complying with the European Union's new Waste Electrical and Electronic Equipment directive, while in North America and China, we began piloting new local initiatives to build awareness and increase takeback avenues and volumes.

Activities in the US included a tie up with E-bay's Rethink — a recovery program for retired handsets at no cost to the customer — and an Earth Day internal awareness-building event staged at the Nokia Experience Centers and across five major Nokia sites in North America, as well as takeback collection bins at each Nokia location, and at government offices in Texas, Florida and New Jersey.

In China, we launched the Green Box Take-back Scheme, in cooperation with our largest customer and our largest competitor there to set up a mobile phone and accessories takeback system. As our largest market, with more than 400 million mobile subscribers, the need for effective end-of-life treatment practices is escalating exponentially. This new project has come up with an effective takeback model for China as well as raised national awareness on the issue and seven other major mobile phone manufacturers have now joined the scheme.

### **Working with WWF**

Still in our environmental work, this year marks a move towards the successful completion of a three-year cooperation agreement with WWF. Highlights of the agreement, aimed at mutual learning, include access for all Nokia employees to a web-based application for raising environmental awareness, as well as business case projects, workshops, voluntary activities and joint stakeholder seminars across the organization and around the world.

### **New supplier requirements**

We see our suppliers are an extension of our own business and in a very real sense they are. In our relationships with our suppliers, we were very active, continuing our regular communications, conducting supplier assessments and driving improvements. We have also been revising our global set of Nokia Supplier Requirements.

New requirements, due to be communicated later in 2006, reflect the increasing importance of environmental issues, ethics, health and safety and labor conditions in the supply-chain. In this new version, our aim has been to position these issues in a positive light, linking them to day-to-day business practices.

At industry-level, we also continued our participation in the supply-chain working group of the Global e-sustainability initiative, supporting the aims to promote good conduct and develop tools, management practices, processes and systems to assist members in dealing with CR-related supply-chain issues.

## **Nokia in the community**

In 2005, the number of mobile subscribers in the world reached 2 billion, with 3 billion projected by 2008. The galloping pace of this technology is having far-reaching positive impacts on society, particularly in the developing markets of Asia, the Middle East and Africa. We see mobile communications as the fastest most cost-effective way to achieve an inclusive world, giving people a voice, easy access to social networks and the chance to participate more fully in economic systems.

### **Building bridges**

Aside from our core mobile phone business, Bridgeit continues to be one of our main community involvement programs in making available the benefits of information and communications technologies to the developing world. The program, which has been successfully piloted in the Philippines, uses mobile technology to bring multimedia educational content to school children, and will be scaled up from an existing 200 schools to an additional 500-700 in the next three years.

We are also in the discussions with several countries in Sub-Saharan Africa, Asia and Latin America about the replication of this program, which is built around a flexible platform, focuses on local ownership, includes teacher training and allows for tailored content in multiple languages and content formats.

### **Microfinancing villages**

Nokia and the Grameen Foundation USA also joined forces last year to bring affordable mobile communications access to rural villages in developing countries through the use of microfinance.

The initiative, which includes a tailor made booster antenna solution to reach villages outside regular coverage, is based on Grameen's successful microfinancing model, helping mostly women, start self-sustaining businesses. The Village Phone program is now being scaled up to 3000-5000 new villages in Uganda and Rwanda.

All Nokia's community involvement activities are built around local needs, with a strong focus on results, especially societal outcomes. We have therefore commissioned an in-depth study in Uganda to research the socio-economic impact of this microfinancing program, including the challenges of affordability, poverty alleviation, as well as implications on health, employment and education in local communities.

We are also planning to bring microfinance components to the long-term support program for communities in Indonesia, India, Thailand and Sri Lanka affected by the Tsunami disaster.

### **Disaster relief**

Natural disasters have recently had a very large impact on the world. In response to the South Asian tsunami, Pakistan earthquake and US hurricane relief efforts, Nokia pledged EUR 4.25 million to support long-term rebuilding efforts. The short-term disaster relief aid for these events was overwhelming in some respects, due to the limited capacity of the affected regions to absorb and utilize the funds.

Nokia provided products, and volunteering support on the ground as well as to Aid organizations in other countries, however, now that much of the short-term relief has expired, our efforts are largely being focused on the long-term support needed to sustain and support full recovery.

Finally, I would also give recognition to our employees for their contributions during the year through volunteering and their donations of products and money for disaster relief and other causes. Hands-on volunteering activities were conducted in 29 countries in 2005, up from 23 countries in 2004. An employee time-off policy and internal tracking tool were also introduced to help our employees connect with their communities as well as help us report on their progress.

### **Looking forward**

As we increase our corporate responsibility activities, managing issues and programs, we will continue developing our processes to ensure that these do not become adjunct activities removed from our day-to-day work. That means successfully embedding sustainability thinking into every thing we do and every business decision we make.

The next challenge is then to execute and effectively communicate these successes, working to make our reporting framework ever more relevant, understandable and meaningful to our own people and to those outside our organization with whom we cooperate and work.

# Our approach

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## Strategy

At Nokia, we see sound environmental and social principles as an important part of sustaining a successful and responsible business. We work hard to anticipate risk, demonstrate company values, enhance our governance practices, increase employee satisfaction and look after the communities where we do business.

In our CR work, we continue to build on the premise that all employees feel empowered to promote responsibility. That means ensuring that environmental, ethical and social concerns are not separate add on features, but are embedded into our broader decision-making and business processes in all the countries where we do business and in all our relations with external stakeholders.

## Process support

In achieving this goal, we are supported by established, well-functioning global processes and systems. Our global networks, for example, in human resources, manufacturing, communications, sourcing, and product creation are instrumental in enabling us to implement and manage CR programs as well as communicate on progress in a relatively consistent manner across the organization.

The message we want to send across every level and geographical area of our organization is that ethical business behavior can only be realized by an equal commitment from every employee and that we support each other in achieving our ethical goals through our Code of Conduct.

In 2005, Nokia's Group Executive Board made a full update of our Code of Conduct and launched a companywide awareness-building campaign. Our Code of Conduct, which sets out how our employees should carry out their work, was translated into 25 languages by the end of 2005, compared with 15 in 2004.

## Governance

Veli Sundbäck, Executive Vice President, Corporate Relations and Responsibility, leads Nokia's corporate responsibility (CR) 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 Environmental Steering Group.

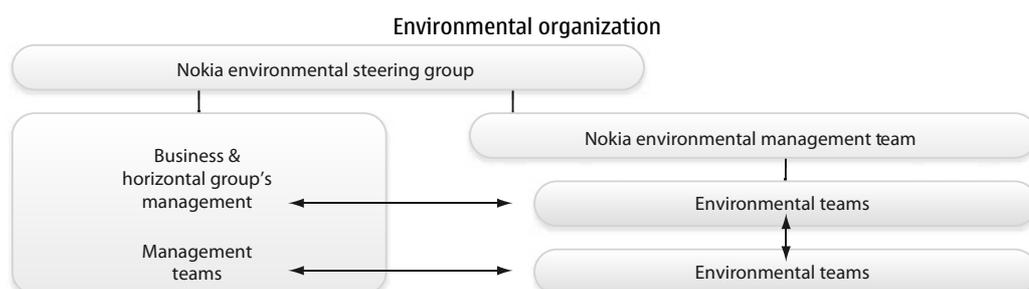
In addition to supporting company-wide initiatives and projects, both these teams are responsible for driving open communications and internal and external cooperation on CR issues at all levels of our business. However, our approach to CR has always been to try and minimize the number of dedicated corporate resources for corporate responsibility in the belief that real progress is made only when policies and programs are implemented throughout the company.

## Environmental organization

Environmental issues in Nokia are led by Vice President and Head of Environmental Affairs, who reports to the Senior Vice President, Corporate Relations and Responsibility in the Group Executive Board.

Nokia's environmental organization includes two Nokia-wide bodies, the Nokia Environmental Steering Group and the Nokia Environmental Management Team, which comprise representatives of the business, support groups and corporate functions.

These Nokia-wide management bodies are responsible for ensuring that the implementation of environmental activities across the company is consistent with our environmental policy and strategy.



## Environmental Policy

Nokia's commitment to continuous improvement in environmental issues is stated in our environmental policy, revised in 2002. Environmental specialists and business management are jointly responsible for implementing the policy. The basic principles of Nokia's environmental policy are:

- Successful business requires a solid product life cycle- based environmental performance
- The Nokia Way means an active, open, and ethically sound approach to environmental protection
- The objective of Nokia's environmental policy is sustainable development in accordance with the ICC Business Charter

### Principles of implementation

The following principles guide the implementation of Nokia's environmental policy:

- Our environmental policy is part of our general management process.
- Line organizations plan and implement action programs by using environmental specialists and the best available technology.
- Action programs are based on an understanding of the environmental impacts of a product throughout its life cycle.
- Minimizing the environmental impacts of our products and operations requires continuous efforts and follow-up on results, and must therefore be taken into account as part of our total improvement activities.

# Transparency

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In addition to reporting on our financial performance, we see clear and consistent communications on our environmental and social performance as fundamental to building trust and reputation that goes far beyond the financial community. It is also an effective way to respond to the increasing demand for environmental and social information and metrics from customers, NGOs, socially responsible investors and other key stakeholder groups.

We produced our first corporate responsibility report in 2002. Since then, we have worked to increase the scope and transparency of our reporting content.

Following are some examples from a range of issues in our 2005 reporting where we feel we have increased the breadth and scope of information we are making publicly available.

## Financial reporting

Transparency in Nokia's financial reporting was significantly increased during 2005 to a level of detail that we believe is unmatched among our peers in the ICT industry. In our quarterly and annual reporting, in addition to a net sales breakdown by region, we began providing the financial community with a full breakdown of our device volumes by geographical area. We also began publishing quarterly and full-year profit and loss statements for each of our four business groups. Both of these transparency initiatives have been very well received by the investor community.

Nokia has a history of shareholder friendliness:

- In 1987, Nokia became one of the first European companies to voluntarily adopt the International Accounting Standard (IAS), well in advance of the beginning of 2005 when all EU-listed companies became legally obliged to start reporting under IAS/IFRS.
- In October 2000, we voluntarily adopted the US regulation Fair Disclosure beyond the requirements set forth for foreign listings and complied as if we were a US issuer.
- In the interests of increased shareholder friendliness and maximum transparency, in meeting the requirements of the 2002 Sarbanes Oxley Act, Nokia has taken broader conformance measures than has been legally required from a non-US issuer.
- In 1999, we abolished dual shareholder categories (A&K shares) to adopt a system of one share, one vote, with each share now carrying the same risk and reward.
- We have always put a great deal of emphasis on proxy voting in order to encourage a fair and open system where everyone gets a voice.

## Case examples

### Occupational health and safety — new global data

In Occupational Health and Safety we are reporting for the first time this year full global numbers on injury and illness at our production sites. This data had previously only been collected at regional levels based on local requirements and using varied criteria and definitions.

In order to be able to collate meaningful global data, we now require that our production OHS representatives submit injury and illness reporting figures that conform to our global specifications.

### Substance management and requirement database open to suppliers

Nokia has been developing systematic substance management as a means of proactively responding to materials restrictions. Our tools include a comprehensive database of the total raw material content of all components used in Nokia products as well as actively managed lists of banned and monitored substances.

Nokia is actively involved in developing and spreading the use of the open RosettaNet standard for the standardized online exchange of materials data between component suppliers and electronics producers, thereby helping to ensure the systematic availability of information of material content of components used in the electronics industry.

### Electromagnetic fields

At Nokia we are sensitive to concerns about mobile communications safety issues and we have committed resources not only to sponsor ongoing research programs, but also to provide customers with clear, information as well as to engage openly and objectively in areas of public concern.

The research consensus, based on over 50 years of research, has concluded that exposure to electromagnetic fields from mobile phones or base stations operating within guideline levels causes no adverse effects in human health. However, we appreciate that we must continue to respond to public perception and concerns on this issue among our customers, the public and our employees.

As part of our approach, we have just launched a new public website containing clear and relevant information on past and pending research that was previously used for internal audiences. External visitors to the new site will now find explanations on scientific findings prepared in simple lay terms as well as public information in the form of flash displays.

### Community involvement — country-level reporting

This year, we have introduced country-by-country reporting on our community activities. Over time, we believe this will improve the results of the projects, and increase the level of accountability to the beneficiaries of the projects.

This also responds to requests from our non-profit partners, employees and customers to communicate more about our activities. We respect this advice, and while increased communication may be viewed cynically by some, it remains the right course of action. We welcome your feedback as well, with ideas and suggestions on how you think Nokia could maximize its societal impact.

Personnel by region 12/2005

Region	Headcount	Fixed	Permanent	Full-time	Part-time
Americas	10 829	292	10 537	10 811	18
Asia-Pacific	4 515	510	4 005	4 512	3
China	6 119	5 551	568	6 119	0
Europe, Africa & Gulf	13 783	842	12 941	13 605	178
Finland	23 427	648	22 779	22 914	513
Total	58 673	7 843	50 830	57 961	712

### Global operation injury and illness report 2005

Location	Injuries	Illnesses	Injury and incidence rate
<b>Germany</b>			
Bochum	21	0	0.89
<b>Finland</b>			
Production Operations	52	1	2.21
<b>APAC</b>			
Korea	1	0	0.14
India			
<b>China</b>			
BNMT	0	0	0.00
BNT	0	0	0.00
NST	1	0	0.57
DNMP	4	0	0.65
<b>Americas</b>			
Mexico (Reynosa)	17	0	3.10
Brazil (Manaus)	1	42	3.24
FortWorth	1	0	0.12
<b>Europe</b>			
Komaron Production	38	0	1.30
UK - Vertu	3	0	1.36
<b>Total</b>	<b>139</b>	<b>43</b>	<b>1.08</b>

The referenced injury and illness incidence rate is a compilation of Nokia's global production operations and based on the USA Bureau of Labor Statistics formula.

$(N/EH) \times 200\,000$  where:

N = Number of occupational injuries and illnesses

EH = total hours worked by all employees during calendar year

200 000 = 100 full time workers (working 40 hours per week, 50 weeks per year)

Using incidence rates allows Nokia to evaluate its injury and illness experience and compare its experience to companies performing the same type of work.

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 workers was 0.4. Nokia's global average for injuries and illnesses resulting in lost work days per 100 workers was 1.08 in 2005.

# Engagement

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Nokia's business impacts and influences large numbers of people and organizations around the world and across markets and sectors in many different ways.

During 2005, in our relationships with our employees, customers, suppliers, shareholders, partners, and with governments and civil society, we continued to initiate discussions and benchmark our business practices. This has been in an effort to implement, manage and provide information in a relatively consistent manner as well as share mutual perspectives and help build trust.

We understand the importance of clear and continuous communications and believe in the long-term value that engagement on the economic, social and environmental dimensions of our business can bring.

## Stakeholder event

In 2005, Nokia staged a successful global stakeholder event, bringing together 110 participants from 28 countries representing civil society, the public sector, academia, and a range of businesses. The aim of the event was not to chair a Nokia-centric forum, but rather provide a level platform for participants to discuss issues important in the societies where we operate.

Discussions over the two days moved from the importance of multi-sector cooperation and taking care of youth to corporate responsibility reporting and mobile communications for development. This led to several initiatives, including our commitment to publish a study on Mobile Communications and Development in 2006 as well as a pledge to run a similar event in 2007.

## Employee communications

Open communication with our people is part of the Nokia way of operating. We gain commitment from our employees and employee representatives through ongoing dialogue and employee feedback and participation. Our people have several different channels for expressing their opinions and concerns as well as for driving positive change in our organization, principles and policies:

- Listening to you — our annual survey for all employees
- Personal discussion and development — all employees have an assigned HR consultant to help with personal employment related matters, to discuss their personal development plans and to give direct positive or negative feedback.
- 'Ask HR' — question forum and 'Jazz Café' — discussion forum on the internal website
- Whistle blowing — a mailing or email address is available on our public website for all employees and other stakeholders to reach Nokia's Audit Committee and raise concerns related to Nokia's accounting, internal controls, or auditing matters. A similar channel is also available direct to the Board of Directors to report concerns or feedback. Employees may also raise issues to the Board anonymously.
- Employee/employer unions — we are in open discussion and cooperation with all relevant unions where we do business.

## Suppliers and customers

### Active supplier engagement

We see our suppliers are an extension of our own business. In our relationships with our suppliers in 2005, we were very active, continuing our regular communications, conducting supplier assessments and driving improvements.

We have also been revising our global set of Nokia Supplier Requirements. New requirements, due to be communicated later in 2006, reflect the increasing importance of environmental issues, ethics, health and safety and labor conditions in the supply-chain. In this new version, our aim has been to position these issues in a positive light, linking them to day-to-day business practices.

At industry-level, we also continued our participation in the supply-chain working group of the UNEP-facilitated Global e-sustainability initiative. The group aims at benchmarking best practices and promoting consistent and complementary approaches to supply-chain management within the electronics industry.

### Customer dialogues

During 2005, we saw evidence of an increased number of our customers focusing more actively on environmental, ethical and social issues within their supply chains. In addition to introducing ethical and environmental requirements to contractual discussions, more and more of our customers sought to engage us on how Nokia implements and promotes good business practices.

Given our strong global processes and systems, we are well-positioned to implement and manage CR programs as well as communicate on progress in a relatively consistent manner across the organization. Building employee awareness of our Code of Conduct among more than 58,000 employees of 128 nationalities has been one example of this.

In demonstrating the effectiveness of our well-established companywide networks and engaging openly and regularly on areas of concern as they arise, we have come a long way towards solidifying trust with our customers on environmental and ethical behavior.

## Governments and investors

### Governments and authorities

During the year, we continued working with the European Commission's Integrated Product Policy. This is a new approach for introducing environmental improvements and finding ways to steer them, as opposed to bringing in traditional command and control regulatory measures. The Commission chose Nokia as one of two companies to help pilot this new approach.

During 2005, we worked intensively with our suppliers, competitors, customers, recyclers, with public authorities including the Commission, consumer organizations and NGOs to identify relevant life-cycle environmental issues as well as policy tool related issues to steer environmental improvements effectively.

As a full member of the UNICT Taskforce, Nokia also played a key role in the second World Summit on the Information Society in Tunisia.

### Socially responsible investors

In order to more effectively reach the growing socially responsible investment community, we are working actively in building relationships with analysts, fund managers and representatives from sustainability indices. We are committed to meeting regularly with representatives from leading organizations in these areas and engaging with them openly on Nokia's progress and performance in CR issues.

Nokia in 2005 was again selected as a component for both the Dow Jones Sustainability World Indexes (DJSI World) and Dow Jones STOXX Sustainability Indexes (DJSI STOXX). The company was ranked second this year in the communications technology segment of the broader Super-Sector Technology Index of the DJSI World index, and second in the Communications Technology subcategory of the technology index of the European-focused DJSI STOXX family of indexes. In both, Nokia ranked just behind LM Ericsson and ahead of peers, Motorola (in the US) and Alcatel (in Europe).

FTSE4Good again counted Nokia as a constituent of its leading social responsibility investment index, putting Nokia among the total 42 companies able to meet the stringent CR criteria of this high-profile series.

Based on a two-year ethical screening, OEKOM, an independent German-based rating agency, raised Nokia to the number two position following its corporate responsibility survey of 10 communications equipment companies.

The survey ranked Nokia just behind Motorola and ahead of all other peers in this global category. OEKOM, whose original expertise lies primarily in environmental issues, has commended Nokia in particular for its work in the area of takeback and recycling.

## Universities

### Innovation through university collaboration

We see R&D cooperation with universities as an important component of our business and renewal strategy, driving the long-term sustainability and success of our business. Academic cooperation challenges our thinking and promotes diversity in our research agenda as well as increasing our efficiency through research subcontracting.

In Asia Pacific, Nokia's main area of cooperation is in Asian user interfaces, 3G, IPv6, robotics, and miniaturization, while in Europe, our cooperation covers a broader range of strategic Nokia research themes. In the Americas, we work with universities on global level research, in areas such as multimedia, entertainment, and human computer interaction.

### MIT collaboration

In 2005, the establishment of a shared research facility in the US with the MIT Computer Science and Artificial Intelligence Laboratory highlighted our ambition of creating long-term trusted partnerships with key universities. The collaboration centers on a view of the future where small handheld devices such as mobile phones will become part of an ecosystem of information services, peripherals, sensors and other devices. Approximately 20 researchers from MIT and twenty from Nokia will participate full-time on the joint project.

Tie ups with universities also create excellent opportunities for student recruitment channels as well as possibilities for our own Nokia employees to participate in curriculum boards, exchange programs, steering groups or even to stimulate learning by giving lectures at higher education institutes.

## NGOs

### WWF

In our environmental work, Nokia is in regular dialogue with a number of NGOs. This year marks a move towards the successful completion of a three-year cooperation agreement with WWF. Highlights of the agreement, aimed at mutual learning, include access for all Nokia employees to a web-based application for raising environmental awareness, as well as business case projects, workshops, voluntary activities and joint stakeholder seminars across the organization and around the world.

Since the partnership began in 2003, e-learning and specific training workshops on business environmental issues have enabled approximately 50 000 Nokia employees to become more familiar with environmental matters and be aware of the implications in both their professional and private lives.

### **International Youth Foundation**

We extended our global youth initiative with the International Youth Foundation in 2005, and welcomed the Inter-American Development Bank in helping us reach out to Colombia, Venezuela, and Chile. Our Bridgeit digital bridging program in the Philippines also grew in scale, more than doubling in size to 200 schools, through support from USAID.

At the same time, our drive to prove (the societal benefits) and improve our programs continued. Investment in social research continued throughout the year, with major research findings expected for publication in mid-to-late 2006.

### **Red Cross**

Nokia's cooperation with the Finnish Red Cross extends from everyday volunteering support, disaster relief, and the joint creation of mobile applications to support emergency services personnel. It highlights the value of partnerships with the civil sector to understand people's everyday needs.

As an example, the Mobile First Aid application was created to provide first aid instructions to people in emergency situations. It is not intended to replace preparation and training, but can provide potentially life-saving instructions to Nokia's customers in emergency situations.

### **Grameen Foundation**

Nokia also linked with Grameen Foundation, to expand its successful VillagePhone program in Rwanda and Uganda. The VillagePhone concept extends microfinancing to (mainly female) entrepreneurs to start small, sustainable mobile communications businesses.

