

Integration of sustainability risks in remuneration

This disclosure is applicable to Nordea Funds Ltd.

The Sustainable Finance Disclosure Regulation (SFDR)¹ defines sustainability risk as *“an environmental, social or governance event or condition that, if it occurs, could cause an actual or a potential material negative impact on the value of the investment”*.

This statement describes how our remuneration policies are consistent with the integration of sustainability risks, as per Article 5 of the SFDR.

This statement applies as of 10 March 2022. It will be reviewed at least annually.

Sustainability risks are not only integrated in our investment processes, but also a natural part of our remuneration models to cater for commitment and engagement in sustainability among our employees.

Sustainability risk is integrated in our remuneration policies on different levels. Both in the design and long term perspectives of the remuneration structure, but also in relation to how we govern remuneration policies and decisions internally in a sustainable way.

Sustainability risk is considered when setting targets and evaluating performance in our variable remuneration pay schemes. All employees on variable pay scheme are measured against both qualitative as well as quantitative targets suitable for their position and tasks. All employees have performance goals linked to risk and compliance performance, including sustainability risk, which require adherence to high standards to our internal policies.

Variable remuneration seeks to align the employee's incentives with the long-term interests of the funds and the long-term success of Nordea Funds and to promote a sound and effective risk management culture which includes sustainability risks adherence, in order to protect the value of the investment portfolio.

Staff identified as being material risk takers identified obtain part of their variable remuneration deferred and paid out pro rata during a 3-5 years period. During the deferral period, the deferred remuneration is linked to an index appropriate for the employee's position. The index is based on the performance of assets under management. As the investment processes take sustainability risks into account, this also impacts the performance of the indexes and hence also the deferred remuneration.

The remuneration policies are directly governed and adopted by the board of Nordea Funds Ltd. Before being adopted by the board the remuneration policy is reviewed and recommended by, our Remuneration Committee. In addition, the control functions play an active role in the design, annual oversight and review of the remuneration policy. We believe that this solid governance structure is an important piece in building and maintaining a sustainable remuneration policy.

¹ Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector.