

Integration of sustainability risks in remuneration

10 March 2023

This disclosure is applicable to Nordea Funds Ltd (NF).

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 2023. It will be reviewed at least annually.

In case of any inconsistency in translations of this statement, the English version will prevail.

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

Sustainability risk is integrated into our remuneration policies both in the design and long-term perspectives of the remuneration structure, but also in how we govern remuneration policies and decisions in a sustainable way.

Sustainability risk is considered when setting targets and evaluating performance in our variable remuneration schemes. All employees on a variable remuneration scheme are measured against qualitative, quantitative, financial and non-financial performance goals suitable for their position and tasks. Variable remuneration goals are set in alignment with NF's mission to deliver returns with responsibility. That includes, among others, high focus on the overall risks that the investments are exposed to. Further, all employees have performance goals linked to risk and compliance performance, including sustainability risk, whereby adherence to our internal policies is assessed and may impact the outcome of the variable remuneration scheme. As such, NF's variable remuneration schemes serve multiple purposes, including to align the employee's incentives with the long-term interests of the funds, the long-term success of NF, and to promote a sound and effective risk management culture including within sustainability risks, in order to protect the value of the investment portfolio.

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

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.

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 by subject matter owners, Compliance and Operational Risk, and is presented for, and recommended by, our Remuneration Committee. We believe that our solid governance structure is an important piece in building and maintaining a sustainable remuneration policy.

Appendix – Amendments

Version	Review type	Amendment	Date of version
1	First version	First version of statement published	10 March 2021
2	Annual review	This statement has been reviewed with the following amendments: <ul style="list-style-type: none"> • Added that this statement will be reviewed at least annually • Included definition of sustainability risk under SFDR 	10 March 2022
3	Annual Review	<ul style="list-style-type: none"> • This statement has been reviewed with the following amendments: • The integration of sustainability risks in remuneration was further described 	10 March 2023