# Our Impacts

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## Mobile communications and society

### Socio-economic value of mobility

We believe the fastest most cost-efficient way to achieve an inclusive society where everyone has a voice and easy access to empowering information is through mobile communications. Mobility improves society's productivity and social welfare, which we see as mutual responsibilities of the private and public sectors as well as civil society.

Perhaps the most profound impacts are being experienced in the world's least developed countries where low-cost easy to build mobile networks have become the primary communications infrastructure. There is a growing body of publicly available research to support a correlation between mobile communications and increased economic growth, quality of life and social networks.

### Overcoming barriers to inclusivity

We have been working closely with the UNICT task force on the theme of enabling an environment for universal access. As a full-time member of the Taskforce, Nokia played a key role in the second World Summit on the Information Society in Tunisia as one of the main sponsors of the ICT 4 All Exhibition

We believe the right combination of mobile phones, network solutions, services and a favourable regulatory environment is essential in spreading the benefits of mobility. The challenge is to reduce the total cost of ownership for phone users, while ensuring a profitable and sustainable business model for the operators and vendors.

As part of our commitment to universal access, we have developed the Nokia Connect GSM solution and new services, such as the Nokia Prepaid Tracker and the Nokia Connect eRefill, to enable operators to profitably bring mobility to low income customer segments. Nokia also offers affordable, high-quality mobile phones like the Nokia 1600 and Nokia 1110 that are designed for new growth markets.

## Mobile communications and the environment

Mobile communications can help mitigate the negative environmental impacts of faster economic growth, particularly in high-growth regions of the developing world by replacing physical services and transactions with wireless equivalents. Mobile communications in general enables better and more efficient communications.

This does not in itself remove the need for travel and movement, but it provides people a choice. As people on the move gain better access to fast and efficient services, the need for unnecessary travel is reduced as is the amount of time required for various transactions. The ongoing convergence of mobile and fixed communications networks is environmentally beneficial in that one network can communicate and share elements, rather than through separate networks.

Dematerialisation — means less material is needed to create more advanced products. Mobile phone manufacturing is a good example of this. 15 years ago a mobile phone might have weighed 15 kilos and performed a talk only service. Today, mobile phones weigh less than 100 grams and bring a variety of high-speed, high-quality digital services.

Immaterialisation — means technology can supplant the need for physical products by replacing them with services. For example, downloading music and videos can save the need for a physical trip to a video or music store, travel agent or theater or cinema ticket office, or replacing answering machines, pagers and fax machines with network services.

Solutions based on mobile technology can replace traditional business methods such as the production and transportation of goods. Replacement of physical services with digital services can significantly reduce the use of fossil fuels that is believed to be the chief cause of climate change.

Consumer needs for increased and more efficient services is on one hand driving development that leads to shorter lifecycles of mobile devices. However, we see the related increase in consumption as compatible thanks to the dematerializing and immaterializing potential of mobile technology

## Accessibility

### Overview

Technology revolutionizes the way people communicate. With Nokia mobile devices, accessories, and features - such as text and multimedia messaging - our customers are able to stay connected as never before. And while we are developing the enabling technologies, we are also working to make them accessible to everyone.

Connecting People isn't just a slogan. It's our business. Nokia is committed to pursuing accessibility solutions for everyone, including for our customers with disabilities. As an industry leader in product and user interface design, we are well-positioned to respond to the diverse needs of a global marketplace.

If people are unable to see the keypads on their phones, or hear them ring, how do they communicate? That's what accessibility is about — the ability for everyone to use everyday devices. It is estimated that worldwide there are about 500 million people with some form of disability. As our population ages, the number of people with functional limitations will increase.

### Nokia Accessibility

The Nokia accessibility team actively researches the varied needs of customers with limitations in vision, hearing, speech, mobility, or cognition. We do this 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 commissions research with outside consultants.

Nokia Accessibility also runs an informative public website [www.nokiaaccessibility.com](http://www.nokiaaccessibility.com) and provides pre-sale and after sale care for customers as well as responding to the growing number of customer queries and requests for products and services that come via the site. In early 2006, a shopping assistance program was introduced to help visitors seek out the best specialized device for their needs.

In addressing these unique customer requirements and providing individualized customer care for people with disabilities, Nokia expands its market in a way that is both good for business and good for society, while giving millions of people a voice and the freedom to independently connect to their family, friends and business associates wherever they are.

### Our products

- We have been fully engaged for more than a decade in inclusive product design and product development that takes into account the needs of people with disabilities. For us, accessibility means universal design that allows the greatest number of models usable by the greatest number of people. We include accessible features in all of our handsets. We also have specialized devices (such as the loopset line) and customizable devices (such as those with speaking software).
- The award-winning Nokia Loopset was the first inductive coupling loopset in the wireless industry, allowing our customers with telecoil-equipped hearing aids to use digital handsets. Nokia devices were the first to include text-to-speech software, providing our 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.

- At Nokia, we have always had ease of use as a design goal and many of our mainstream devices are already accessible to a wide variety of users. For example, Nokia's new line of advanced mobile devices, known as N-Series, is highly intuitive with advanced speeds and functionality. N-Series handsets offer the opportunity for a 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 suited for people with hearing impairments.

### 2005 highlights

- In 2005, Nokia began a customer assistance program to address the unique needs of our users with disabilities. Customers have direct access to Nokia Accessibility as a resource for assistance when shopping, buying, and using a wireless device.
- With the input of seniors and the elderly, we launched a handset that was designed for them, recognizing that our aging society dictates a need for more accessible design. The mobile phone was one of the first to include adjustable fonts for low vision.
- We launched five digital wireless devices with reduced RF emissions, making the handsets suitable for use with some hearing aids.
- Collaborations in 2005 also resulted in a touch-screen device with symbols navigation for our customers requiring cognitive assistance, a phone compatible with audible, door-to-door GPS navigation for low vision users, and a device with real-time text communication capability for deaf customers in the UK.
- Also for our blind or low vision customers, Nokia expanded the availability of "talking phones," which provide audible feedback for phone operations. These devices are now in all of North America, Latin America, and Asia Pacific, and in more than 20 countries in Europe, Middle East, and Africa.

### Awards

- Nokia is 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. That means, for example, working to open more communications channels with focus groups, advocates and customers in new high-growth markets such as the Middle East, Africa and Asia.
- The Nokia bluetooth-enabled LPS is in development and is expected to be available in 2007 for our customers who wear telecoil hearing aids.
- Handsets with internal telecoil coupling for customers with hearing aids are expected to be available in late 2006.
- For 2007, we are focusing on additional advanced hands-free operations such as texting and personal organization for higher-speed multimedia devices, which operate on Nokia devices with the Symbian-based S60 operating system.

## Responsible product use

We have entered an era of mobile communications where feature-rich phones supporting a range of digital services and technologies bring users high-speed internet connections any time and any place. A single Nokia mobile phone can now run computer-like applications such as e-mail, web browsing and corporate software, as well as have built-in music players, cameras, video recorders, games, picture downloading and mobile TV.

These technologies bring manifold benefits to society, business and the environment, however, regrettably mobile communications products can also be used in ways not intended by the manufacturers, introducing negative concerns regarding responsible content use, in particular protecting children from accessing inappropriate material.

During 2005, we flagged internally the issue of content safety for children and minors as an area for active follow-up to continue into 2006. Nokia took part in the European Commission Safer Internet Forum on Child safety and mobile phones — one stream of a broader four-year program called Safer Internet plus, active in EU countries.

The objectives of the Safer Internet plan are:

- To create a safer online environment by establishing a network of hotlines in Europe and by promoting self-regulation
- To develop content-filtering and rating systems
- To encourage European transnational awareness initiatives

Legal boundaries for content, as well as societal standards on age control and other means for protecting minors and supporting discreet use exist. Service and access providers, as well as device and network manufacturers are challenged to implement the same rules effectively in the sphere of new, mobile technologies.

## Mobile communications and health

At Nokia we are sensitive to concerns about mobile communications safety issues and we have committed resources not only to sponsor ongoing research programs, but also to provide customers with clear, quality information as well as to engage openly and objectively in all areas of public concern.

### (1) Electromagnetic fields

Electromagnetic fields (EMF) are produced by all devices that use, carry, or produce electricity. The possible effects of radio waves on people have been studied for more than 50 years. A great deal of research has been completed and the findings regularly reviewed by government agencies, international health organizations and other scientific bodies.

Many of our activities related to EMF research sponsorship and stakeholder engagement are coordinated through the Mobile Manufacturers Forum (MMF). As a representative trade body the MMF in turn has dialogues with many stakeholders such as the European Commission, governments with an active interest in the area, the WHO, the operators' association (GSM Association), and other trade associations. Positive cooperation in this area is illustrated by the growing harmonization of EMF limits in accordance with the WHO endorsed guidelines of the International Commission on Non-Ionizing Radiation Protection (ICNIRP).

### 2005 highlights

- By the end of 2005, a substantial amount of scientific research conducted by various independent research bodies had been completed and further added to the considerable database of scientific knowledge in this area. Reviews of the science continued to indicate that radio signals operated at levels within the limits prescribed by public health authority safety standards and guidelines present no adverse effects to users. All Nokia products are designed to comply with such standards and guidelines.

- In response to a public call that, despite no adverse findings, research not be discontinued altogether, Nokia and other industry players with government authorities continue to sponsor research programs around the world.
- In 2005, the World Health Organization's (WHO) revised its EMF Research Agenda, reducing the number of research priorities significantly and advising that the existing database of research from a scientific point of view does not reveal any adverse findings. Research will now focus on more specific areas such as children and use, and how people are exposed to electromagnetic fields and what kinds of usage patterns they have. The WHO also, for the first time, called for research on social issues, particularly related to EMF and perceived risk among consumers.
- During 2005, we increased the Nokia internal level of understanding related to mobile communications and health with continuous education through regular internal web updates, e-mail and discussion fora. Specific actions included the addition of EMF information into Nokia's Caring for the Environment publication as well as awareness building campaigns targeting internal occupational health and safety staff, line managers and sub-contractors at our production sites in Japan and China
- In India, we staged an industry wide seminar for Nokia stakeholders including our own people, our customers, sub-contractors, suppliers and government representatives. The event offered quality information on this subject including current research findings and a radio frequency exposure standards update, as well as providing a platform for discussion and understanding.
- In the area of EMF, there is a sustained, high level of ownership and participation from our senior management. We place an emphasis on ensuring that scientifically proven facts are communicated promptly and accurately. For our customers and other external stakeholders, we launched a public EMF website.

### **Looking forward**

- Results from several multi-national research programs will be published during 2006. The International Agency for Research on Cancer will review the extensive scientific data in its cancer risk assessment of radiofrequency fields 2006-2007, and WHO will conduct a general health risk assessment related to EMF fields 2007.
- Nokia plans to stage an industry-level awareness building seminar in Latin America in 2006, similar to that staged in India in 2005. We are also planning a Global EMF day for Nokia people, Operators, suppliers, NGO partners and other interested stakeholders.
- We will remain responsive to public concern by continuing to sponsor relevant research and by making all information and new findings on EMF and mobile phone use publicly available. We will also continue to engage openly and proactively with our customers, employees and the public on this issue.

### **(II) Social research and health**

Most of our research is conducted by independent third parties and coordinated through the Mobile Manufacturing Forum (MMF). The forum has been supporting social research — particularly where it relates to mobile communications and health — with examples including the following.

#### **Social impact in Brazil — Edumed institute**

As one of the first studies of its kind in Latin America, the Edumed study will investigate the impact of using mobile phones on the health and security of Brazilians in a number of cities. The study is expected to involve 2,000 people from cities ranging in populations from 25,000 to 14 million, representing a broad spectrum of the population.

#### **University of Oxford Pilot study — UK**

This study will look at the potential health impacts of increased mobile phone use for contacting emergency services in life threatening situations.

Trust for the study of Adolescence study — UK  
This is a qualitative study on how we use mobile phones to communicate and keep safe. It will look at young people and their families, with a particular focus on how mobile communications help keep children safe.

## Economic impact of Nokia's business

### Nokia's overall financial performance in 2005

In 2005, Nokia's net sales increased 16% to EUR 34.2 billion, compared with 2004, while operating profit increased 7% to EUR 4.6 billion. The company's overall mobile device volumes were up 28% in 2005, compared with the previous year, reaching 265 million units — a new annual volume record for Nokia. Based on our preliminary market estimate, Nokia's market share grew to 33% in 2005, compared with 32% in 2004.

### Direct economic value

We see running a successful business as a fundamental first step to good citizenship, with manifold societal benefits. Every year, our business makes a significant direct contribution to the global economy.

Strong profitability in 2005 enabled us to provide stable employment as well as create new jobs directly and among our suppliers, as well as reward our shareholders and fulfill statutory requirements such as the payment of corporate taxes to governments around the world.

#### Economic impact

<b>Payments to suppliers</b>	EUR 24.2 billion was paid in total purchases of goods and services
<b>Payments to employees</b>	EUR 3.1 billion paid in total salaries and bonuses to more than 158 000 employees of 128 nationalities
<b>Payments to governments</b>	EUR 1.3 billion paid in corporate tax to governments around the world
<b>Payments to shareholders</b>	EUR 5.8 billion in dividends and share buy backs paid to our shareholders in 2005, compared with just over 4 billion in 2004

A sound financial base also provides for investment into future technologies as well as new growth markets, which is not only good for our business, but for people in developing countries who are now beginning to see the enormous benefits of mobile communications for their lives and their livelihoods.

As we expect the number of mobile subscribers to grow to three billion by 2010, the importance of new growth markets continues to increase, particularly as we expect around 20 percent of the next billion mobile subscriptions to come from the Middle East and Africa region.

Strong profitability also means being able to invest in ethical and environmental programs, helping us to comply quickly with new legislation and better manage risk. Nokia is also visible at local and global levels through our many community involvement projects that extend beyond the technology, products and services we create.

# About Nokia

Nokia is the world's largest manufacturer of mobile devices; a leader in equipment, services and solutions for network operators; and a driving force in bringing mobility to businesses. Nokia is about enhancing communication and exploring new ways to exchange information. In short, Nokia is about connecting people.

## Nokia in 2005

Nokia reinforced its leadership of the mobile phone industry in 2005, clocking up a full year device volume record of 265 million units, and increasing its full-year share of the global device market to an estimated 33%.

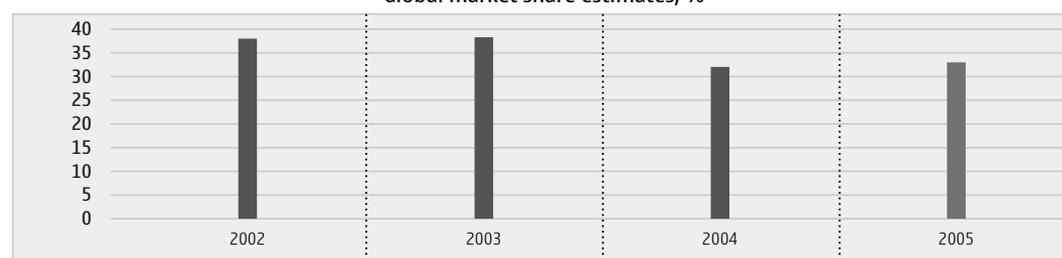
### Key facts:

- Head office in Finland
- Net sales of EUR 34.2 billion
- Operating profit of EUR 4.6 billion
- Number one in GSM and WCDMA devices
- 58,874 employees of 128 nationalities
- R&D centers in 11 countries
- Production facilities in eight countries
- Sales in more than 130 countries
- World's sixth most valued brand

Balance sheet structure

	2005 EURm	2004 EURm As revised	2003 EURm As revised	2002 EURm
<b>Liquid assets:</b>				
Bank and cash	1 565	1 090	1 145	1 496
Available-for-sale investments, cash equivalents	1 493	1 367	1 639	2 177
Available-for-sale investments, liquid assets	6 852	9 085	8 512	5 678
<b>Total</b>	<b>9 910</b>	<b>11 572</b>	<b>11 296</b>	<b>9 351</b>
<b>Liabilities:</b>				
Non-interest bearing liabilities	9 540	8 036	8 117	8 309
Interest bearing liabilities	398	234	491	564
<b>Total</b>	<b>9 938</b>	<b>8 270</b>	<b>8 608</b>	<b>8 873</b>
<b>Retained earnings</b>	<b>13 154</b>	<b>13 720</b>	<b>13 925</b>	<b>11 661</b>

Global market share estimates, %



Mobile devices

Our share of the mobile infrastructure market was 13% in 2005.

## Our industry

The mobile communications industry has developed rapidly over the past 15 years, and has increased in complexity at the same time. Operator and consumers have a range of demands, new radio technologies have emerged and price pressures have increased. Nokia, with its excellent products, global scale, established manufacturing and logistics networks, and comprehensive IPR portfolio, is well-placed to maintain its industry-leading position.

According to Nokia's estimates, in 2005 the global device market volume grew by 24% to 795 million units, compared with 643 million units in 2004. This growth was driven by demand for voice-centric mobile devices, particularly in emerging markets, as well as by robust replacement sales from primarily color screen and camera devices in advanced markets.

During 2005, the mobile infrastructure market showed year-on-year growth of approximately 10% in euro terms. This growth came largely from operator investments in the current technologies of GSM, EDGE, and GPRS and their related services, especially in low penetration markets, and from operator investments in next-generation technologies, such as 3G/WCDMA.

## Nokia's vision and mission

We believe that the global mobile subscriber base reached approximately 2.2 billion at the end of 2005, and we estimate that this figure will reach three billion during 2008. Growth is particularly strong in the high-growth markets of the Middle East, Africa, Latin America and South Asia. Recognizing this, Nokia offers and continues to develop a portfolio of affordable mobile devices and solutions.

At the other end of the industry spectrum, Nokia believes that the market is being shaped by an increased emphasis on data traffic. Mobile communications is converging in some areas with computing, digital imaging and the internet, making it possible for consumers to use handheld devices for filming video, listening to music, playing games, surfing the web and more. Nokia is shaping this converging industry, pushing it forward with cutting-edge products and the development of open standards.

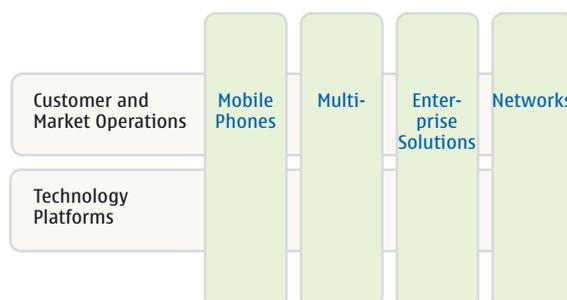
Businesses are also benefiting from mobility through the productivity gains that come from having a connected mobile workforce. By providing enterprise-focused devices, infrastructure, software and services, Nokia is driving the push to bring email and other business applications to the mobile devices of workers everywhere.

In the infrastructure industry, operators are expected to continue investing in equipment to support subscription growth and boost the speed of data transfers, while seeking to maximize the energy efficiency of their networks. Nokia supports operators with infrastructure and solutions focused on three main areas: GSM, EDGE and 3G/WCDMA networks; core networks with increasing IP and multi-access capabilities; and services.

## Organization and strategy

Nokia is organized into four business groups that are supported by two horizontal groups. This organizational structure is aligned with our strategy to expand our mobile voice and networks businesses, enhance experiences for consumers, and bring more mobility to companies.

Nokia's Organizational Structure



**Mobile Phones** connects people by providing expanding mobile voice and data capabilities across a wide range of mobile devices. We seek to put consumers first in our product-creation process and primarily target high-volume category sales.

In voice-centric and mainstream mobile phones, we believe that design, brand, ease of use and price are our customers' most important considerations. Increasingly, our product portfolio includes new features that appeal to the mass market, such as megapixel cameras, music players and advanced-quality color screens.

**Multimedia** brings connected mobile multimedia experiences to consumers in the form of advanced mobile devices and applications. Our products give people the ability to create, access and consume multimedia, as well as share their experiences with others through a range of radio technologies.

We are also working with leading companies in other industries to bring to the market advanced specialized technology and applications such as internet services, optics, music synchronization and streaming video.

**Enterprise Solutions** offers businesses and institutions a broad range of products and solutions, including enterprise-grade mobile devices, underlying security infrastructure, software and services.

We also collaborate with other companies to provide fixed IP network security, mobilize corporate email, and extend corporate telephone systems to Nokia's mobile devices.

**Networks** provides network infrastructure, communications and networks service platforms, as well as professional services to operators and service providers. Our focus on the GSM family is complemented by a multiradio strategy covering many wireless technologies.

At the end of 2005, Networks had more than 150 mobile network customers in over 60 countries, with our systems serving in excess of 400 million subscribers.

**Customer and Market Operations** is responsible for marketing, sales, sourcing, manufacturing and logistics for mobile devices from Mobile Phones, Multimedia and Enterprise Solutions.

**Technology Platforms** is responsible for the competitiveness of Nokia's technology assets. The group supports Nokia's overall technology management and development by delivering leading technologies and well-defined platforms both to Nokia's business groups and to external customers.

## Production activities

### Targeted R&D

At Nokia, research and development takes place within the Technology Platforms group, our four business groups, and the Nokia Research Center.

Technology Platforms' work encompasses multiradio technologies, and focuses on software platforms, chipset platforms, technology access, intellectual property rights and the user experience. Technology Platforms also works with leading external developers, suppliers and partners.

Nokia's business groups conduct product-focused R&D taking into account the specific needs of their customers. The groups' products are integrated with technologies from their own research, from Technology Platforms and from external vendors.

The Nokia Research Center looks beyond current products, platforms and standards. Its goal is to develop leading-edge technologies in areas that we believe will be vital to Nokia in the future.

## Cutting-edge design

Elegant simplicity, ease of use and performance with style are at the heart of Nokia's design heritage and success. Guided by these principles, Nokia's designers create mobile devices that blend cutting-edge technology with high fashion.

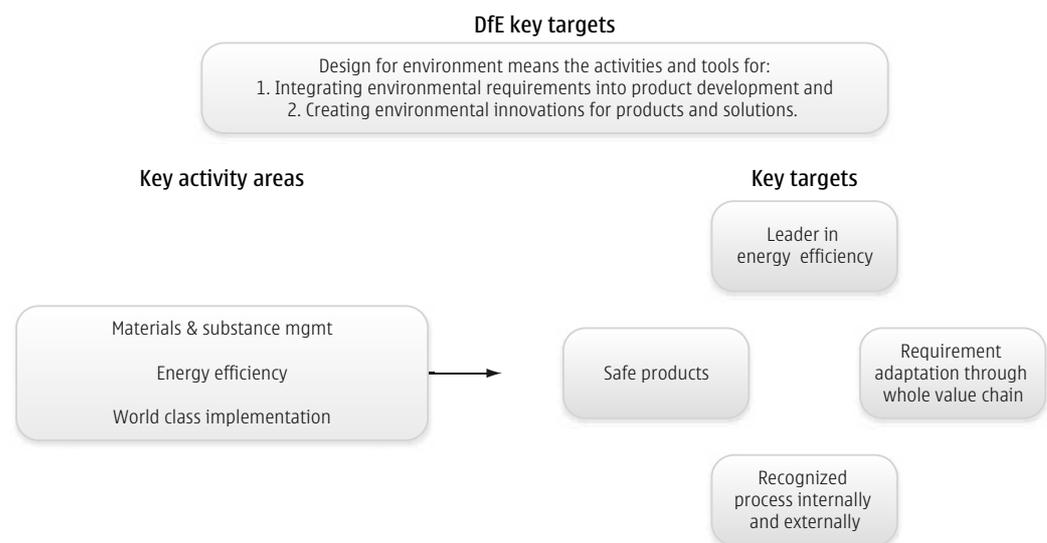
On the networks side of Nokia's business, efficiency is our guiding design principle. Nokia's infrastructure meets operators' requirements for equipment that is easy to install, optimizes radio resources, and keeps the costs of transmission, power and site rental to a minimum.

## Flexible production

At the end of 2005, Nokia operated a total of 14 manufacturing facilities in Brazil, China, Finland, Germany, Hungary, Mexico, the Republic of Korea and the United Kingdom. We also have a customization and logistics centre in the United States.

Our mobile device plants generally manufacture for the cellular standards of the regions in which they are located, yet each plant is capable of making mobile devices for most of the world's major standards. This global manufacturing network gives us the flexibility to respond quickly to changes in demand.

We also use outsourcing to add flexibility to our manufacturing activities. During 2005, outsourcing covered on average approximately 26% of our manufacturing volume of mobile device engines, and more than 50% of our networks production.



## Sales and marketing

### Dedicated sales forces

Most of our mobile device business derives from sales to operators, distributors, independent retailers and enterprise customers. Each of our active operator and distributor customers is supported by a dedicated Nokia account team, with Nokia Group Executive Board members serving as representatives to our largest operator customers.

We have also established specialized sales channels for certain business groups. For example, Enterprise Solutions manages sales of our security and mobile connectivity products, and Networks has dedicated account management teams for sales of infrastructure to operator customers.

### Engaging emotions

Since the early 1990s, our products have largely defined us in the minds of consumers, enabling the Nokia brand to build the equity it has today. According to a survey published by Interbrand in July 2005, Nokia is the world's sixth most valued brand.

We are now building on this strength with a new brand strategy, the aim of which is to make Nokia the first company in the mobile manufacturing industry to put emotional engagement at the heart of its brand. The strategy, manifest through the harmonization of Nokia's visual identity, impacts our product development, design, marketing, communications and more.

We are also strengthening our brand and relationships with consumers through our new Nokia Flagship Stores, the first of which was opened in Moscow during November 2005. Here, consumers can purchase and set up Nokia products, as well as experiment with new ideas and technologies at in-store multimedia displays and interactive kiosks. We plan to open more Nokia Flagship stores in selected shopping capitals around the world during 2006 and 2007.



In no one country does Nokia's total sale figure exceed 5% GDP

# Community Involvement



Mobile communications have a proven, positive impact across the entire social spectrum, especially in less affluent countries. It is fair to say, the biggest impact we can have on society is to help extend mobile communications to more people, especially those for whom traditional fixed-line telephony will never reach.

## Strategy

Nokia is fortunate because our core business benefits communities, and helps to bridge the digital divide. Indeed, one of Nokia's strategic touch points is the desire to bring mobile communication to the world's poor, and we do this by extending the availability of high-quality products at lower prices, and by cooperating with mobile network operators and governments to lower cost barriers.

## Community involvement

Alongside our core business, we work with the non-profit sector to address important social issues, and we refer to these activities as "community involvement."

We are also active in responding to disasters and tragedies. Often, in the wake of disasters, victims are overwhelmed by short-term generosity, and unable to absorb the relief funds effectively. In some cases, the most relevant contribution we can make is to support long-term recovery plans, such as the Nokia Relief Fund following the tsunami disaster December 2004, and the Nokia Education Fund following the tragic events of September 11th in the USA. "Connecting People," is even more important in times of adversity.

## Weighing societal impact

When we undertake social programs, we take care to ensure that societal impact is our first priority. However, this does not take place in a vacuum, or in such a way as to act against the interests of our employees and owners. The key is to find ways to align the interests of these diverse groups, and that usually requires a long-term view.

In summary, our community involvement strategy is to identify the most important touchpoints between our talents and the needs of the community. Depending on the context, "Connecting People" can mean putting people in touch in times of crisis, or bringing modern communications to poorer communities to alleviate poverty. It can even mean building the basic communication skills of young people, to improve understanding between people from diverse communities in the future.

## Partner in focus

Nokia's cooperation with the Finnish Red Cross extends from everyday volunteering support, disaster relief, and the joint creation of mobile applications to support emergency services personnel. It highlights the value of partnerships with the civil sector to understand people's everyday needs.

As an example, the Mobile First Aid application was created to provide first aid instructions to people in emergency situations. It is not intended to replace preparation and training, but can provide potentially life-saving instructions to Nokia's customers in emergency situations.

## **Reviewing 2005 and looking ahead**

Natural disasters had a very large impact in 2005, affecting many regions of the world. In response to the tsunami, Pakistan earthquake and US hurricane relief efforts, Nokia has pledged over EUR 4 million to support long-term rebuilding efforts.

The short-term disaster relief aid for these events was overwhelming in some respects, due to the limited capacity of the affected regions to absorb and utilize the funds. For this reason, long-term support is required to help sustain the initial efforts, maintaining support after much of the short-term relief has expired. In addition, Nokia provided products, and volunteering support in the regions affected, and for aid organizations in other countries.

### **New initiatives**

In October, we hosted an interdisciplinary stakeholder event in Finland, to explore the potential for multi-sector cooperation on issues such as youth development, environmental management, and the digital divide. This, following on from earlier discussions led to several initiatives, including the commitment to publish a study on Mobile Communications and Development in 2006.

Nokia also linked with Grameen Foundation, to expand its successful VillagePhone program in Rwanda and Uganda. The VillagePhone concept extends microfinancing to (mainly female) entrepreneurs to start small, sustainable mobile communications businesses.

### **Extending partnerships**

We extended our global youth initiative with the International Youth Foundation in 2005, and welcomed the Inter-American Development Bank in helping us reach out to Colombia, Venezuela, and Chile. Our Bridgeit digital bridging program in the Philippines also grew in scale, more than doubling in size to 200 schools, through support from USAID.

At the same time, our drive to prove (the societal benefits) and improve our programs continued. Investment in social research continued throughout the year, with research findings expected for publication in mid-to-late 2006.

During the year, our employees contributed both time and money for disaster relief and other good causes. Hands-on volunteering activities were conducted in 29 countries in 2005 (up from 23 countries in 2004), and an employee time-off guideline was introduced to help our employees connect with their surrounding community.

### **Looking ahead**

Our community involvement activities will continue to increase and become more diverse. This is mainly out of the continuing desire to recognize the unique needs of each community. We are likely to see some divergence of the programs that we roll-out in mature and emerging telecommunication markets.

Our focus on results remains intact, and our desire to prove the societal outcomes of our programs is central to our work. Only through this kind of research can we set positive examples for governments and donors that can bring genuine scale to the practices we promote. We have previously been quite modest in sharing these results, and we will look to meet our stakeholder's expectations in communicating more. This may include consumer branding.

During the next five years our industry will see a great deal of new customers in the developing world. The role of mobile communications in socio-economic development is an issue we hope to address in more depth, and to facilitate through active community involvement. Studies such as the Vodafone Policy Paper on The Impact of Telecoms on Economic Growth in Developing Countries establish the macro-effects of mobility; more evidence of local impact (employment, education, and health) is needed.

For that purpose we have initiated projects in sub-Saharan Africa, India and South East Asia to study the socio-economic implications of microfinance, mobile entrepreneurship and shared use of mobile phones in aiding rural development in developing countries. These studies will be ready during 2006 and guide us in developing programs and business models in this area.

## Challenges

The challenges of community involvement (and CSR) differ a lot from the normal hyper-competitive business environment. On the positive side, companies do not tend to compete ferociously in the area of social programs. Doing so would be counter-productive for society and for the companies themselves.

However, corporations and non-profits can have different cultures and different time-horizons. Nokia recognizes that social change takes time and is committed to long-term sustainable development that shows positive impact at an individual and societal level.

This year, we introduce country-by-country reporting of our community activities. Over time, we believe this will encourage our partners and ourselves to improve the clarity of our communications, the integrity of reporting, and most importantly, the results of the projects themselves.

This also responds to a request from our non-profit partners, employees and customers to communicate more about our activities. We respect this advice, and while recognizing the risk that increased communication will be viewed cynically by some, nevertheless feel it is the right course of action. We welcome your feedback as well, with ideas and suggestions on how you think Nokia could make a positive impact.

## Community involvement

### Country by country

This year, Nokia has reports from specific projects in more than 30 countries.

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## Asia-Pacific

### Australia

#### Accessibility

Vision Australia is the largest provider of services to people who are blind or vision impaired in Australia. In 2005, Nokia donated handsets to Vision Australia for their product review program. The mobile phones were the only products capable of using special software to convert text into spoken words or large print, effectively increasing access to communication for people who are blind or vision impaired.

#### Charitable giving

Nokia participates actively in the community, supporting numerous charities and community organizations with cash and donations of mobile phone products. In 2005, Nokia Australia donated more than \$50,000 worth of products to over 40 charities and community organizations.

Following on from the earlier donation to Lidcomb TAFE of GSM network equipment worth over one million dollars, Nokia provided handsets, testing equipment and other mobile products in 2005. This enables students to gain a holistic understanding of mobile networks, which in turn will provide better service to the community in the long-term.

The NSW Rural Fire Service is the world's largest fire service, and Nokia has been providing handsets to its Chaplaincy service. This is directed at connecting people in times of severe stress, through people trained and skilled in dealing with the most acute personal and emotional trauma.

### **Volunteering**

As part of our employee volunteer program, Nokia Helping Hands, Nokia employees contributed many hours of voluntary service including supporting the Red Cross with blood donations as well as donating food, clothing and packing them for charities in response to the Asian Tsunami Appeal. In addition, in November 2005, over a dozen of Nokia's male employees put down their razors and grew beards and moustaches to support the Mo Bro event aimed at increasing awareness and raising funds for prostate cancer research.

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## **China**

### **Education**

#### **Youth Business China (All-China Youth Federation)**

In China we are helping unemployed and under-employed young persons to start their own businesses. This program (Youth Business China YBC) is launched by the All-China Youth Federation which aims to help Young Chinese people. YBC strives to find the best model to help youth business, responding to their needs in the context of China and its culture.

Nokia contributes to the program through its involvement on the supervising committee, evaluating business plans, providing sponsorship in the form of seed-money and offering management guidance and on-going operational advice to the beneficiaries. Young entrepreneurs regularly share success stories and lessons learned with the youth community.

### **Charitable giving**

For the past four years, Nokia has supported the EU Operation Blessing "touch an orphan's life program". We have also cooperated with Chinese National Youth Foundation to sponsor its programs for under-privileged children in education.

### **Environment**

Environmental protection is high on the agenda of the current Chinese administration. Our efforts concentrate on improving the general awareness of environment protection, and we see youth and our own personnel as two of the channels in disseminating information to further this cause.

In November 2005, we established the Nokia China Environmental Ambassador Club. The Club consists primarily of Nokia personnel who identify ways to improve the environment and Nokia's operations. The ambassadors have received training from non-profit organizations, taken part in mobile phone take-back activities; and participated as teacher assistants in Youth Palaces located in 25 cities nationwide.

Our "Environmental Slogan Contest" invited children aged between 6-15 to design and send their "dream slogan" in the form of short messages to a Nokia server. Over 100,000 short messages were received from 25 cities, raising awareness not only in the children, but their parents as well.

### **Volunteering**

Nokia employees took part in the Long March for Education, reenacting the historic long march and raising money to build schools along the route. Over three days, 53 volunteers walked 60 kilometers from Songpan to Jiuzhai.

## India

### **Education and disaster relief**

In India we have several initiatives underway, aimed at rehabilitation and reconstruction following the tsunami of late 2004. These long-term commitments are aimed at addressing the imbalance between large short-term relief flows, and long-term rehabilitation efforts.

We have dedicated funds to a three-year program in India, to assist young people in affected areas to re-gain or develop livelihoods. The activities will be focused on the coast of Tamil Nadu State in south-east India in the districts of Cuddalore, Nagappattinan and Pondicherry, and the Andaman and Nicobar Islands in the Bay of Bengal.

We are also working with Plan India in Southern India under a three-year commitment to support and rehabilitate children. This effort is currently focused on getting children back to school, and ensuring appropriate care and counseling is available. Support is also being provided through resources like school books, notebooks, stationery and school uniforms for the children.

### **Volunteering**

In Gurgaon, Nokia has linked up with 'Udayan Care', to create a corporate mentoring program for disadvantaged children. Under this program, school children are brought to the Nokia offices where mentors share the importance of education, goal-setting and other values that will help them in life. This program has met with enthusiasm and our volunteer group continues to grow.

Earlier in the year in Orissa, our employees visited the children at a school for the blind and brought them gifts. The interaction inspired them to take this work further, and the employees are now in the process of planning various activities to include volunteering as well as monetary aid to the organization.

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## Indonesia

### **Education and disaster relief**

In Indonesia, the tsunami's effects were felt most heavily in Aceh Province on the Island of Sumatra, and Nias Island. According to the most recent government reports, over 120,000 people were killed in Indonesia as a result of the tsunami, with another 30,000 still missing. Approximately 600,000 people have been displaced, losing their houses, and frequently all their assets including fishing boats, stores, tools, crops, and so on. Much of the work being done to revive livelihoods of the survivors is focusing on short-term activities related to clean-up efforts.

As a result, Nokia has made a three-year commitment, to support programs in Banda Aceh and Aceh Besar aimed at the restoration and creation of livelihoods. In Bandar Aceh, the program is essentially a micro-financing initiative that will help young people commence or recommence their trade, while in Aceh Besar, the program is aimed at delivering life skills, vocational, information and communications technology (ICT) and entrepreneurship training, as well as mentoring, coaching and counseling. It will also seek to place youth in internships and jobs.

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## Malaysia

### **Volunteering/Environment**

In Malaysia, our global partnership with World Wildlife Fund enabled our staff and their families to be involved in the conservation of a turtle sanctuary. They helped the hatchlings to reach the sea, assisted with turtle nest excavations and recorded the number of turtle eggs hatched successfully. They were fortunate to witness to the release of two female green turtles, fitted with satellite transmitters to help protect the species by tracking their migration movements.

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## Pakistan

### **Education and disaster relief**

In response to the Pakistan earthquake, Nokia is funding rebuilding programs and projects over a three year period. These efforts consist of donations to Edhi Foundation, the President's Earthquake Relief Fund and Red Cross Finland for a temporary hospital in Muzaffarabad. Nokia also made a handset donation directly to the affected region.

### **Volunteering**

Nokia employees in Pakistan also mobilized support in various ways, such as collecting medicine, food, clothing and other urgent supplies for delivery to the affected areas. Outside Pakistan, Nokia employees in several countries took steps to help, including employees in the metropolitan area of Finland who organized a Red Cross street collection campaign.

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## Philippines

### **Education/Digital bridging**

#### **Bridgit**

Bridgit is a program concept in which sending a text message results in high-quality educational content being beamed via satellite to remote schools and villages. Our pilot project in the Philippines has been very successful, utilizing national curriculum and a strong alliance across the corporate, government, and non-governmental sectors. In 2005, the project scope expanded, largely through the introduction of funding from USAID in Mindanao. The project has now reached 200 schools, up from 40 schools in 2004. Additionally, 900 teachers have been trained, and the project has reached over 100,000 children with materials in-line with the national curriculum.

### **Nurturing future leaders (Consuelo Foundation)**

This project provides training for out-of-school youth from indigenous communities in the Philippines. It helps young people, ages 15-24, develop life, leadership and employment skills that will enable them to relate effectively and live productively in the culturally diverse Philippine society.

#### **Details**

Nurturing Future Leaders has met or exceeded our goals over the past four years, and nearing the end of its term, we are assisting Consuelo Foundation in attracting local donors to embrace the project model.

During the year, the project hosted a youth congress on May 30-June 1, 2005, with the theme, "Indigenous and Muslim Youth Leaders: Celebrating Diversity, Forging Bonds and Working Together." The Congress brought together youth participants, project managers and facilitators, from 17 tribes to celebrate diversity, and to organize a youth network to sustain the project's gains.

During the second half of the year, the project focused on assisting youth enterprises that have faced financial losses through environmental causes (in the case of agricultural projects), general mismanagement, or a lack of entrepreneurial acumen. In these cases, technical assistance, training and mentoring was provided in financial/business management, marketing, and agricultural production.

### **Looking ahead**

A booklet will be published on the experiences of the Nurturing Future Leaders project during 2006, and further data will be available to explain the impact of the project on young people.

### **Volunteering**

Nokia employees participated in a variety of initiatives, ranging from an annual blood drive, to the collection of disaster relief funds for Pakistan, donation of furniture, books, and money by our personnel — matched by Nokia.

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## **South Korea**

### **Education**

#### **Gongbubang (Kids and future)**

This project is aimed at improving the capacity of community welfare centers for disadvantaged children. Our model involves training center directors and teachers, focusing on the area of reducing aggressive behavior in youth.

### **Details**

South Korea completed Phase I of the project in 2005, which aimed to develop a center support manual. The project is testing a 14-day module aimed to reduce aggressive behavior in children by focusing on a variety of life skills, including conflict management, communication, teamwork and problem-solving. The project manual, completed earlier in the project is being updated for distribution to more than 600 centers and also for online distribution through the Kids & Future website.

### **Looking ahead**

An annual meeting will be held for all 50 participating centers to evaluate the project, review cases, distribute the module, and discuss future plans.

### **Volunteering**

Korea Masan Nokia employees assisted in a children's talent quest for neighboring orphanages. Many children came dressed in costumes to showcase their talents. Employees assisted in managing the event and ensuring that everyone who came to this talent contest had a memorable time.

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## **Sri Lanka**

### **Education and disaster relief**

As one of the countries most affected by the tsunami, Nokia took steps in 2005 to support the reconstruction and rehabilitation of Sri Lanka. This will take the form of several three-year programs, primarily for the purposes of livelihood skill development, to help villages 'get back on their feet' economically and socially.

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## **Thailand**

### **Education and disaster relief**

As part of Nokia's response, projects have been commenced in Pang-nga, Ranong, and Trang provinces, aimed at organizational capacity building livelihood and employment opportunities for youth. An interesting feature of the projects is the strength of local ownership of the activities.

### **Education**

#### **Empowerment of Thai youth (National Council for Child and Youth Development)**

The purpose of this project is to develop a life skills training model for secondary schools and non-formal education units. The model is being tested in three provinces, training 600 teachers and involving 1,800 parents.

### **Details**

During 2005, the training model was piloted successfully in three provinces. Of particular note during this period, the Non-Formal Education Division of the Ministry of Education decided to replicate this project in all 25 Non-Formal Education Units (NFEs) located in the three provinces targeted by this project: Mahasarakham, Nakhonratchasima and Udonthani.

A retrospective study by Brandeis in August and September revealed that: (1) 93 percent of respondents cited at least one positive change as a direct result of this project (i.e. working harder in school, etc.); and (2) As many as 84 percent of respondents believe that the project had a highly positive effect on their individual life skills. A full report from Brandeis is anticipated in 2006.

Further on the topic of evaluation, meetings involving key project stakeholders were held in each of the three provinces to consider the results of project implementation. From each province, 20 percent of each target population (youth, teacher, parents and community leaders) participated in the meetings.

### **Looking ahead**

Differences in the institutional capacities and the type of work of local partners have an impact upon project implementation and monitoring. In the case of this project, schools have extracurricular activities and other systems in place to serve as the basis for life skills development. Non-formal education units lack similar activities, and as a result, life skills curriculum has to be tailored specifically to the needs of the non-formal education unit's and its student population.

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## **Europe**

### **Belgium**

We have engaged the International Youth Foundation to assist us in the creation of a youth project in Belgium. During 2005, we searched for an appropriate local non-profit organization to work with, and will look to introduce a new project in 2006.

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## **Czech Republic**

### **Education**

#### **Make a Connection — (Civil Society Development Foundation (NROS))**

This project aims to promote volunteerism and community service among young people. The project is underway in five regions of the Czech Republic: Brno, Pardubice, Prague, Usti nad Labem, Ostrava, and through the Tereza Maxova Foundation network of children's homes. Youth groups receive small grants and training in life skills and project management. Through their experiences, they acquire skills that will enrich their lives and enable them to make a difference in their communities.

### **Details**

During 2005, the project met its beneficiary and output targets, funding 70 groups and involving nearly 600 youth in the implementation of volunteer projects. 195 volunteering activities were conducted (95% of target). As an example of the work carried out, eight youth in Litomerice organized a project called Art for All Sense, through which participants provided arts-and-crafts training in their community. All of the art pieces reflected each of the five senses. The art was locally showcased at the end of the project.

In August 2005, NROS hosted project alumni from Make a Connection Hungary, Poland, and Russia to share experiences and develop regional initiatives. NROS was granted financial support from the European Commission to support this activity. In the context of EU expansion, this was an important step, increasing cross-border understanding and cooperation in east/central Europe.

To sustain youth learnings from the project, NROS supported the creation of an Alumni Club. While anecdotal evidence suggests that youth who participate in the project continue volunteering, recruiting additional members to the Alumni Club has proven difficult. Nevertheless, the Alumni Club looks forward to improving regional outreach in 2006.

### **Looking ahead**

The project will continue during 2006, and NROS will look to build on the funding base provided by Nokia to sustain the project. NROS will also review findings from this study to strengthen the design and delivery of the project.

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## **Finland**

In Finland, our activities are directed towards youth and education, national art and culture, and the support of veterans and the disabled. From our head office in Espoo, we also work with Nokia offices and aid agencies world wide to respond to disasters and tragedies, conduct "matched-giving projects," and support other good causes through activities like the global UNICEF Season's Greetings e-card.

### **Education**

#### **Zest (The Finnish Children and Youth Foundation (FCYF))**

While not all students excel at math or sports, every young person has their own unique strengths and talents. Helping Finnish youth identify and maximize their individual gifts is the goal of the Zest life skills program that targets youth aged 13-15 in schools throughout Finland. The program offers young people tools to develop their confidence and creativity, while equipping them with teamwork and citizenship skills. Prominent Finnish individuals have teamed up with the program, and are sharing their life lessons with students. Zest also provides teachers with customized life skills lesson plans.

### **Details**

ZEST has gained a good reputation initiative among teachers and experts in the education field in Finland. The demand for schools visits and ZEST materials remains high. An additional 53 visits took place this period, expanding the project to an additional 13,310 young people. The website also continues to be popular with students, parents and teachers.

In addition to the school events, FCYF organized a number of different ZEST activities around the country which reached over 1,000 parents and teachers, including ZEST lectures and talks at the University of Helsinki, the University of Jyväskylä, the Youth Mental Health Fair in Rauma, the "Supervisors of Studies" event in Helsinki, the "Influential Youth" Event in Kempele, and the "Hobby Fair" in Vierema.

The Faculty of Sport and Health Sciences at the University of Jyväskylä decided in 2005 to include an annual ZEST lecture in their syllabus, while ZEST was also invited by Buusteri, (a popular youth show that reaches an estimated 100,000 viewers per day), to do a week-long show on the theme of life skills. ZEST worked closely with Buusteri to produce unique life skills content for each day of the week and the show aired December 19-23.

Additionally, FCYF was approached by the Ministry of Education to collaborate with them on the reputable International Award Program for youth. Pilot activities will begin in the fall of 2006. ZEST also established a new collaboration with the Finnish Youth Research Network and key universities to develop the project's evaluation tools.

It was initially questioned whether schools would be interested in the project, given competing priorities. However, the response has been overwhelmingly positive. This is most likely because the lesson plans help teachers with life skills development, an area of focus in the national curriculum; and the involvement of high-profile individuals who students view as role models.

### **Charitable giving**

To commemorate its 140-year history, Nokia made ten donations of 140,000 euros to child and youth organizations in Finland. The organizations' included sports, scouting, church, and drug prevention organizations, as well as organizations dealing with child protection and support for mentally handicapped children. The intention is that the money will be used over several years, to sustain new and existing programs in rural and urban areas. In addition to these larger donations, Nokia also supported a variety of associations and causes across Finland, especially in the communities where our employees are located.

### **Volunteering**

During 2005, we participated in the UNICEF Thirst Day campaign in April and the Red Cross Hunger Day in September, as in previous years. The money raised by the employees was matched by Nokia Corporation, and donated to support UNICEF's water and sanitation programs in Eritrea, Africa in addition to Red Cross work in other countries around the world.

In December, the Christmas tree campaign was successfully expanded to several sites in the Helsinki metropolitan area and Tampere. The campaign, collecting presents for underprivileged children, was very successful. Altogether, approximately 1400 presents were collected and distributed before Christmas to children and families in need.

In 2006 we plan to expand the campaign to more sites. During the year blood donations took place at several sites, as they have been since 1968. And, our employees assisted in creating UNICEF rag dolls, helped the elderly, translated letters for international child sponsor organizations (Plan and WorldVision) and made candles for Amnesty International.

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## **Germany**

### **Volunteering**

In Germany, Nokia volunteers engaged in activities ranging from building climbing bars and a playhouse for a local kindergarten and going on excursions with elderly nursing home residents to renovating a youth club and making donations to a children's home.

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## **Hungary**

### **Education**

#### **Make a Connection (Foundation for Democratic Youth (DIA))**

The project is directed at increasing commitment to volunteerism among young people, through service learning and reflection activities. The project reaches all seven regions of the country. Youth receive small grants, training in life skills and project management, and access to national networking activities. Another aim of the project is to raise national awareness and influence public policy about the importance of volunteerism and life skills development.

### **Details**

Drawing on the experiences of our project in the United Kingdom, DIA adapted the UK Make a Connection life skills curriculum for use in Hungary and subsequently received accreditation from the Ministry of Education to use it as the basis for a teacher/youth worker training program on life skills.

Four new youth groups were formed at the end of 2005 and DIA's volunteer network initiated 63 new service activities in their communities. One group organized a youth conference in their city to document youth problems, propose solutions and to influence the city's youth policies. The growth in the network over this period can be attributed to outreach efforts by DIA's local coordinators in schools and communities across the country.

The first accredited teacher training was held in December 2005 with 16 attendees, 13 of which were local coordinators. It is expected that participation in this type of training will improve the capacity of local coordinators to better empower youth participants.

The Self Starter Fund (SSF) small grant competition was launched in December 2005 and 19 groups applied, several of which were outside DIA's volunteer network. A number of groups initiated community partnership contract discussions with local officials and five contracts were finalized. During 2005, DIA was also invited by Mobilitás, a youth ministry agency, to develop a Hungarian Youth Development Resource Center as a repository of youth development research, methodology, practice, and fundraising opportunities.

#### **Looking ahead**

The project will continue during 2006, and DIA looks forward to collaborating more with other nonprofits in Hungary to influence national youth policy.

#### **Volunteering**

In Hungary, local Nokia volunteers engaged in a range of ecologically centered projects. Examples included cleaning forests, doing gardening work and building wood barriers at a nature reserve in the spirit of environmental protection.

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## **Italy**

We have engaged the International Youth Foundation to assist us in the creation of a youth project in Italy. During 2005, we searched for an appropriate local non-profit organization to work with, and will look to introduce a new project in 2006.

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## **Netherlands**

#### **Education**

##### **Youth Press Agency (Jantje Beton)**

Youth Press Agencies (YPA) are created in low-income communities throughout the country, to provide "at-risk" youth between the ages of 12 and 16 with structured leisure time activities. The youth work with professional journalists and local community centers to learn how to write, investigate and produce stories. In the process they develop key life skills which will help them in schools and in their future employment.

#### **Details**

The project was launched in April 2005. So far, three YPAs have been established in Cybersoek, Emmeloord, and Amsterdam West. Although this is fewer than anticipated, plans are in place to open more in 2006. Of the three YPAs that have been established, two recruited 7 youth, rather than the anticipated 12 youth.

Feedback from community centers in Emmeloord and Amsterdam West revealed difficulty in getting a large group of youth together at the same time to start the class. Understandably, the centers did not want to risk losing the youth who are enthusiastic to start by postponing the class in order to secure maximum capacity. In any case, it will be important for the project to establish at least another two YPAs in the next 12 months.

#### **Looking ahead**

Based on the experiences of the pilot phase and the first year of implementation of this project, the YPA model is viable. However, it has proven much more difficult to work with teenagers, than with children. For example, teenagers require more challenging activities which keep their attention on a continuous basis.

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## **Poland**

#### **Education**

##### **Make a Connection — (Polish Children and Youth Foundation (PCYF))**

This project aims to promote volunteerism among young people. Youth groups from across the country apply for small grants. Those funded attend training in life skills and project management. Through their experiences they acquire skills that will enrich their lives and enhance their chances of success in the job market.

### **Details**

The project continued to meet or exceed beneficiary and output targets, with 77 youth-led volunteer projects involving more than 1,300 youth, being created and implemented in communities across Poland. In line with our focus on evaluation and outcomes, the Polish Evaluation Association worked with PCYF to continue research into the effectiveness of the project's model on life skills development through volunteerism. Data is expected to be available early during the first half of 2006.

The youth groups were able to reach 26,252 indirect beneficiaries through their volunteer projects, representing 52 percent of the (multi-year) project target. This is lower than expected at this point in implementation based on earlier estimates, but this reflects an improvement in data collection. More accurate measurement often has the effect of unfavorable adjustment, but is unquestionably in the long-term interests of all parties. After final reports are submitted by youth groups in February 2006, there may be corrections to the figures obtained so far.

As examples of the kind of projects being carried out by the young people, the Culture Center in Leszno hosted two groups funded by the project. It is one of the only organizations in the city that provides space for young people to meet during their free time. One group used its grant to build a climbing-wall in a local school, and trained youth with disabilities to use it. The other group used its grant money to purchase African Drums and taught interested youth how to play. Both groups then worked together on a festival that promoted performing arts, music and dance.

PCYF held its 10th annual Education Forum in October 2005 highlighting strategies to develop youth competencies as the theme. Representatives from 10 youth-led volunteer projects were invited to showcase their experiences and learnings. The audience included educators, youth development practitioners, and other youth service workers.

Youth participants also took steps to improve relations in their local communities. These youth met with local government and community leaders to inform them about the results and achievements of their projects and gain support for youth-led activities in the future. For example, a group in Duga Golina worked closely with local officials to secure public land for a recreation of Stonehenge for a cultural project. Due to the success of the project, youth and local officials decided to work together on future cultural festivals.

### **Looking ahead**

The monitoring and consultation strategy used by PCYF requires that every new youth group be visited once a year. Site visits enable greater understanding of the context in which the volunteer projects are implemented and the circumstances of youth. PCYF expects to reach 70 percent of all the projects funded in the 2005 cycle. Those projects not visited are supported by adults who previously received training from PCYF and can provide the necessary level of support.

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## **Portugal**

### **Volunteering**

In Portugal Nokia volunteers collected water bottle caps throughout the year to raise money to buy orthopedic equipment for local hospitals. Others donated blood or bone marrow.

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## **Russia**

### **Education**

#### **Make a Connection (New Perspectives Foundation (NPF))**

This project aims to promote volunteerism among young people. NPF works through a network of five regional volunteer centers to fund youth groups and provide them with training and technical assistance. Youth groups develop their life, leadership and project management skills. Equipped with life skills, participants are more likely to succeed in school and the job market.

## Details

In its second year, the project continued to meet or exceed beneficiary and output targets. Over 1,500 youth built life and leadership skills by implementing 83 volunteer projects across five regions of the country. The combination of effective management by NPF and strategic collaboration with Nokia also ensured wider visibility for the project during the period.

During the second half of the year, core groups of volunteers spread their enthusiasm about volunteerism in their communities and schools. This resulted in a positive trend in the level of involvement, as more young people joined the activities. The total number of youth beneficiaries so far is 3,624, representing 73 percent of the overall, three-year project target.

In August, six Russian project alumni traveled to the Czech Republic to participate in a learning and project planning event that culminated in a cultural fair. When these youth returned to Russia, they organized meetings in each region to share their experiences. Meanwhile, adults continued to receive training and support the volunteer projects, including parents, teachers and representatives from local nonprofit organizations.

A total of 716 alumni participated in various activities during the period. They also established informal regional clubs to keep in touch within and across regions, share experiences and plan alumni-led activities. In carrying out these activities, alumni were able to reinforce the life skills and project management skills they learned from the project, and transfer values they gained from their experiences to their communities.

**Case study:** A group of 23 students and graduates from the Moscow International Film School received a small grant to create an animated film with 15 disabled youth aged 9-17. The group engaged these children in designing different aspects of the film and provided them with training in cartoon making. Through this experience, these youth were able to work towards breaking down stereotypes about disabled youth.

## Looking ahead

It remains challenging to communicate with youth from rural or remote areas because they have limited or no access to the Internet. To ensure stronger promotion and greater ease of communication, regional coordinators plan to make better use of telephone, post, and local authority channels to distribute information. A strategy will be put in place during the next period that may include making more contacts at schools, libraries, and youth serving organizations or service providers, and media outlets.

NPF received two awards during the period for its contribution to promoting volunteerism in Russia. The governor of the Tver region presented NPF with an award during the September 2005 International Volunteer Festival. NPF also received a national award from a consortium of prominent civil society organizations including the Russian Center for Volunteer Development, the Federal Foundation for Community Support and the Sozidanie Foundation.

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## Spain

We have engaged the International Youth Foundation to assist us in the creation of a youth project in Spain. During 2005, we searched for an appropriate local non-profit organization to work with, and will look to introduce a new project in 2006.

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## Turkey

### Education

#### **Dreams Workshop (Educational Volunteers Foundation of Turkey (TEGV))**

The project trains young people ages 16-26 to become volunteers, who then conduct creative arts workshops for at-risk children and adolescents aged 7-16. By participating in the program, the young people contribute to their communities and to the development of children through the arts.

### **Details**

The Dreams Workshop project, with its emphasis on life skills development, volunteerism and arts-based education, continues to be extremely relevant for Turkish youth. The project is being implemented in under-privileged urban and rural areas throughout the country, where in many cases, TEGV facilities are the only appropriate social centers accessible to young people, and the only non-formal educational opportunity open to them.

During 2005, TEGV and Nokia were able to significantly raise the public profile of the Dreams Workshop project and bring visibility to important issues of arts-based education and life skills development for young people in Turkey. An important success was the launch of a traveling Metro Exhibit (Me in 2020) early in 2005 in key metro stations in Istanbul, Ankara and Izmir, creatively highlighting accounts of the children's future dreams and personal profiles.

The project reached more than 13,000 direct beneficiaries (volunteers and children), and met its target in setting up 11 facilities by the end of the year. That said, the project is falling slightly behind on its target for child beneficiaries. This was due to fewer volunteering workshops being conducted than planned and "inactive" status of some of the volunteers. To remedy the situation, more volunteers are being trained and four new workshop facilities have been opened. As a result of these adjustments, the project is well positioned to meet 90 percent of its project target of 32,200 children.

### **Looking ahead**

Building on the success of this current project, we plan to renew the program with a new phase in 2006.

Tracking the right information on participants proved more challenging than initially anticipated. Although TEGV has a fairly sophisticated system for tracking beneficiaries, the project could benefit from providing more detailed information about the volunteers and children's experiences. TEGV is reviewing its system, and making the necessary adjustments so that the information is useful for tracking beneficiaries and helping to improve the workshop model.

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## **United Kingdom**

### **Education**

#### **Life Routes (The National Children's Bureau)**

Life skills are becoming more and more a mainstream issue. Our project in the UK has been built to promote the development of youth "life skills" through the public school system, by creating and disseminating curricula for teachers. The project is also working in pilot community sites with youth in out-of school settings.

### **Details**

The Life Routes project is increasingly being positioned as a vehicle through which schools and local organizations can achieve the government's five national outcomes for children (Personal, Social and Health Education (PSHE) program). Schools are using the project resources in different ways, in PSHE and Citizenship classes or in other subject areas such as Drama, English, and Health. NCB provides hands-on support to teachers and other government program leads such as Healthy School coordinators, PSHE advisers, and Behavior and Attendance Strategy advisors.

It is somewhat difficult to track the number of beneficiaries with precision, but we are grateful for NCB's support in finding ways to make the project data as robust as possible. NCB contacted the schools in which the project has been deployed, to confirm the number of students in each class where the curriculum was used (rather than relying on estimates). On that basis, it is estimated that at least 9,300 students were reached through the project in 2005, and that is a conservative estimate because some schools did not provide feedback. Overall, the project has reached 68 percent of its multi-year target for direct beneficiaries. The project has also trained several hundred adults to work with youth at the community level.

### **Looking ahead**

While it is good to know who we are reaching and the feedback has been positive, we do need to conduct further research to truly understand the impact of the resource. With that in mind, NCB will be undertake an in-depth study of 2-3 schools to get a better sense of the impact of the resource on teachers and students. The scope of the assessment would be defined by June 2006, and the actual study undertaken during September-December of this year.

### **Volunteering**

Mencap is the UK's leading charity working with children and adults with a learning disability, their families and careers. Nokia has been privileged to support Mencap for 12 years through sponsorship, donations, staff fundraising and gifts in kind. Nokia is currently sponsoring Art Spider, a website for learning disability arts.

Nokia employees in the UK contribute to a wide range of community and social activities. Some 40% of those surveyed support local organizations. Between them, Nokia people devote a total of 750 hours a week to charitable and other causes.

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## **South America**

### **Argentina**

#### **Education**

##### **Posta Joven (Fundación Sustentabilidad, Educación, Solidaridad (SES))**

This project aims to help disadvantaged youth contribute to their own development and the betterment of their communities, by organizing art and communications activities and community service projects. It is currently in place in four regions of Argentina.

#### **Details**

The first of three project cycles began in April 2005. This year, the project reached approximately 1,800 youth in four regions of Argentina. Of these, 192 (48 from each 'posta'\*) receive leadership training. These youth leaders or "promoters" returned to their 'postas' and worked with approximately 1,608 youth in their regions to develop art and communication workshops.

SES held five events in the second-half of 2005 to showcase the project. These included two regional launches, and three end-of-year festivals. Each event was attended by approximately 200 people from the community.

- \* As described in the previous report, a 'posta' is a regional outpost comprised of three to five local organizations. In this project, SES is working in four regions of Argentina. Local organizations will rotate management duties amongst themselves (one primary organization in each 'posta' during each cycle).

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## **Brazil**

#### **Education**

Mudando a História (Fundação Abrinq pelos Direitos da Criança e do Adolescente (Abrinq))  
In the Mudando a História project, young people from all socio-economic backgrounds reach out to teach disadvantaged children the joy and rewards of reading. The project is based in São Paulo and Manaus, and focuses on training youth volunteers to be reading "mediators" and trainers.

By bringing youth together from disparate backgrounds, the project helps to increase cultural understanding and tolerance, strengthens the image of youth as agents of positive social change, and improves the relationships that the youth have with their communities. Brazil has taken huge steps in recent years in increasing access to education. This project supports the goal of increased literacy and educational quality.

#### **Details**

This project has been underway for several years, and reached countless thousands of young people. Our focus on evaluation in 2006 yielded some interesting findings. Generally, youth feel very vulnerable and exposed when answering survey questions; as if they are being 'graded.' To mediate this response, Abrinq was able to provide context for the survey to the youth before they fill it out. A post-assessment is being administered in February 2006.

In December 2005 Nokia Brazil launched a national Christmas fundraising activity, to raise money for the Mudando a Historia project. Nokia contributed part of its revenues from cell phone purchases to the project, and customers received a cell phone case designed by Ziraldo, a well-known cartoonist. Through this initiative, Nokia Brazil contributed R\$200,000 to the project.

In addition, youth involved in the project have begun to organize themselves and formed a Youth Commission whose mission is to continue the project activities. To achieve this, the youth have begun "training the trainer", which was originally done by adults. They have also planned to submit funding proposals to several government agencies and companies in 2006 to continue their work. It is a measure of the project's success that the young people are motivated to organize themselves in this way. It demonstrates the skills they have gained through the project.

#### **Volunteering**

In Brazil, we have many spirited volunteers, especially in the city of Manaus. Our volunteering program, in place since 2003 is extending its work, from visits, campaigns, solidarity events ("Feijoada") and reading for young and old, to the promotion of better operating conditions. Over 150 volunteers delivered 2800 hours of support for charities, schools and hospitals.

We have supported the "Moacyr Alves" (children's) shelter; "Mamãe Margarida" home (for at-risk youth), and the "Dr. Thómas" seniors shelter, providing recreational and reading activities. We also held a furniture drive in May, benefiting four institutions, collected food and monetary donations, and developed trainings for schools and hospitals on first aid, fire-fighting, AIDS and personal care.

In São Paulo and Rio de Janeiro we had clothing and toy collections for charity and also blood donations in Sao Paulo. In addition we had a June Charity Party in both cities to raise funds for an orphanage.

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## **Chile**

### **Education**

#### **Conectate Chile (Asociación Chilena Pro Naciones Unidas (ACHNU))**

This project seeks to connect youth to a future in the high-tech sector, by providing vocational and life skills training, community service and job placement services. Drawing on the resources of the Inter-American Development Bank as well as Nokia, this project brings together a strong coalition of local organizations to support the issue of youth employment.

#### **Details**

The project has begun work on establishing local networks for youth in the five districts, and life skills training commenced late in 2005 in Santiago and Concepción. The goal is for each of these locations to have a youth service office to provide support for local youth. The study of IT demands will be finished by February 2006 in time for the start of the technical courses and the agreements with the training institutes have been finalized.

The youth community service component is off target, however this is because youth decided to work in larger groups and undertake fewer but more ambitious projects, such as a mobile library for the neighborhood. In cases like these, where ambition, teamwork and quality deliver a great result, the target isn't the most important thing. The project has also been fortunate to receive strong support from local governments, and for this we are most grateful.

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## Colombia

### Education

#### **Conectate Colombia (Fundación Empresarios por la Educación (ExE))**

Colombia has a young population, some of whom have been displaced by civil strife. This project aims to connect them with a future in the world of high-tech, by providing training in ICT, life and entrepreneurial skills as well as job placement services. Drawing on the resources of the Inter-American Development Bank as well as Nokia, this project brings together a strong coalition of local organizations to support the issue of youth employment.

### Detail

The project commenced in October 2005, and during the last three months of 2005, ExE established working relationships with key entities involved in this project, including Colsubsidio, its primary training partner for this project. ExE completed a labor demand study, which enabled it to select the technical content of the IT courses and scope the life skills component.

During the last months of 2005, ExE held information sessions about the project in nine of these schools with over 500 youth, of which more than 400 expressed interest in the project. The first trainings commenced in February 2006. For this project, we intend for 95 percent of those enrolled to graduate and at least 40 percent of graduates to be working in the high-tech sector within 6 months of their training.

### Volunteering

In Colombia, Nokia participates in the governance of the Conectate project, and we are looking at ways to involve our personnel in the operational aspects as well, most likely utilizing their professional qualifications. To date, our employees have been active in the community, helping on a monthly basis at local kindergartens with the supply of goods and their time.

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## Mexico

### Education

#### **¡Cámara! Ahi Nos Vemos (Fundación Rostros y Voces (RyV))**

This project uses video as a way to help "at risk" youth to gain life and technical skills and help them contribute to their communities. Through the project, low-income youth in three regions of Mexico are to use video as a means to help children, youth and adults in their communities address important issues. The young leaders learn valuable technical skills and acquire life skills.

### Details

During 2005, a successful video contest was organized in cooperation with public-sector organizations IMCINE and Secretaría de la Función Pública, which was based on the theme: "Youth Believe in Honesty." As the name suggests, this gave youth a chance to share their ideas on the battle against corruption through the production of short videos.

Meanwhile, 24 project graduates have now entered the video production industry, 10 of which founded their own micro-enterprise video companies.

Mexico was also chosen for an in-depth study in the outcomes of life-skill intervention, to enable target setting based on outcomes rather than outputs in the future. By that we mean that the aim of the project is to improve the life of the youth (outcomes) rather than simply make videos (outputs). We expect the results to be available by mid-2006, and that this will help to improve the project's all-round performance.

## **Volunteering**

Nokia Helping Hands was officially launched in Mexico in 2005. During the year, we conducted an environmental workshop for young people, to encourage recycling of our products. We also helped with the construction of new facilities in elementary schools, and continued our annual 'Nokiaton,' through which our employees donate and raise money for various health causes. In 2005, over USD 10,000 was raised.

We also continued our Christmas toy drive, collecting over 300 toys in December for Fundación EDUCA México, A.C. These were delivered to disadvantaged children in January 2006 in celebration of "El Día de Reyes" in Mexico.

Our local office also donated cash and goods worth approximately USD30,000 for those affected by Hurricanes Stan and Wilma.

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## **Peru**

### **Education**

#### **Calle a Calle**

#### **(Centro de Información y Educación para la Prevención del Abuso de Drogas (CEDRO))**

The project aims to increase the volunteering activities of youth groups, to assist young people in urban slum neighborhoods of downtown Lima. The target population is youth between the ages of 16 and 20 who come from poor, broken and sometimes violent homes. These young people work as volunteers with children ages 6-12 from the same socio-economic group.

#### **Details**

The project is on track to meet or exceed a number of its target outputs, consisting of neighborhood fairs, workshops and presentations showcasing health and literacy issues. Topics included artistic activities such as music lessons, art classes, and sports like Tae Kwon Do. The project was also classified as a successful project by the German Development Agency GTZ, and GTZ's support will enable CEDRO to systematize its practices for consistent replication elsewhere.

The parent training component of this project has proven more successful than anticipated, already reaching more than double the beneficiaries that the project had initially expected. As part of the training, many mothers learn a marketable skill, such as making purses or household ornaments. Many of the mothers have continued meeting without CEDRO's intervention, and have formed groups with guidelines for each participant to contribute a percentage of her earnings to the group.

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## **Venezuela**

### **Education**

#### **Conectate Venezuela (Fundación para la Infancia y la Juventud — Oportunitas)**

Venezuela has a young population, and this project aims to connect them with a future in the world of high-tech, by providing training in ICT, life and entrepreneurial skills as well as job placement services. Drawing on the resources of the Inter-American Development Bank as well as Nokia, this project brings together a strong coalition of local organizations from the Caracas, Anzoátegui and Carabobo regions to support the issue of youth unemployment.

#### **Details**

The project aims to equip 500 disadvantaged youth for the workforce. We have a target of 90% graduation and 40% job placement in the IT sector within six months of training completion. The project is on schedule to begin training in May 2006.

The project involves a competency-based training model. This means employer needs are surveyed and broken down into specific job-related competencies. These are then used to build curricula, so the training is relevant to the needs of the job market. It is also very adaptable.

This approach to job training is fairly new in Venezuela and therefore Opportunitas is doing some ground-breaking work. Currently, industry-specific standards for competency-based training do not exist. Opportunitas hopes to build capacity among its partner organizations in Venezuela, so it can be used in other projects.

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## Africa

### Nigeria

#### Education

Leadership for Health (Leadership Effectiveness Accountability Professionalism Africa (LEAP)) The project aims to reach 990 youth directly, improving HIV/AIDS awareness and individual life skills. It starts by equipping 90 youth (ages 17-30) with the skills to effectively lead HIV/AIDS-focused initiatives in their communities. Each of the 90 leaders then coach at least 10 soccer team captains, who, in turn share their knowledge and experience with players on their team. The project also awards Youth Leadership Awards to ten outstanding young Nigerians who have initiated and supported HIV/AIDS initiatives.

#### Details

LEAP Africa held its 2nd Annual Youth Awards on November 10 to recognize ten outstanding young people who had initiated successful HIV/AIDS change projects. LEAP received over 140 applications from youth across Nigeria and invited a panel of distinguished judges, drawn from the health sector, non-government organizations, and the media to select the 10 winners. Over 400 guests, including representative from the public, private and non profit sectors, attended the Awards ceremony. The ten winners received \$500 to continue their work in local communities across the country.

Three participants in the Leadership for Health Program were award recipients. The number of youth applying for an award was lower than anticipated due to 1) only HIV/AIDS initiatives qualified and 2) youth are skeptical that contests of any kind are not truly open. LEAP hopes that its reputation for conducting open and fair contests will persuade more youth to apply for these awards each year.

This project proposal did not include specific outcome targets. Nonetheless, LEAP has collected baseline and exit data from both the Lagos and Enugu training programs and will continue to do so with the Kano participants. A review of the outcome data reveals that the project is having positive results on participants, particularly in the area of leadership skills.

The project recruitment strategy in Enugu attracted a high percentage of university students, who lacked the capacity to initiate projects due to competing demands at school. Subsequently, LEAP redesigned its application forms, to better reflect the applicant's ability to initiate a project. In addition, in planning the Kano program, LEAP solicited the support of established non-profit organizations who work in the health arena to target medical students and youth leaders who are out of school.

#### Looking ahead

During 2006, the project will be evaluated to see how best to proceed in the forthcoming years. LEAP also plans to create an alumni association, to create a long-term support base for the participants and this important cause.

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## Rwanda

#### Microfinance/Digital bridging

In Rwanda, Nokia works together with Grameen Foundation USA (GFUSA) to bring affordable, accessible telecommunications to rural villages in Africa through microfinance. This collaboration builds on GFUSA's global Village Phone initiative that helps people living in rural areas start self-sustaining businesses while providing affordable telecommunications to their communities.

Access to affordable and reliable telecommunications services is a lifeline for rural communities and a critical part of overall development. Although the costs of mobile phones and services have fallen significantly, the initial investment needed to get connected remains one of the most significant hurdles to expanding communication services in these areas. By providing the necessary cash, microfinance has proven to be a powerful tool in overcoming this barrier. With tiny loans, financial services and mobile technology, Village Phone provides affordable access in a sustainable manner.

Nokia and GFUSA have jointly developed a solution based on Nokia's phones and an external antenna to serve rural communities in Uganda and Rwanda, the two countries where GFUSA's Village Phone currently operates. As a part of the cooperation, Nokia and GFUSA have commissioned a study to further examine the socio-economic impact of the program, looking at affordability, poverty alleviation, as well as implications on health, employment and education in the local communities.

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## South Africa

### Education

#### **Make a Connection (Youth Development Trust (YDT))**

The project tackles the persistent problem of youth unemployment by offering practical training to unemployed college graduates. A three-month intensive training period builds responsibility, critical thinking, conflict management, self-confidence and presentation skills, alongside basic computer literacy, and job search skills. The project also addresses secondary school students, who receive career coaching.

#### **Details**

In 2005, the project reached almost 5,000 direct beneficiaries, which is below the target figure of approximately 8,000 young people. To date, the project has not been as successful as hoped in the area of job placement or in stimulating entrepreneurial activity.

#### **Looking ahead**

In February 2006, YDT begins piloting a Women in Science and Technology (WIST) intake in which the standard Make a Connection module will be modified to prepare unemployed, female university graduates for the jobs involving science and/or ICT.

#### **Volunteering**

In 2005, Nokia employees from South Africa took part in a social inclusion project called the Rally to Read. Annually, during weekends in May, convoys of off-road vehicles departed from main cities across the country to deliver educational materials to some of the country's most neglected schools.

Once at the schools, rally participants met and interacted with the learners and teachers whose students benefited from the books and subsequent professional development which is provided for three years by The READ Educational Trust.

Since 1998, this programme has focused on improving the quality of education and raising the level of literacy in 345 remote, rural schools in South Africa.

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## Uganda

### **Microfinance/Digital bridging**

In Uganda, Nokia works together with Grameen Foundation USA (GFUSA) to bring affordable, accessible telecommunications to rural villages in Africa through microfinance. This collaboration builds on GFUSA's global Village Phone initiative that helps people living in rural areas start self-sustaining businesses while providing affordable telecommunications to their communities.

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## North America

### Canada

#### Education

##### **Make a Connection (Thrive! The Canadian Centre for Positive Youth Development)**

There is a high risk of Native Canadian youth dropping out of school, being unemployed, suffering from depression and/or turning to drugs or crime. This project is training 450 teachers, youth workers, counselors and other adults in 15 communities throughout Canada to help native youth resist these negative influences.

#### Details

This project is reaching the end of its three-year grant, and we anticipate reaching 12,444 students, or 95 percent of the overall target. The shortfall was mainly due to the demand in smaller rural communities, where access to services is more limited. Considerably more teachers were trained than planned, exceeding the direct adult beneficiary target by more than 150 percent.

Having established an initial target of holding 32 workshops in 17 communities, the program has already exceeded the relevant targets. With additional workshops planned in three communities in the next six months, the program will reach a total of 21 communities through 38 workshops by the end of June 2006.

#### Looking ahead

In 2006, we will be preparing for a new program, which we hope will commence in late 2006 or early 2007.

#### Charitable giving

During the year, our employees were generous sponsors of the United Way, donating \$40,859. This was matched by Nokia, for a total donation of \$81,699. Employees and Nokia also donated \$15,330 to the Red Cross in support of tsunami and hurricane relief efforts. Employees at Nokia's Vancouver office also donated over 421 pounds of food and necessities for the Vancouver Food Bank and Basics for Babies during the 2005 winter holidays.

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## USA

### Charitable giving

Nokia's response to Hurricane Katrina included the following actions:

- \$1,000,000 donation to the American Red Cross
- \$524,000 in-kind product donation to the American Red Cross
- 100% corporate match of US and Canadian employee contributions to eligible non-profit organizations
- Nokia's Mobile Learning Institute dedicated \$200,000 to conduct Digital Storytelling Workshops for school children displaced by the storms.
- The Desire Street Academy serves at-risk youth from the Desire neighborhood in New Orleans. The school's facility was badly damaged by the storm and is temporarily housed in Florida. During halftime at the Nokia Sugar Bowl, Nokia presented the Academy with \$75,000 to pay rental fees for the school's the temporary location in Florida.

### Education

#### Make a Connection Thru Art (Big Thought)

This project targets 1,270 middle and high school students over a 12-month period, providing them with life-skills education. Make a Connection Thru Art is designed to give adolescents an outlet through to express their impressions of the world. Students benefit from a 1-2 week residency in creative writing, visual arts or digital story-telling.

#### Details

Commencing in mid-2005, the project reached 650 direct youth beneficiaries from six middle and high schools in Irving, Texas and San Diego, California; 51 percent of the project's target. In total, eight classrooms from each school participated in either a ten-day Visual Arts Residency, a ten-day Creative Writing Residency or a 5 1/2-day Digital Storytelling Residency.

The project's target for direct youth beneficiaries was reduced from 1,320 to 1,270 during this period because one of the New York schools requested that the same group of students slated to participate in the Visual Arts Residency also participate in the Digital Storytelling Residency. The change was due to the school administrators' belief that students have the opportunity to think, explore and create.

#### Mobile Learning Institute

Established in 2005, Nokia's Mobile Learning Institute explores new technological possibilities with students, teachers, and classrooms. Programs deliver technology to local schools so teachers can integrate today's curriculum with tomorrow's cutting edge communication devices. In the process, the Mobile Learning Institute shows young people what is already possible, and challenges them to determine what comes next-whether it's creating and sharing their personal stories, composing and distributing music, or engaging in ongoing, dynamic dialog with people like themselves worldwide.

#### Details

During 2005, the Mobile Learning Institute conducted these programs.

1. Mobile Learning Institute **Classroom Residencies**: individual middle-school classrooms host a week-long Mobile Learning Institute visit. Institute representatives visit the classroom, working with teachers and students as they create curriculum-based presentations they can display and share on mobile communication devices.
2. Mobile Learning Institute **"Capturing a Career" Residencies**: high-schools host corresponding Mobile Learning Institute visits. During these sessions, Institute representatives work with young people to develop personalized digital portfolios, which integrate video and print to highlight their life / school experience.

3. Summer Mobile Learning Institute **Student Awards**: Students can extend their digital-arts experience outside the classroom, by visiting Nokia or a school campus near a Nokia site for a five-day digital-arts workshop. In the process, they get a glimpse into the future of communications, creating personal presentations they can display and share on mobile communication devices.
4. Summer Mobile Learning Institute **Educator Awards**. Teachers can extend their own digital arts expertise in twelve-hour professional development workshops. During these sessions, middle- and high-school teachers first work together to make digital films, websites, and/or print materials that can be displayed and shared on mobile communications devices. They next have the opportunity to apply their training directly in their classroom practice.

Current locations: Bay St. Louis (MS), Dallas (TX), El Cerito (CA), El Sobrante (CA), Fairfax (CA), Houston (TX), Irving (TX), Los Angeles (CA), Mission Hills (CA), Moraga (CA), New York (NY), Norwalk (CA), Oakland (CA) Pass Christian (MS) Pensacola (FL), San Francisco (CA), San Luis Obispo (CA), Sausalito (CA), and Venice (CA).

#### **Color, materials and trends exploration laboratory (Art Center College of Design)**

In September, Nokia donated \$2 million to provide an endowment for the new Art Center Color Materials and Trends Exploration Laboratory at Art Center College of Design, a well-known institution of design education with an international student body and alumni around the globe.

The endowment will benefit all 1600 full-time degree seeking students who attend the college each year, in the 10 design disciplines within the college. A formal system of measurements will be in place as the CMTEL is introduced to the Art Center community in spring 2006.

#### **Volunteering**

##### **Make a Difference employee volunteer challenge**

A unique program was introduced during the second half of 2005, to an enthusiastic employee response. Employees across the USA were challenged to create volunteer teams to "Make a Difference" in the community. Each team successfully completed the Nokia Make a Difference Challenge by completing forty or more hours of community service for an organization. Each organization received \$1,000 from Nokia in support of employee volunteer efforts.

#### **Atlanta**

Employees at Nokia's Atlanta facility collected donations for the Atlanta Community Food Bank, a local organization and member of America's Second Harvest - the Nation's Food Bank Network. Donations were distributed to organizations such as The American Red Cross, GEMA (Georgia Emergency Management Agency), FEMA (Federal Emergency Management Agency), and the United Way of Metropolitan Atlanta.

#### **San Diego**

Over a period of less than a month, employees donated \$3671.36, to benefit earthquake victims in Pakistan, with all money earmarked for the supply of winterized tents. Nokia San Diego matched the amount, resulting in a total donation of approximately \$7500.

#### **Seattle**

On a beautiful Earth Day, Friday, April 22, 2005, about 275 volunteers from the community, joined together to remove more than one acre of invasive plants and restored more than 900 feet of walking trails in Seward Park. The effort was an activity of the Green Seattle Partnership, a public-private partnership between the City of Seattle and the Cascade Land Conservancy.

Many other volunteering activities took place throughout the year around the country, at our head office in Irving TX, San Diego CA, Whittier CA, Philadelphia PA, and many other locations around the country.

**Charitable giving**

During 2005, Nokia employees donated almost \$350,000, through the annual Workplace Giving Campaign, which benefits the United Way and Earth Share. This sum was matched by Nokia, resulting in a total of approximately \$750,000 in charitable giving to the community.

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# Employees



At Nokia, we believe that people are our most valuable resource. This section reports on initiatives and studies conducted in 2005, related to Nokia employee and employment practices.

Personnel by region 12/2005

Region	Headcount	Fixed	Permanent	Full-time	Part-time
Americas	10 829	292	10 537	10 811	18
Asia-Pacific	4 515	510	4 005	4 512	3
China	6 119	5 551	568	6 119	0
Europe, Africa & Gulf	13 783	842	12 941	13 605	178
Finland	23 427	648	22 779	22 914	513
Total	58 673	7 843	50 830	57 961	712

10 major countries by personnel 12/2005

Country	Headcount	Fixed	Permanent	Full-time	Part-time
Finland	23 427	648	22 779	22 914	513
USA	5 878	43	5 835	5 861	17
China*	5 860	5 519	341	5 860	0
Hungary	4 186	515	3 671	4 183	3
Germany	3 411	59	3 352	3 358	53
Brazil	2 184	117	2 067	2 184	0
United Kingdom	1 956	19	1 937	1 918	38
Mexico	1 906	58	1 848	1 906	0
India	1 609	332	1 277	1 608	1
Denmark	1 362	7	1 355	1 342	20

\* All employee contracts in China are typically fixed term even though the nature of the employment is permanent.

## The Nokia Way

The Nokia Way means providing individuals with a platform for personal growth in a challenging environment with a clear vision, goals, and shared management principles. Nokia brings together talented individuals who share these principles, and therefore share success.

## Code of conduct

At Nokia, how we do business is everybody's business. And we believe that ethical business behavior can only be realized by an equal commitment from every employee. The strong message we are sending across every level and geographical area of our organization is this: we take our responsibilities seriously, and we support each other in achieving our ethical goals through our Code of Conduct.

### **2005 highlights**

In 2005, Nokia's Executive Board made a decision to revise our Code of Conduct. This was in a move to ensure consistent business practices across an increasingly diverse organization as well as better respond to increasing external regulations. We developed a significant training and communication campaign designed to bring the new Code of Conduct alive for our people, as well as make sure that everyone everywhere in the organization is committed to the code and its messages.

The campaign centered around an e-learning solution, which was rolled out globally and made up of key messages on appropriate business behavior, video case studies and a final quiz to check understanding. By the end of the year, close to 30,000, or more than 50%, of all Nokia employees had completed the learning solution. This represented 65% of the total target group and was considered a sound result for a four month initial kick-off period. Participation rates were especially high in countries such as Turkey, South Africa, Mexico, Bolivia, China and a number of other APAC countries, but there were also countries where participation rates did not meet expectations and these are being targeted in the next phase of the project.

### **Looking forward**

Our future focus will be to keep the Code of Conduct on everyone's agenda. Country and business management teams and HR representatives will continue working to encourage awareness amongst existing employees at the same time making sure the code remains an integral part of the induction program undertaken by all new Nokia recruits.

During the period from January to April 2006, we will focus on raising awareness in our production sites where access to e-learning is less straightforward. Depending on the site, this will be done by either providing employees with temporary intranet access or through face-to-face workshops.

We are confident that by April 2006, 90% of our total workforce will have achieved a good understanding of our Code of Conduct.

### **Values in action**

The Nokia Values — Customer Satisfaction, Respect, Achievement and Renewal are fundamental to our culture and way of working.

At Nokia, our values really live. We refer to them openly in meetings, e-mails, on-line fora, and even canteen discussions in any context from business decisions to internal workplace practices. Sometimes we might refer to them positively, other times negatively, if we don't feel in certain situations that the values are being sufficiently adhered to. Our values are not only the responsibility of each employee to uphold, they also represent everyone's right as individuals to a fair and balanced workplace.

### **2005 highlights**

During 2005, following a global values revitalization and awareness campaigns staged in 2004, we continued actively to promote our values with targeted local activities. The focus of these hands-on campaigns, staged in Argentina, São Paulo, Rio de Janeiro and Mexico City, was to explore the values in action and their relevance to our daily work.

For example, in Argentina, a campaign on the Nokia values provoked large-scale interest and involvement:

Karen Dominguez, HR Argentina explains: "We presented an active attention-grabbing communication campaign. Every three days when people arrived at the office they met with different images related to each of our four values.

- Customer Satisfaction — we put stickers in strategically chosen windows with messages like: We are paying attention to our customer needs.
- Respect — we plotted desks with messages like: Are you open to understanding others' opinions?

- Renewal — we set up lamps simulating crystal balls. Once people touched the lamps they were able to read messages like: We shape the future!
- Achievement — “we put champagne corks on the wall with anecdotes and slogans next to each representing recent team and individual successes.”

The final phase of the campaign involved voting for the 20 best local employees representing each of the four values.

### **Looking forward**

In 2006, we will continue to focus on promoting our values in a tangible way, bringing them closer to our people. We will work further towards:

- Ensuring our internal policies and practices reinforce a positive values-based working environment.
- Promoting local campaigns and activities.
- Linking our values to our internal learning solutions.
- Focusing on eliminating behaviors not consistent with the Nokia values to ensure a fair and balanced place of work for all our employees.

### **Inclusion**

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

We are evolving toward a mobile world in which people everywhere will have the ability to connect to information anytime, from almost anywhere. That means the world is not only our marketplace, but also our talent pool. In support of a strong, creative and flexible Nokia team, our aim is to hire and retain well-qualified, highly motivated people from diverse geographical locations and cultural and racial backgrounds.

In this context, we see building a diverse and inclusive workplace as consummate to our long-term success. We see diversity as encouraging greater innovation, with well-managed diverse teams typically more creative than their homogeneous counterparts.

Diversity also helps us improve customer understanding in all parts of the organization. Through mirroring a diverse marketplace, we can better meet our customer needs and anticipate future opportunities.

### **2005 highlights**

Two years ago we made a decision to shift ownership of our diversity and inclusion plans from the corporate functions level to the front lines of our business groups as a way of reinforcing the business impact of diversity.

In 2005, business group representatives continued activities in these specific focus areas:

- Balancing cultural background in our employee population to better represent local markets
- Increasing and developing women in leadership
- Building management competencies for leading and managing diverse teams

In addition to business group level diversity and inclusion plans, several other actions were taken to demonstrate our commitment to diversity as a driver for employee engagement. These included a general awareness campaign (new brochures and diversity stories), linking diversity goals to our mentoring programs and building local diversity networks to implement the activities.

We also introduced two new questions related to diversity and inclusion in our annual employee survey, with the following results:

All employees of Nokia are treated as individuals regardless of age, race, gender, physical capabilities, etc.

Total favourable	Neutral	Total unfavourable
<b>70%</b>	<b>16%</b>	<b>13%</b>

My team has a climate in which diverse perspectives are valued.

Total favourable	Neutral	Total unfavourable
<b>67%</b>	<b>23%</b>	<b>10%</b>

These responses give us a good starting point for extensive follow-up, as well as for continuous improvement.

### **US highlight**

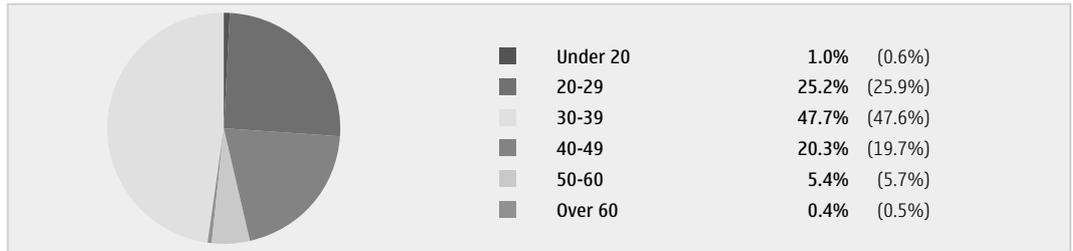
For example in the US, the local diversity network identified key executives to lead our Executive Diversity Networks and drive momentum in building an inclusive culture. Continuing on a lot of work already done, four diversity workshops for HR and business managers were arranged, providing participants tools to facilitate better conversations with their teams as well as combined goal setting in driving diversity and inclusion.

In addition to internal awareness raising activities, the local recruitment team stepped up efforts to increase the number of ethnic minorities and women in middle and upper management. In the US, we now advertise in a number of diversity focused magazines and participate in the following national recruitment events: National Society of Hispanic Engineers Career Fair, National Society of Black Engineers Career Fair, National Society of Women Engineers, Women of Color in Technology, National Society of Hispanic MBAs, and National Society of Black MBAs.

### **Looking forward**

In 2006, in our diversity and inclusion work, we will continue developing and promoting our current activities, while focusing on the integration of tools to measure diversity & inclusion in local networks as well as strongly encouraging their use. The implementation of these global tools is on the 2006 action plans of many of our Nokia local diversity networks and we expect to see it on all networks within the next three years.

Age 12/2005 (12/2004)



Employees by gender 12/2005 (12/2004)

	Female	Male
Number of personnel	18 493 (17 961)	40 180 (37 407)
All	32% (32%)	68% (68%)
Senior management	12% (12%)	88% (88%)
Americas	34% (37%)	66% (63%)
Asia-Pacific	27% (29%)	73% (71%)
China	38% (40%)	62% (60%)
Europe, Africa & Gulf	31% (32%)	69% (68%)
Finland	30% (29%)	70% (71%)

## Rewarding performance

Nokia rewards employees for good performance, competence development, and for overall company success. This creates a positive and encouraging environment with opportunities for employees to optimize their potential and be rewarded fairly.

## Investing in people

Nokia believes that all employees should have clearly defined performance objectives which align their personal contribution with our organizational goals. This is achieved through the Investing in People (IIP) process, which is closely aligned to the company strategy and planning processes and rewards are directly linked to the company's financial performance.

The process involves formal six-monthly objective setting and achievement review discussions as well as an annual overall performance evaluation. But this is not just about setting targets and achieving them, both 'what' and 'how' factors are linked into each discussion and managers are strongly encouraged to use each project as a way of maximizing performance as well as learning.

We place a strong emphasis on the manager's role as a performance coach and also as a development coach. For employees, everybody is encouraged to be active in IIP and also to 'own' their own personal and career development. We believe that the cornerstones of IIP are open communication and honesty, which encourage a climate of continuous performance improvement and an environment where all employees can fulfill their potential.

## 2005 highlights

In 2005, we focused on the quality of the process. The year started with an engaging message via DVD from the Nokia President and a supporting role play on how managers could better tackle performance conversations in a motivating and values-based way. A link to the DVD was emailed directly to all solid line managers at Nokia, with over one third of recipients accessing the link within the first 10 days.

A voluntary (anonymous) IIP survey was made to capture employee perceptions about the quality of their individual IIP discussions. The results were generally in line with the positive feedback received through our annual Listening to You and Business Satisfaction surveys.

We also undertook a review of our annual Performance Evaluation process in late 2005 with the aim of examining whether appropriate performance management behaviors and performance-based rewards were well in place. The results of the employee surveys and the performance evaluation review indicated strongly that it is the ability of managers to facilitate a quality discussion that is key and that we need to focus more on coaching our managers to lead by example.

## Looking forward

In 2006, we will continue to work on ensuring that values-based behavior forms a major part of the IIP process and as a consequence we expect to see a boost in the capability of individuals and teams to both perform and learn.

We will renew our Performance Evaluation criteria to help both managers and employees to better understand the importance of behavior on our results — giving them values-based examples as well as guidance on applying the values in their daily interactions.

We will also focus on the personal and career development aspect of IIP; how managers can coach and get the most out of development opportunities and how employees can broaden, deepen and renew their competencies to ensure that they continue to grow throughout their career.

In the first few months of 2006, we will be running focus groups to clarify the criteria we use for evaluating performance and also to find stories of good performance management that we can use for guidance and role modeling

### Total payroll and benefits

Region	Total no of employees	Employees in production	Total payroll & benefits 2005 mEUR	Total payroll & benefits 2004 mEUR	Total payroll & benefits 2003 mEUR	Total payroll & benefits 2002 mEUR
Europe & Africa	37 408	13 582	2 066	1 876	1 664	
Americas	10 829	5 436	735	672	623	
Asia Pacific	10 637	6 682	326	256	214	
<b>Total</b>	<b>58 874</b>	<b>25 700</b>	<b>3 127</b>	<b>2 804</b>	<b>2 501</b>	<b>3 140</b>

NB 1: Discrepancies by region are the result of factors such as base salary and pension level differences depending on the type of employment and jurisdiction. However, in the context of payroll and benefits, it is noteworthy that Nokia's salary structures are comparable or better than the average remuneration in all those markets where we operate.

NB 2: All Nokia employees also have the opportunity to participate in Nokia's incentive schemes which are standardized and implemented globally, regardless of geographic location.

## Rewards and benefits

A competitive total compensation offering is one of the most important elements in attracting and retaining talent. Our approach to reward and benefits is anchored strongly in the Nokia values and aligning internal needs with shareholder interests.

In addition to basic pay, individual and company performance is taken into account in various ways:

1. Company "Nokia Connecting People Bonus" — all full-time employees are eligible for the Nokia Connecting People Bonus. Senior employees with equity incentives are not eligible for the Nokia Connecting People Bonus.
2. Cash incentive plan — 95% of professional employees participate (short-term incentive, R&D incentive, sales incentive, production bonus). This is in addition to the Connecting People Bonus.
3. Equity Programs — all professional employees are eligible for nomination to receive an equity grant. The equity incentive program focuses on rewarding achievement and retaining high potential and critical employees.

Additionally, Nokia's benefit programs are designed to provide an element of security to employees and their families and dependents.

## 2005 highlights

Nokia's reward and recognition programs acknowledge employees based on individual, team and company performances.

A solid company performance in 2005 rewarded employees with a full payout from the Nokia Connecting People Bonus. This was the third consecutive full payout. Similarly, the first performance period of our Performance Share Plan (equity program) introduced in 2004, resulted in a payout that is expected to be delivered to participants in April 2006.

### **Looking forward**

We intend to put more effort into understanding the competitiveness of our benefit programs with a view to supporting employee work-leisure management. Our benefits and services for international assignees are also going to be improved to meet the more specific needs of a globally mobile professional.

Another major improvement concerns incentive plans. In R&D programs for example, the special incentive program and its governance will be aligned with our new Nokia R&D working mode. In sales, the competitiveness of our compensation program is expected to be boosted by rolling out a sales incentive plan linking sales peoples' incentives directly to the product sales that they contribute to or control.

## **Employment practices**

Nokia is committed to full compliance with relevant national laws and collective agreements as well as internationally recognized standards and practices, such as those of United Nation's Universal Declaration of Human Rights, the International Labor Organization and Global Compact, which are outlined and reinforced through Nokia's Code of Conduct.

### **Employment guidelines**

Nokia employment practices are guided by several different principles, both external and internal. The Nokia Way and Values are fundamental to our employment practices and way of working. We are also strongly committed to full compliance with relevant national laws and collective agreements as well as internationally recognized standards and practices, such as those of United Nation's Universal Declaration of Human Rights, the International Labor Organization and Global Compact, which are outlined and reinforced through Nokia's Code of Conduct.

### **2005 highlights**

In 2005, we created a set of Global Employment Guidelines aimed at giving Nokia employees, managers and HR in all Nokia locations a shared common understanding of our guiding principles and what they mean in practice.

The guidelines include basic principles related to compensation, working time and location, confidentiality and privacy issues, as well as guidance on external assignments and potential conflicts of interest. The importance of the Nokia Code of Conduct is highlighted in the context of gift policies and bribery and corruption.

Other topics in the guidelines include the importance of employee wellbeing and equal opportunity, as well as management responsibility for this. It also clearly states that at Nokia, all forms of harassment, whether racial, sexual, relating to disability, or any other personal attribute are strictly prohibited. They also confirm that all Nokia employees have a right to express their opinions and associate according to recognized local and international practices.

These guidelines are available globally to all Nokia employees and managers in the HR intranet.

### **Looking forward**

In 2006, we will focus on improving the awareness level of these global guidelines in Nokia factories. They are also being fully integrated into our internal labor conditions assessment criteria, which incorporates the external SA8000 standard.

## Factory assessments

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

### 2005 highlights

Following the comprehensive internal labor conditions assessments carried out on all Nokia operation sites in 2004, the focus of our labor conditions management in 2005 was on reporting the results internally as well as following-up on factory specific action plans and initiating needed improvements and best practices.

The assessments, based on the SA8000 standard, verified the generally good status of our employment practices and processes in all our factories. There were also no significant differences in quality among factories in different regions (Europe, Americas and Asia). However, some areas of improvement were found, and actions were taken to improve those practices that did not meet the highest standards.

### Areas for improvement

- One of the areas requiring improvement was working hours. Some of the factories received recommendations to reduce overtime hours especially during the peak production periods. Improvement actions carried out in 2005 included changes in shift structures and enhancing the electronic recording and follow up systems on working hours.
- Remuneration was above the legal or industry standards in all the production sites. However, some factories were advised to develop more efficient communication to increase employees' awareness & understanding. To ensure fairness and consistency in remuneration, line managers had further training on salary structures.
- Disciplinary and grievance processes existed in all factories; however, there were deficiencies in documentation, communication and training around the use of these processes.
- There were no children (under 15) employed and the identification of the candidates was always checked during the recruitment process to ensure that the minimum age requirements were met. Freedom to resign exists and there were no signs of deposits /debt bondage.
- Freedom of association & the right to collective bargaining exists in all operation sites and some form of employee representation was arranged in many factories. Labor unions and works councils represent established forms of cooperation in all the European factories. In countries where the public trade union system is not so well established or participation rates were low, some parallel and/or complementary means of association were facilitated. These included regular feedback meetings and focus groups based on the employee opinion survey results (in China) and different committees (SA8000 committee in Brazil & reward committee in Mexico).

### Looking forward

Our experience in 2005 has demonstrated that our internal labor conditions management system is an efficient way of increasing awareness of international labor standards across the organization. It also effectively facilitates the sharing of best practice and engages management teams and the HR community to the common goal of being amongst the most responsible employers in the world.

We will start 2006 by training nominated HR staff in all regions to the SA8000 standard and to our internal labor condition assessment process. By the end of 2006, we aim at completing the next round of assessments on all our production sites. This will enable us to systematically evaluate, report and improve our labor practices in all countries where we operate. We also aim at increasing cooperation with our key external stakeholders in this area.

## **Occupational health and safety**

The key to continuous improvement in Occupational Health and Safety (OHS) is a collaborative, systematic approach. Our global OHS governing structure, put in place in 2004, has helped us build a team approach to managing all health and safety issues as well as standardize our procedures and ensure a consistent performance among all regions and sectors.

The fundamental principles of our OHS approach are based on the International Labor Organization's standards and codes of practices as well as the Nokia Code of Conduct. See also our page on Occupational Health and Safety.

### **Assessments**

During 2004/2005, we carried out Occupational Health and Safety internal assessments on all our production sites, and detailed action plans were created and implemented at local levels where appropriate. A common set of definitions was also created to improve the ability of local health and safety officers to gather data on injury and illness for collation and comparison at a global level.

### **Other highlights**

In 2005, several other initiatives in Occupational Health and Safety were also either initiated or continued:

- Ongoing evolution of our occupational health and safety management systems at all production operations.
- Launch of a global OHS website to help share best OHS practices communicate to our employees our OHS activities.
- We worked to increase employee access to a wide range of opportunities in health and fitness, fulfillment through work-life balance, and professional and personal growth.
- The Global OHS Management Team conducted monthly conference calls to discuss relevant regional and global issues and where needed, develop procedures to address issues coming to light.
- The development of regional OHS action plans.

### **Looking forward**

In Occupational Health and Safety, several actions are targeted to be implemented globally over a three-year time-frame. These include:

- Developing an OHS Management System for all our manufacturing sites (based on the OHSAS 18001 guidelines).
- Ongoing internal OHS assessments.
- Following on from the full set of standardized definitions on injury and illness, we will develop and disseminate global guidelines to all our sites on how to compile global injury and illness data. We will also provide coaching and guidance as to their correct implementation.
- Expanding the scope of our global injury and illness data from production sites to reflect personnel in all Nokia business operations. These numbers are expected to be available for the first time at the end of 2006.
- Improved access to information for our employees in areas such as stress in the workplace, nutrition and physical fitness.

## Global operation injury and illness report 2005

Location	Injuries	Illnesses	Injury and incidence rate
<b>Germany</b>			
Bochum	21	0	0.89
<b>Finland</b>			
Production Operations	52	1	2.21
<b>APAC</b>			
Korea	1	0	0.14
India			
<b>China</b>			
BNMT	0	0	0.00
BNT	0	0	0.00
NST	1	0	0.57
DNMP	4	0	0.65
<b>Americas</b>			
Mexico (Reynosa)	17	0	3.10
Brazil (Manaus)	1	42	3.24
FortWorth	1	0	0.12
<b>Europe</b>			
Komaron Production	38	0	1.30
UK - Vertu	3	0	1.36
<b>Total</b>	<b>139</b>	<b>43</b>	<b>1.08</b>

The referenced injury and illness incidence rate is a compilation of Nokia's global production operations and based on the USA Bureau of Labor Statistics formula.

$(N/EH) \times 200\,000$  where:

N = Number of occupational injuries and illnesses

EH = total hours worked by all employees during calendar year

200 000 = 100 full time workers (working 40 hours per week, 50 weeks per year)

Using incidence rates allows Nokia to evaluate its injury and illness experience and compare its experience to companies performing the same type of work.

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 workers was 0.4. Nokia's global average for injuries and illnesses resulting in lost work days per 100 workers was 1.08 in 2005.

### Employee well-being

Health promotion is a central element of our OHS initiative. These are at the foundation of our work to ensure employee well-being in addition to many local initiatives at our sites around the world.

Employee well-being and safety are seen as top priorities at Nokia. High quality performance in the field of Occupational Health and Safety (OHS) is a fundamental principle of our business. It is strongly linked to the Nokia Values, which also form the foundation for our Global OHS Policy and initiative. For more, see Nokia as an Employer.

### Internal case study

A global Health Promotion, Productivity and Well-Being project team was brought together within Nokia to review a number of key questions:

- How does a global organization with a diverse workforce ensure it has healthy, happy and productive employees?
- Is there a correlation between a healthy employee and higher productivity or better quality?
- If an association does exist are there any connections between employee well being and business success that we should know about?

As the team learned more about the benefits of a comprehensive program, it became evident that the promotion of health and well-being was an organizational investment for the future. By providing the right tools and helping employees stay healthy or transitioning the unhealthy employees to a healthier lifestyle, companies can benefit in the form of increased employee satisfaction, improved quality and productivity, reduced absenteeism, as well as, in some regions, reductions in costs associated with insurance premiums, medical care and prescription drugs.

### **Workforce balancing**

Another important aspect of our employment practices is what we call workforce balancing. Renewal is critical for Nokia's business success. It ensures that our workforce structure and capabilities support our business strategies. Often it means recruitment, but sometimes also reorganization or restructuring. Business decisions that have a big impact on our employees' personal lives are never taken lightly.

### **2005 highlights**

During 2005, we kicked off a large-scale project aimed at rethinking how we approach these challenging situations, and how we might ensure more positive opportunities for people affected by change.

One of the most important findings was the need for more cooperation across our business. This means creating a 'one Nokia' view on redeployment and proactive competence transfers, as well as actively managing our overall resources according to business needs. This approach not only allows us to better meet our business competence needs, but also helps us further leverage the experience and potential we have in our existing workforce.

In addition to improved proactive planning across different entities, we established models to evaluate the total impact, both direct and indirect, that any workforce balancing activity would have on Nokia — including on our employees and our external stakeholders.

We also committed to open, transparent communications as early as possible, empowering our employees to take responsibility for their own personal renewal and to working together with employee representatives in a spirit of true cooperation.

If reductions become inevitable, we are committed to offering employees affected with outplacement services, career counseling, personal coaching and/or other relevant assistance in redeployment, reskilling and training.

### **Looking forward**

One of the projects carried out towards the end of 2005 was an assessment of our R&D workforce level needs in Finland where a need for reductions was identified. We put together a voluntary severance program to be offered in Finland during 2006. This is the first time that Nokia in Finland has taken this kind of voluntary approach and the initial feedback from the employee representatives has been promising.

We are confident that with this new approach and top management commitment, we will also be able to offer more opportunities to our employees affected by change, for example through enhanced redeployment across different parts of the organization.

Region	Voluntary attrition, %		
	2005	2004	2003
Americas	6.3	5.1	3.8
Asia-Pacific	9.1	7.2	7.5
China	4.7	5.6	2.5
Europe, Africa & Gulf	5.6	6.5	8.4
Finland	3.0	2.5	2.8
Total	4.8	4.3	4.6

## Talent and innovation

Nokia employees have opportunities to broaden their skills in a variety of development activities. As well as managing skills, managing peoples' ideas and giving them room to grow is important at Nokia.

### Talent management

We take a holistic approach to talent management at Nokia that ensures we have the capabilities and leadership skill in key roles to deliver on our short- and long-term business goals.

All our employees have an opportunity to participate in a wide variety of learning and development activities including classroom-based training, e-learning, virtual learning and on-the-job development with mentoring and coaching opportunities. Through our global network of Learning Centers, we offer a consistent standard of learning covering all areas of development needs for all our people.

### 2005 highlights

In 2005, we decided to simplify, integrate and focus our talent management practices. A new competency framework was introduced, enabling a more integrated approach to selection, assessment and development. We also put more structure around talent reviews to accelerate the readiness of high potential individuals for key roles. These talent reviews gave us greater visibility into local and global talent pools and helped leveraged resourcing and development opportunities across organizational boundaries.

Customer centricity has been incorporated as a key element in our development solutions. We also launched several new Nokia Management & Leadership solutions:

- General Management Accelerator (240 managers, 8 programs, 5 regions)
- Organizational Leadership Workshop (Customer Focus)
- Induction Workshop for Strategic Leaders in New Growth Markets
- Management Team Development
- Social Network Analysis in Nokia Management & Leadership portfolio

### Looking forward

In 2006, we will work to evolve initiatives taken in 2005. We will also continue to simplify, integrate and focus additional activities on areas critical to building organizational and key role capability to drive business results today and in the future — in a workplace where people feel they can excel.

Training for employees				
	2005	2004	2003	2002
Average training days per employee	6	6	4	5
Average cost of training per employee	1 850	1 665	2 200	2 200

## Innovation

Managing innovation is a vital part of our business today. The ability to transform ideas into successful products or services is one of the most important competitive advantages in today's business environment. We also believe that it is extremely important for a company to value the creativity of its employees across all functions. However, when thinking about innovation and our core business, our technical experts and managers are in critical key roles. We are supporting them by providing targeted learning solutions on how to manage innovation.

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

### 2005 highlights

In 2005, we created a new Technology and Innovation Management training program. As part of the training, participants look at academic views, best practices and external experiences in Innovation Management. They then apply the learnings to Nokia by exploring real case studies. The program is also a great opportunity for people to share best practices and experiences among our different Business Groups and entities.

Another new learning program dedicated to Innovation, Leadership, Customer Orientation and Personal Development is aimed at widening the scope and capabilities of participants in the following areas:

- Managing new business in a changing environment
- Developing leadership and communication skills for the virtual world
- Developing personal networking and self management skills
- Encouraging discovery based ways of working

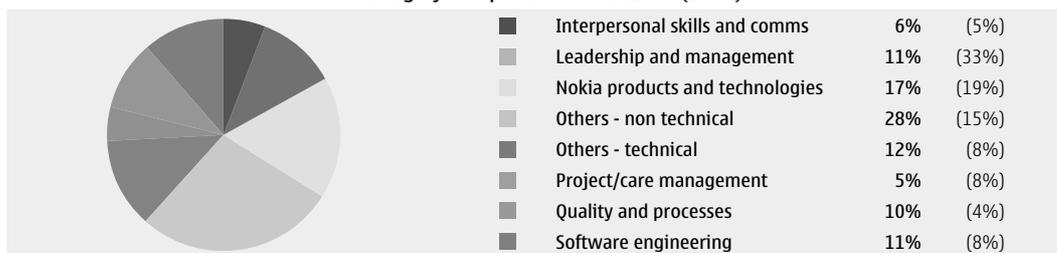
By the end of 2005, around 350 employees had participated in these new innovation focused learning solutions.

In November 2005, we also analyzed our employee survey data and interviewed employees to gain a better understanding of recent trends in employee wellbeing at Nokia R&D across the five years of 2000-2005. We simultaneously conducted an extensive review related to the most recent research on connections between wellbeing, engagement, motivation and innovativeness. This was done in cooperation with the Finnish Institute of Occupational Health. The results of the analysis will be used as guidance in an initiative to improve our Product Creation (R&D) activities, ensuring that key factors relevant for wellbeing and innovativeness are identified and taken into account when defining process definitions, job roles, information flows and ultimately in the design of our organization.

### Looking forward

In 2006, we will continue to fine-tune new learning solutions, with an overall goal of achieving world class status in our Innovation Management within Nokia. The results of research and analysis conducted in 2005 will be reported with concrete proposals for improvements. This report will be available in April 2006 and will be used as guidance for more detailed actions in the second half of 2006.

Training by competence areas 2005 (2004)



Training for employees

	2005	2004	2003	2002
Average training days per employee	6	6	4	5
Average cost of training per employee	1 850	1 665	2 200	2 200

## Communications

Open communication is part of the Nokia way of operating. We gain commitment from our employees and employee representatives through ongoing dialogue and employee feedback and participation. Our people have several different channels for expressing their opinions and concerns as well as for driving positive change in our organization, principles and policies:

- Listening to You — our annual survey for all employees
- Personal discussion and development - all employees have an assigned HR consultant to help with personal employment related matters, to discuss their personal development plans and to give direct positive or negative feedback.
- 'Ask HR' — question forum and 'Jazz Café' — discussion forum on the internal website
- A mail or email address to reach the Board of Directors is available for all employees to express their concerns and give feedback anonymously.
- Employee/employer unions — we are in open discussion and cooperation with all relevant unions where we do business.

We continue to undertake a number of information sharing initiatives on our labor practices with broader stakeholder groups including governmental and non-governmental organizations, labor unions, socially responsible investors and our customers.

### European highlight

The Nokia EuroForum is one of our most important and best-established forms of employee-employer communications. Set up in 1996, it was built on the European Directive on Information and Consultation of Employees (EU European Works Council) that requires employees to be informed and consulted on common areas of interest. The topics discussed at EuroForum are typically centered on financial performance, company & business group /unit strategy, company culture, operating mode as well as current and future trends in employment, production, people and organizational development.

The Nokia EuroForum is made up of 30 employees from EU countries who meet twice a year for two day sessions often involving Nokia top management presentations and Q&A sessions.

### 2005 highlights

A number of new initiatives for external cooperation and communications in the area of labor and employment issues were introduced. At the beginning of the year we received some criticism from the Finnish labor unions for a lack of communication and cooperation on specific issues. This prompted us to introduce a range of improvement activities, especially in Finland.

We formed working groups with our employee representatives in an effort to solve these issues. We then took determined decisions on how to better involve them in company planning and development activities. One example of enhanced cooperation was the 2005 review of our R&D workforce balancing needs in Finland, where we involved our employee representatives from the outset.

**Looking forward**

In 2006, we aim at evolving initiatives started in 2005, with specific focus on further enhancing our external communications on Nokia as an employer, including our policies and practices. Towards the end of 2005, we began creating plans for increased external communications, including calling in experts to work with us in our common goal of improving the overall working life of our people. During 2006, we expect to bring these strategies alive through greater transparency and active stakeholder cooperation.

# Environment



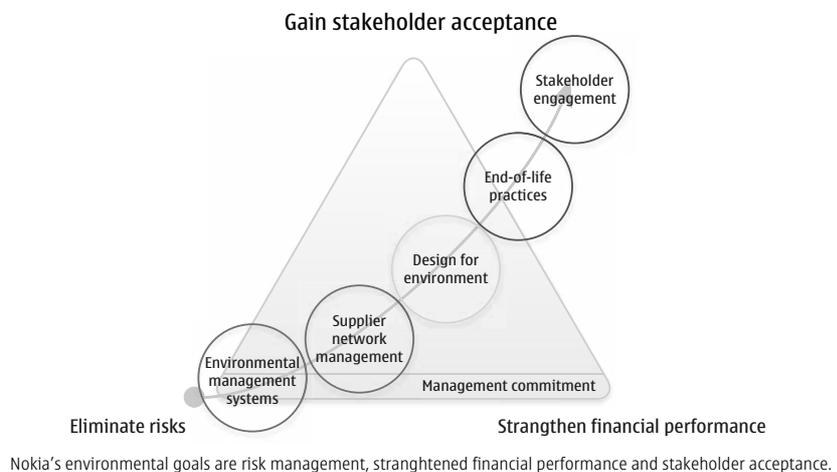
## Overview

Nokia aims to be a leading company in environmental performance. Combining environmental issues into daily work makes business sense for Nokia. By working to reduce the adverse environmental impacts of our products and activities, we minimize risk, ensure legal compliance, gain stakeholder acceptance, and help advance the long-term success of our company.

Our customers can also use our products with confidence and good conscience. Through our environmental strategy, we work to ensure that our products are safe for personal use and that they do not overly tax the environment. Nokia is a trusted brand and we take that trust seriously.

## Nokia environmental strategy

### Strategic intent



Nokia's environmental strategy is based on lifecycle thinking, beginning with the extraction of raw materials and ending with recycling and disposal of as well as the reintroduction of recovered materials into the economic system.

Our goal is to develop advanced mobile technology, products and services, which have no undue environmental impact, consume energy efficiently, and that can be appropriately reused, recycled or disposed of.

Nokia's environmental strategy is integrated with our business strategy. Our four business groups have set environmental targets for their own activities to implement our corporate level environmental strategy.

## Main issues in focus

Three issues remain at the forefront of much of Nokia's environmental work. They are substance management, arrangements for the takeback and recycling of end-of-life products, and energy efficiency.

### Substance management

During the planning and design of our products, one of our main focus areas is their material content. We are continuously analyzing the materials used in our products with the aim of reducing the amount of potentially hazardous or harmful content.

### Takeback and recycling

In takeback and recycling, we have for years had in place our own arrangements for mobile devices and accessories, as well as for mobile network and IP network security equipment. All Nokia products are also covered by the European Union's new Waste Electrical and Electronic Equipment (WEEE) directive. Nokia is assuming product responsibility as defined by the directive as it is implemented throughout Europe. In addition, takeback of Nokia mobile devices will also continue at authorized Nokia Service Centers and Flagship stores in all markets where we do business.

### Energy efficiency

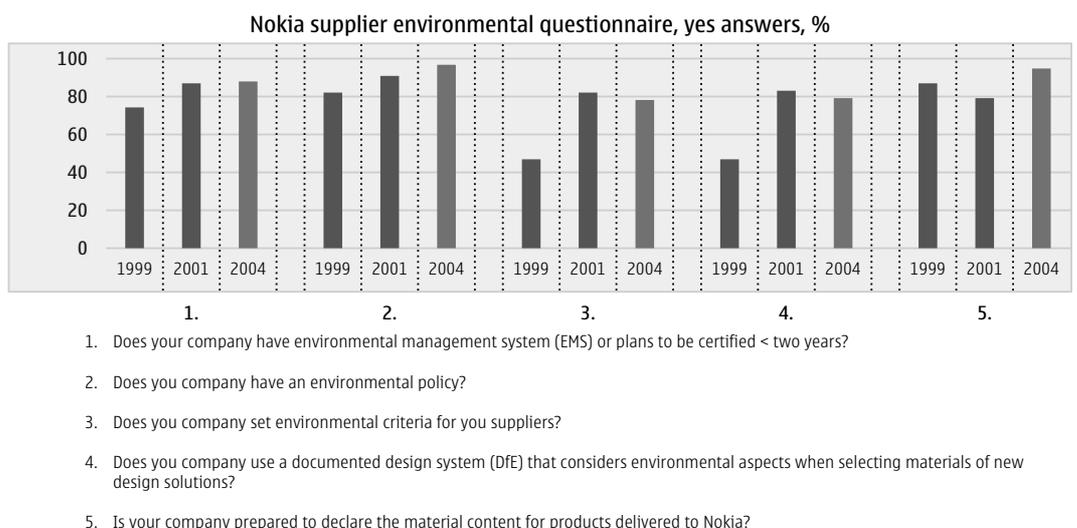
In our product creation as well as our own operational activities, an important area for continuous performance improvement is in energy efficiency. We have consistently been able to reduce the energy intensity of our products.

### Supplier issues

A large part of the lifecycle environmental impact of Nokia products comes from the activities of our suppliers. We understand that effective management of supplier network helps us keep firmer control on the environmental performance of our products.

Nokia promotes sound environmental performance throughout the supplier network, requiring all its suppliers to evaluate the environmental performance of their own suppliers and set targets for improvement as needed.

The global Nokia Supplier Requirements on Environmental Management are the basis for the approval and assessment of the environmental performance of our suppliers. We have trained Nokia people who go regularly into the field to meet with our suppliers and conduct assessments.



The scope in 1999 self-assessment survey was suppliers for both terminal and network products, the survey 2001 included only the main suppliers for terminal products, and the last survey 2004 had again the wider scope of suppliers for both terminal and network business areas.

## Recognition

### Appeal of conscience award

In September 2005, Nokia's Chairman and CEO Jorma Ollila received an award from the American Appeal of Conscience Foundation for his commitment and sensitivity to environmental protection, international collaboration, tolerance and human rights.

The award, in part acknowledged our newly updated environmental strategy implemented in June 2005, which places increased emphasis on the environmental soundness of our product development and supplier network management.

### Nokia ranks high as ethical investment

Nokia in 2005 was again selected as a component for both the Dow Jones Sustainability World Indexes (DJSI World) and Dow Jones STOXX Sustainability Indexes (DJSI STOXX). The company was ranked second this year in the communications technology segment of the broader Super-Sector Technology Index of the DJSI World index, and second in the Communications Technology subcategory of the technology index of the European-focused DJSI STOXX family of indexes.

FTSE4Good again counted Nokia as a constituent of its leading social responsibility investment index, putting Nokia among the total 42 companies able to meet the stringent CR criteria of this high-profile series.

Based on a two-year ethical screening, OEKOM, an independent German-based rating agency, raised Nokia to the number two position following its corporate responsibility survey of 10 communications equipment companies. OEKOM, whose original expertise lies primarily in environmental issues, has commended Nokia in particular for its work in the area of takeback and recycling.

## Looking forward

The main focus areas for Nokia's environmental work in 2006 are materials and substance management, takeback and recycling, and the energy efficiency of our products and operations.

### Substance management

In our substance management work, we will continue to work with our suppliers in investigating alternative materials and solutions that will help us fully eliminate restricted substances from our products.

That means complying with upcoming and existing legal requirements wherever we do business, but not using legal compliance as our baseline. For example, in July, 2006, the new European Union RoHS legislation, currently the strictest in existence, will take effect. We are well-positioned not only for full compliance of products destined for the European market, but for all Nokia mobile devices globally.

### Takeback and recycling

In our work on takeback and recycling, we aim to continue expanding the global availability and accessibility of takeback channels to our customers. We are also committed to driving visibility and awareness around this issue, wherever we do business. However, governments, industry groups, retailers and consumers in every region approach this issue slightly differently. In Europe, for example, we will continue our focus on complying with the European Union's new WEEE directive, while in North America and China, we will further develop new local initiatives piloted last year. In other regions, we will continue to focus on developing awareness-building programs most suited to the existing recycling infrastructure and culture as well as local legal requirements.

Nokia is not in the recycling business, but we will continue to cooperate with our best-in-class partners who specialize in this industry.

## Energy

While mobile communications is not considered a high-impact energy sector, our environmental performance strategy is strongly directed towards assessing the energy efficiency of our business in all areas. That means working to reduce the indirect and direct impacts of energy use in our products, our overall operations and in our internal management practices.

We acknowledge that climate change constitutes the single most critical theme facing our world today. We are also looking very seriously at how we can proactively address this issue, not only within our own organization, but with our own people and partners across the value chain.

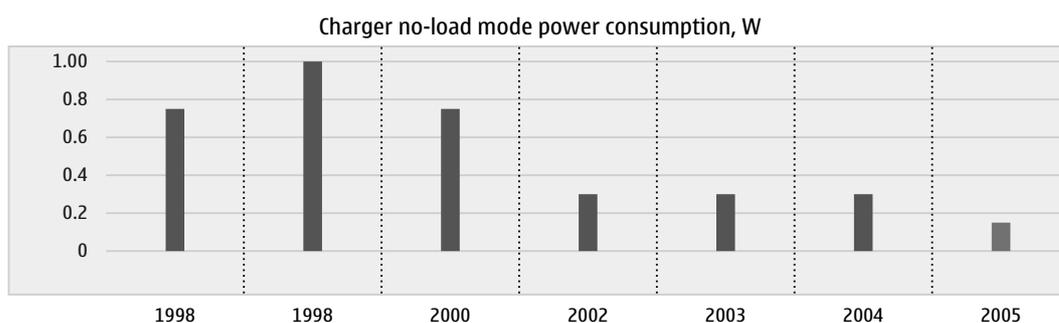
## Product efficiency

The energy consumption levels of Nokia products differ according to each lifecycle phase. In mobile networks, for example, it is the use-phase where energy consumption has the single largest environmental impact, while the upstream processes of raw material extraction, fabrication, and component manufacture account for the largest environmental impact of mobile devices. However, during the use phase for mobile devices, it is battery charger energy use that poses the most significant use-phase energy issue.

## Mobile devices

For mobile devices, improvements in battery technology have greatly expanded the talk time and thereby the overall energy efficiency of our devices. Nokia is committed to increasing the eco-efficiency of our products. This means in practice minimizing their energy intensity and optimizing their design. The key parameters for describing product energy efficiency are talk time and standby time. During the last 15 years, the product average talk time has increased by 25%. At the same time we have been able to quadruple the product average standby time.

Nokia is a signatory to the European Union's voluntary Code of Conduct on Efficiency of External Power Supplies aimed at reducing the no-load energy consumption of its chargers. The stand-by power consumption of Nokia chargers has been significantly reduced and meets the strictest requirements of the EU code.

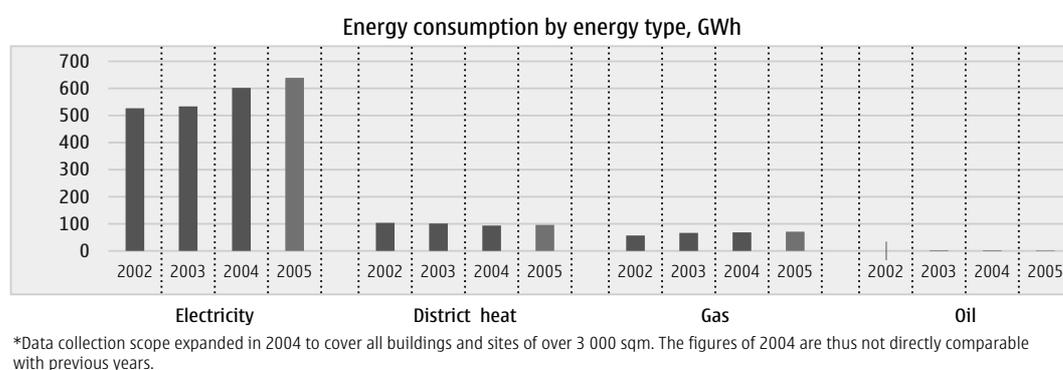
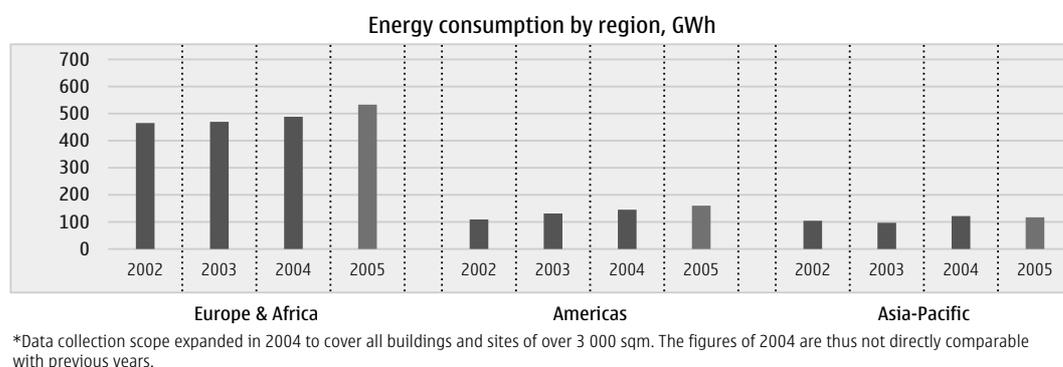


## Mobile network products

Meaningful evaluation of energy efficiency must also be based on the energy used by the growing number of services our products provide. In our mobile networks business, the capacity of mobile networks during recent years has expanded (more base stations and greater traffic flows), thereby increasing their absolute energy consumption. However, as the volume and range of services provided by our networks and our mobile devices has also greatly expanded, the energy efficiency per service has in fact increased. This is what we call eco-efficiency — more features and services with less energy.

Technical improvements have reduced the power ratings of some network equipment. For example, in the case of a typical Nokia WCDMA base station the reduction from the year 2000 to 2004 was from 1930W down to 1370W, or, nearly 30 per cent.

Modular design also promotes the energy efficiency of network equipment. For example, if the plug-in units of a base station can be changed without changing other hardware, the lifecycle environment impact, including energy consumption, is reduced. A preference for software solutions over hardware in network system design is another important consideration, as the environmental impact of updating software is smaller than that of updating hardware.



### New product highlight

In 2005, Nokia launched the Nokia Flexi WCDMA Base station, an eco-friendly base station that provides high-speed network coverage for new generation 3G/WCDMA devices. The Nokia Flexi sets improved environmental product standards in four key areas: energy efficiency, safe use of materials, site solutions and logistics.

The energy consumption of the Nokia Flexi WCDMA base station is less than 750 W, or at least 60% less than for a typical first generation WCDMA base station. At the site installation, the energy efficiency improvement of this product is also evidenced by the decreased need for cooling systems.

In the area of the recycling and reuse of materials, the Nokia Flexi has been designed for a superior performance. Its product weight is now only 45kg, or at least 80% less than that of a typical cabinet type WCDMA base station, so there is less material use in all phases from manufacture to transportation and less waste in disassembly.

### Environmental impact

The Nokia Flexi also has less potentially harmful waste. It became the first mobile network equipment product in our industry to meet the upcoming European Union directive, which includes restrictions on the use of lead-free soldering in manufacturing.

Installation solutions at base station sites can have a big effect on how network equipment products blend with the environment. The volume size of the Nokia Flexi is about 100 liters, or at least 80% less than with a typical cabinet style WCDMA base station. Its small size makes it possible to install in locations that are less visible and also brings more flexibility in stacking products together into smaller spaces.

Logistics, including the transport of materials and products, is a very important factor in assessing the eco-friendliness of our products. The Nokia Flexi, with its fewer components and material requirements requires less energy use in transport from our suppliers to Nokia manufacturing plants. The smaller weight and volume of the finished product also reduces the amount of packaging required and makes transport from our manufacturing sites to the customers more energy efficient.

### **Energy and material efficiency**

As mobile technology evolves, solutions based on mobile technology can replace traditional business methods such as the production and transportation of goods. This replacement of physical products and services with digital counterparts, or immaterialization, can significantly reduce the use of fossil fuels that is believed to be the chief cause of climate change.

In addition, mobile devices are getting smaller and digital functionalities and services such as games, accessing media and content, entertainment, shopping, e-mail, fax and Internet access are coming available to consumers all on a single multimedia device. This reduction in the amount of physical materials (dematerialization) used by consumers and companies also reduces the overall environmental impact of products and services.

On the other hand, market-driven needs for increased and more efficient products and services are pushing development that leads to ever-shorter lifecycles of mobile devices. We see progress in dematerialization and immaterialization as going some way to help minimize the negative impact of this.

## **Substance management**

### **The Nokia substance list**

The Nokia Substance List (NSL) is the core requirement for all Nokia product development and defines those substances that Nokia has banned, restricted, or targeted for reduction. It also addresses all those substances already covered by legislation in force combined with pending laws in Europe and elsewhere, and voluntary substance restrictions Nokia has introduced independently.

The NSL is also reflected in the requirements we set for our component suppliers and sub-contractors.

Our suppliers have real-time access to this list and we work together with them in investigating alternative materials and solutions that will help us fully eliminate restricted or monitored substances from our products.

### **Information sharing**

As a part of our supplier cooperation development, Nokia is taking into use the web-based RosettaNet information exchange solution in its product information exchange with suppliers, including information on materials content.

RosettaNet is a voluntary initiative of around 500 major IT and electronics manufacturers to develop solutions that encourage a more standardized information exchange. The RosettaNet partner interface process is the first industrial standard of its kind.

RosettaNet will be in central role in Nokia's product data system, helping to manage the environmental component data in automated manner and further helping Nokia to make substance management a standard part of our component design and management process.

### **European highlight — Restricted substance compliance ahead of EU deadline**

Working consistently with our suppliers, in 2005, Nokia introduced our first two products fully compliant with the European Union's upcoming RoHS directive. The new legislation will restrict the use of lead, mercury, cadmium, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE) in all electric and electronics equipment coming onto the market after 1 July 2006.

Nokia's two new fully RoHS-compliant products were the Nokia 5140i mobile device, the first RoHS-compliant mobile phone on the market, and the Nokia FlexiHopper Plus microwave radio, one of the industry's first RoHS-compliant mobile network products with lead-free manufacturing capability in volume deliveries since the first quarter of 2005. We also started manufacturing almost 50% of our base station units as RoHS-compliant during 2005.

At Nokia, we began our research and preparation very early, setting ambitious internal targets. However, the shift to RoHS-compliant devices has proved much more of a challenge than many in the industry, including Nokia, first anticipated. Schedules for the introduction of RoHS-compliant components have been regularly discussed with our suppliers, while at the same time new supporting technologies such as RoHS-compliant soldering have had to be developed.

Clearly, we have not been willing to make concessions during the transition, yet concerns on product quality and energy use have had to be continually balanced out with effective replacement solutions and legal time constraints. We are now in a position to affirm that all Nokia mobile devices for all our markets globally will meet the requirements of the EU directive in advance of the July deadline. Restricted substances are also being eliminated from network and Internet security equipment. All Nokia products and solutions in Europe, and all globally — with the exception of two or three semi-obsolete products — are expected to be RoHS-compliant by July 2006.

## Takeback and recycling

The disposal of electronic devices at the end of their useful lives is a globally recognized issue at the forefront of environmental discussion and debate. In the search for solutions much of the focus until now has been on the creation of legislated frameworks. The aim of the legislation is to prevent electronic products from going to landfills without proper treatment and to increase reuse and recycling

The European Union's new Waste Electrical and Electronic Equipment (WEEE) directive is a recent example that makes manufacturers of electrical and electronic equipment financially responsible for the collection of waste in all EU member states. Studies indicate that the share of mobile communications equipment out of electronic scrap in Europe is about 1%.

### Situational analysis

For electronics companies, takeback and recycling add value. They support brand value and customer loyalty and inspire customer insights. They also demonstrate environmental responsibility. Manufacturers like Nokia are generally in a disadvantaged position for takeback, due to the costs involved and the lack of many consumer touchpoints.

Stakeholders in the takeback and recycling process include governments, retailers, customers, consumers and products. Other stakeholders include recyclers, refurbishers and NGOs.

The responsibility for bringing used devices back for recycling lies ultimately with the consumers. The challenge for Nokia in takeback programs is how to make mobile phone users do their share and return the used products for recycling. By bringing the used mobile to a takeback point the customers make sure that used phones will not end up in landfills in their own or other countries. Instead, the recyclable raw materials can be used again in new products.

In a typical consumer scenario, such as when a mobile phone user is renewing a service contract with a mobile phone provider, in the US and Europe an estimated 60% to 70% retain their old devices because of their perceived value.

Successful takeback is also driven to a great extent by economics and market factors, which in turn place large quantities of used devices in refurbishment scenarios. This causes concern for the quality and safety of products repaired or altered outside of the intense controls fundamental to a Nokia production process.

The optimum outcome from Nokia's environmental efforts in the product lifecycle is to minimize adverse effects to the environment, to our customers and consumers and to our business. As the Nokia lifecycle philosophy applies to takeback, the power to manage takeback and direct the disposal of a mobile device at the end of its life is largely controlled by: customers, consumers, retailers, and by governments.

There are various takeback channels and Nokia has limited control over the actual flows. Despite the challenges posed by the logistics of recovery, Nokia has for years had programs in place and continues to move ahead with new programs to recover mobile devices at the end of their useful lives.

These include takeback:

- Via our authorized service centers and flagship stores
- Through our web site, only limited in certain countries
- As part of eBay Rethink, only in the US

Nokia is also piloting different forms of cooperation with operators and distributors, such as installing collection bins at point of sales and mail service return, as well as in various industry level schemes and in public awareness building campaigns.

#### **North American highlight**

Nokia has takeback programs wherever we do business. These vary by area according to local legal requirements as well as awareness levels and the existing recycling infrastructure and culture.

In North America, the takeback and recycling of electronics is largely voluntary with few legislated requirements. Industries, however, have reacted to the issue with efforts to promote the recovery and recycling of these goods.

Nokia has launched a number of programs aimed at recovering used mobiles from consumers. These range from collection bins at offices and Service Centers to the recent addition of a cooperation project with the eBay Rethink Program.

Linked to the eBay site, the Nokia recycling web page also offers a means for consumers to walk no further than their mailbox — and for no cost other than the calories burned in the exercise — to mail their used mobile for inclusion in Nokia's recycling program. This program operates at a cost to Nokia but is considered valuable as an effort intended to stimulate the recovery of any manufacturer's handsets and place them in a recycling scheme consistent with Nokia's policy on Sustainable Development.

## **Environmental Stakeholders**

### **Internal stakeholders**

- All Nokia people have access to motivational training and awareness building communication on environmental matters. These include:
- An intranet site showcasing environmental issues and activities within Nokia, as well as presenting ways employees can become directly involved.
- Nokia People, Nokia's global in-house magazine, which regularly features environmental articles
- Global and regional internal environmental conferences called environmental forums, organized throughout the year
- In Focus, a public e-zine that regularly puts the spotlight on ethical and environmental issues within Nokia.
- Impact, an e-zine launched in 2003 and circulated to our global network of environmental experts and other employees interested in environmental issues.

- A monthly newsletter for our environmental experts' network, discussing trends and up-to-the-minute issues within Environmental Affairs. This includes the possibility for comments and discussion as it is now produced in blog format.
- Environmental issues are included in most of Nokia's regular management training programs, and all Nokia employees have access to Nokia's and WWF's common Connect to Protect web-based learning application, as well as a modular e-learning application on environmental matters.
- Our series of environmental virtual information sessions has attracted a lot more participants than anticipated, with between 150 and 300 participants attending per topic. Each monthly session is repeated catering to different time zones to maximize global participation.
- Our formal employee induction process also includes an information package on environmental matters and Nokia's policy and approach.

## **External stakeholders**

Nokia promotes ongoing dialogue with external stakeholders to keep up with the issues that are important to Nokia and the broader community. We focus on learning what external stakeholders expect from the company, and how these expectations can be met.

### **Consumers**

Nokia promotes communication with consumers through regional and worldwide brand surveys and related focus groups.

### **Corporate customers**

Account teams from the business groups conduct customer-specific discussions with trade customers and carry out customer satisfaction surveys. An extranet information service has been implemented for increased interaction with mobile telecommunications operators.

### **Suppliers, governments, and industry**

#### **Suppliers**

We expect our suppliers to take a similar environmental approach to their business and we take this into account when selecting and developing longer-term relationships with them. We rely on a great number of suppliers for our components, manufacturing services, facilities management, logistics and end-of-life services, so our strong focus on supplier-network management plays an essential role in validating and improving the environmental performance of our products. In the same way that we develop and verify our own environmental performance at our production sites, we require all our suppliers to have documented environmental management systems in place.

#### **Governments and authorities**

Nokia engages in extensive dialogue and involvement with governments and intergovernmental organizations, including the United Nations, the European Community, and the International Chamber of Commerce. A good example of our involvement comes through in our work with the European Commission's Integrated Product Policy. The Commission chose Nokia as one of two companies to help pilot the project, aimed at building practical foundations for its implementation.

During 2005, we worked intensively with our suppliers, competitors, customers, recyclers, public authorities, consumer organizations and NGOs to identify relevant life-cycle environmental issues as well as steer environmental improvements.

#### **Industry cooperation**

Nokia plays an active role in environmental committees of many national and international industry organizations and initiatives.

### **Non-governmental organizations**

In our environmental work, Nokia is in regular dialogue with a number of NGOs. This year marks a move towards the successful completion of a three-year cooperation agreement with the World Wide Fund for Nature.

#### **Nokia and WWF**

Highlights of the agreement, aimed at mutual learning, include access for all Nokia employees to a web-based application for raising environmental awareness, as well as business case projects, workshops, voluntary activities and joint stakeholder seminars across the organization and around the world.

Since the partnership began in 2003, e-learning and specific training workshops on business environmental issues have enabled approximately 50 000 Nokia employees to become more familiar with environmental matters and be aware of the implications in both their professional and private lives.

Examples include:

- An environmentally sustainable business program for Nokia managers to build business cases with an environmental angle.
- Annual regional works shops (one per region each year) for Nokia managers on topical issues.
- Road shows in connection with workshops and other environmental events
- Connect to Protect — a website with regular updated information including in-depth learning modules.
- Local initiatives and volunteer activities
- Seminars for external stakeholders

#### **Nokia and WWF cooperation**

- Three-year contract (June 2003 -2006) with renewal renegotiations underway
- Focused on enhancing staff environmental awareness, competency development and stakeholder engagement
- A key support tool for Nokia's environmental strategy implementation  
Strategic stakeholder engagement: changing the way that Nokia values the environment

# Supply Chain



## Overview

At Nokia, we see sound environmental and social principles as an important part of sustaining a successful and responsible business. We work hard to anticipate risk, demonstrate company values, enhance our governance practices, increase employee satisfaction and look after the communities where we do business.

We expect the companies in our supplier network to take a similar ethical business approach and we take this into account when selecting our suppliers and developing longer-term relationships with them.

### Global sources — close ties

At Nokia, we source products and services, including components, software, packaging, manufacturing equipment and office equipment, from thousands of suppliers all around the world.

In our mobile phone business for example, an average 350 components are needed to make one device. Last year, Nokia purchased approximately 100 billion components. That means if we were to stack each of these components on top of the other, we would eventually reach the moon.

Despite these high volumes and the ever-changing sourcing needs in this dynamic industry, we do have far fewer component suppliers in our mobile phone manufacturing than our competitors. For example, Nokia's top ten suppliers account for around 60% of our total purchases, while our largest 100 suppliers account for 95%. The longevity and high monetary value of these key relationships help us form deeper strategic partnerships, allowing us to develop and strengthen our ethical and environmental practices together.

### US highlight: Supplier diversity

In the US, we are actively seeking 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 2005, we spent over USD20 million with diversity suppliers, and we expect to increase this amount in 2006.

## Supplier requirements

Our aim is to ensure that environmental, ethics, labour practices and health and safety issues are not separate add-on features, but are embedded into all our sourcing processes, including supplier selection and supplier relationship development.

Nokia has a clear and comprehensive set of global Nokia Supplier Requirements, including ethical and environmental considerations that we expect all our suppliers to meet. There are two types of requirements:

1. Expectations for supplier performance
2. Specifications for the components, parts or products being delivered

The experience gained through on-site supplier assessments provided invaluable input for the development of our new Nokia supplier requirements, scheduled for release in 2006.

### A proactive approach to sustainability

In many sourcing areas, we have complex and deep supply chains. The challenge for Nokia is to find the most effective way, using the resources and time that we have, to reach not only our direct suppliers but their suppliers and their suppliers' suppliers.

We focus predominantly on our first-tier suppliers, educating them to take a similarly active and stringent approach to ethical and environmental considerations with their own suppliers.

This approach is based on the understanding that we will achieve positive, sustainable results only when each tier of a supply network takes responsibility for conducting its own business and managing its own suppliers

### Competence development

During 2005, we continued regular competence development activities on ethical and environmental issues with our sourcing and operations personnel.

Our basic supply chain ethics training covers the following issues:

- The concept of corporate social responsibility
- The Nokia Code of Conduct
- Social requirements for suppliers
- SA8000 content
- Practical information on auditing social aspects in regular supplier assessments

In environmental training, we concentrate on the basics of:

- Environmental management
- Environmental legislation
- Material restrictions
- Implications for sourcing practices
- Supplier requirements

## Training figures

### Supply-chain ethics training

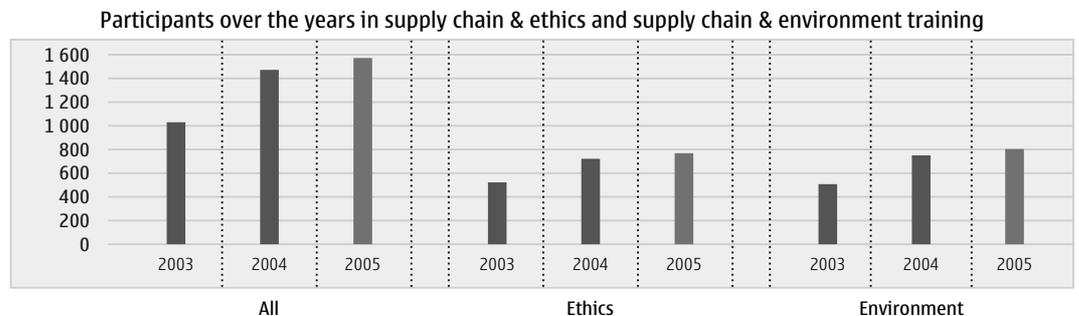
Total >> Cumulative amount trained

- 2003 522
- 2004 721
- 2005 768
- 2005 percentage of supplier interface personnel: 66%

### Environmental training for supplier interface

Total >> Cumulative amount of trained

- 2003 507
- 2004 750
- 2005 803
- 2005 percentage of supplier interface personnel: 70%



## New supplier requirements

During 2005, in response to a changing legislative environment and broader stakeholder expectations, particularly feedback from our suppliers, we made the decision to revise and update our Nokia Supplier Requirements.

In particular, the new guidelines due to be implemented in late 2006, will reflect the increasing importance of substance and waste management. Our requirements related to ethics, labour practices, and health and safety, have also been fully reviewed and made more explicit to better reflect both our own internal policies and practices as well as external guidelines such as the ILO core conventions, the UN Declaration for Human Rights and industry standards such as SA8000.

The new supplier requirements relating to environmental, ethics and labor conditions include expectations for:

- Company values and business conduct policy
- Human resource policies
- Environment policy
- Workforce planning and recruiting
- Occupational health and safety
- Competence and development
- People management
- Communication and coordination
- Environmental management system
- Raw material content data management
- Waste management
- Programs for improving environmental performance
- Design for Environment
- Supplier's environmental and ethical performance

The full list of supplier requirements relating to environmental, ethics and labor practices will be made available through [www.nokia.com](http://www.nokia.com).

These new requirements differ from the previous set in that they reflect our ambition to better highlight the business benefits that sound ethical practices can bring. In developing the requirements, we also sought to illustrate for our suppliers how issues such as the prevention of child labour and discrimination can be built into people management practices.

In an effort to carry greater influence deeper in our supply chain, we now strongly advise our suppliers to apply these same standards to their own suppliers as well as to support them through regular education and monitoring practices.

## Supplier assessments

We carry out regular supplier assessments as one tool to help promote good performance as well as monitor compliance with the Nokia Supplier Requirements. This is not a policing activity. At Nokia, we see on-site assessments as providing an opportunity to raise awareness, identify potential risks and share best practices.

Using our approach, each supplier is required to define a corrective action plan for any areas of non-conformance found. Nokia auditors then follow up on progress, with guidance and management support also provided when needed.

### Focus on ethical performance

In 2005, we continued our regular scheduled on-site system assessments, while also conducting several more in-depth on-site assessments. Whereas traditionally our in-depth assessments have focused on our component suppliers and contract manufacturers, in 2005, special focus was given to assessing the ethical and environmental performance of suppliers in the external temporary labour category.

### Indirect sourcing integration

As part of our commitment to continuous improvement, Corporate Responsibility practices were also revised and integrated into our indirect sourcing process.

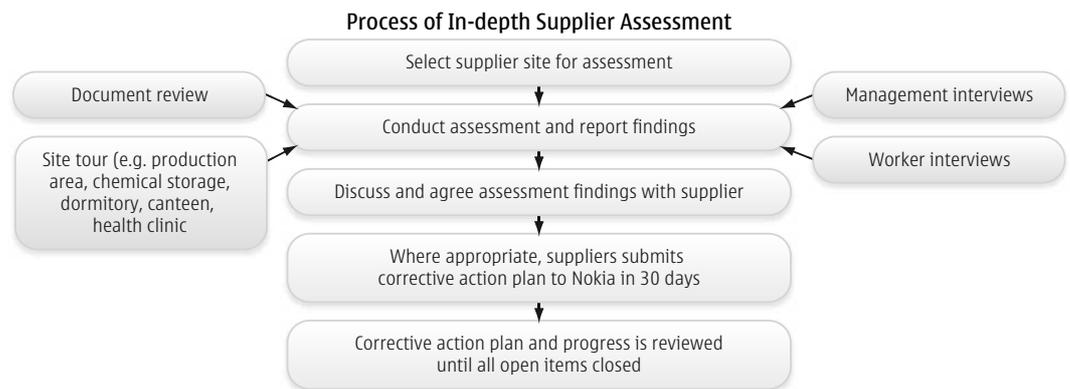
Nokia Indirect Sourcing is responsible for purchasing the non-production resources needed to run our day-to-day operations. Products and services include, for example, office supplies, personal computers, manufacturing equipment, engineering software tools, external resources, marketing material and travel.

The experience gained through these on-site supplier assessments provided invaluable input for the development of our new Nokia Supplier Requirements, scheduled for release in 2006.

### Looking forward

In 2006, we plan to continue supplier assessments with selected suppliers. However, good environmental and ethical performance in our supply chain cannot be achieved through supplier assessments alone. Management commitment, effective supplier qualification techniques, dialogue and continuous development are all fundamental aspects and we are constantly looking to build on and improve our toolbox.

At the industry level, we have joined the Global e-sustainability initiative supply chain working group, together with ICT service providers and manufacturers. The aim of this group is to promote good conduct and develop tools, management practices, processes and systems to assist members in dealing with CSR supply chain issues. For example, one of the key outputs for 2005 has been a self-assessment questionnaire for suppliers. The GeSi Supply-Chain Working Group is also working with the Electronics Industry Code of Conduct Implementation Group of companies.



### Indirect Nokia sourcing

As part of our commitment to continuous improvement, Corporate Responsibility practices were also revised and integrated into our indirect sourcing process.

We began by dividing our suppliers into 10 broad sub-categories, such as IT, travel, marketing, process materials etc and allocating an assessment manager to each.

The main objectives of the project were twofold:

#### 1. Identify critical sub-categories

Criteria included multiple considerations such as whether the product provided by the category relied on high levels of toxic materials or materials potentially obtainable from environmentally sensitive sources, or whether the product or service supplied was for use in a Nokia end product or for the operation of a Nokia manufacturing facility. Category assessments also took into account, issues, amongst many others, such as the global availability of the material or product they supply, the degree of complexity in the supply-chain and whether there was a history in the industry of informal contractual arrangements?

## 2. Identify high-risk vendors

Once critical sub-categories were identified, the second objective was to identify specific high-risk vendors in specific countries, involving an assessment of suppliers' ability and willingness to comply with Nokia ethical and environmental guidelines.

By the end of the audit, we had identified approximately 50 companies that we felt might require or benefit from further scrutiny. We now plan to stage assessment programs for each of these during 2006.

## Communications

Open dialogue is essential to share our experiences and also to gain feedback from those who can affect or could be affected by our activities.

Through regular internal trainings we are in an ongoing dialogue with our sourcing and operations personnel on supply-chain ethics and environmental issues.

### **Nokia annual supplier days**

The Nokia Annual Supplier Days provide a forum for industry discussion. These events bring top management from Nokia and our suppliers together to review upcoming strategies and discuss environmental and ethical issues.

We are in continuous discussion with our customers and participating with other ICT companies in our value chain, for example, in supporting UNEP and ITU in the Global e-Sustainability Initiative (GeSI) Supply-Chain Working Group. This work enables us to benchmark best practices and promote consistent and complementary approaches within the industry.

## Nokia and GRI — 2005

- Nokia's 2005 reporting criteria have been selected based on their relevance to our business, the overall impact of our operations, and feedback from our stakeholders.
- We have not attempted full compliance with the Global Reporting Initiative (GRI 2002 Sustainability Reporting Guidelines) and GRI Telecommunications Sector Supplement (July 2003), although in many instances, we have either fully or partially taken into account GRI indicators in building content for our reporting materials.
- Geographical or other organizational breakdowns have replaced some indicators, in cases where full reporting would compromise our competitor confidentiality.
- The following table sets out the core GRI and telecom specific performance indicators and how they have been reported through Nokia's CR Report, Environmental Report, Form 20F and General Website.

### (I) GRI Core Indicators

#### Economic

Reported	EC1, EC3, EC7, EC10
Partially reported	EC2, EC5, EC8
Not reported	EC4, EC6, EC9

#### Environment

Reported	EN1, EN3, EN5, EN8
Partially reported	–
Not reported	EN2, EN4, EN6, EN7, EN9- EN16

#### Labour Practices

Reported	LA4, LA5, LA6, LA7,
Partially reported	LA1, LA9, LA10, LA11
Not reported	LA2, LA3, LA8

#### Human Rights

Reported	HR2, HR3
Partially reported	HR1, HR4, HR5, HR6, HR7
Not reported	–

#### Society

Reported	S01,
Partially reported	S02, S03
Not reported	–

#### Product Responsibility

Reported	PR1
Partially reported	PR2, PR3
Not reported	–

### (II) Telecom sector specific objectives

#### Internal Operations

Reported	I04, I05, I06,
Partially reported	I03, I07
Not reported	I01, I02, I08

#### Providing Access

Reported	–
Partially reported	PA1, PA2, PA5, PA6
Not reported	PA3, PA4

# Global Compact

## Statement of Continued Support

Nokia is committed to the principles of the United Nations Global Compact and has been a signee 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, labour standards, environment and working against corruption.

Veli Sundback, Executive Vice President  
Corporate Relations and Corporate Responsibility

## Global Compact — 10 Principles

### Outline of Principle

#### Human Rights

1. Businesses should support and respect the protection of internationally proclaimed human rights
2. Businesses should make sure that they are not complicit in human rights abuses  
Labor Standards
3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. Businesses should uphold the elimination of all forms of forced and compulsory labor
5. Businesses should uphold the effective abolition of child labor.
6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

#### Environment

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

# Disclaimer

March 2006

It should be noted that certain statements herein which are not historical facts, including, without limitation, those regarding:

- A. the timing of product and solution deliveries;
- B. our ability to develop, implement and commercialize new products, solutions and technologies;
- C. expectations regarding market growth, developments and structural changes;
- D. expectations regarding our mobile device volume growth, market share, prices and margins;
- E. expectations and targets for our results of operations;
- F. the outcome of pending and threatened litigation; and
- G. statements preceded by "believe," "expect," "anticipate," "foresee," "target," "estimate", "designed" or similar expressions are forward-looking statements.

Because these statements involve risks and uncertainties, actual results may differ materially from the results that we currently expect. Factors that could cause these differences include, but are not limited to:

1. the extent of the growth of the mobile communications industry, as well as the growth and profitability of the new market segments within that industry which we target;
2. the availability of new products and services by network operators and other market participants;
3. our ability to identify key market trends and to respond timely and successfully to the needs of our customers;
4. the impact of changes in technology and our ability to develop or otherwise acquire complex technologies as required by the market, with full rights needed to use;
5. competitiveness of our product portfolio;
6. timely and successful commercialization of new advanced products and solutions;
7. price erosion and cost management;
8. the intensity of competition in the mobile communications industry and our ability to maintain or improve our market position and respond to changes in the competitive landscape;
9. our ability to manage efficiently our manufacturing and logistics, as well as to ensure the quality, safety, security and timely delivery of our products and solutions;
10. inventory management risks resulting from shifts in market demand;
11. our ability to source quality components without interruption and at acceptable prices;
12. our success in collaboration arrangements relating to development of technologies or new products and solutions;
13. the success, financial condition and performance of our collaboration partners, suppliers and customers;
14. any disruption to information technology systems and networks that our operations rely on;
15. our ability to protect the complex technologies that we or others develop or that we license from claims that we have infringed third parties' intellectual property rights, as well as our unrestricted use on commercially acceptable terms of certain technologies in our products and solution offerings;
16. general economic conditions globally and, in particular, economic or political turmoil in emerging market countries where we do business;
17. developments under large, multi-year contracts or in relation to major customers;
18. exchange rate fluctuations, including, in particular, fluctuations between the euro, which is our reporting currency, and the US dollar, the Chinese yuan, the UK pound sterling and the Japanese yen;
19. the management of our customer financing exposure;
20. our ability to recruit, retain and develop appropriately skilled employees; and
21. the impact of changes in government policies, laws or regulations; as well as
22. the risk factors specified on pages 12 - 22 of the company's annual report on Form 20-F for the year ended December 31, 2005 under "Item 3.D Risk Factors."