

# Nordea



## **Remuneration Policy for Governing Bodies**

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*Subject to an advisory resolution at Nordea's Annual General Meeting 2020*



## Remuneration Policy for Governing Bodies

The members of the Board of Directors, the President and Group CEO and the Deputy Managing Director of Nordea Bank Abp ("Nordea" or the "Company", any reference to Nordea or the Company means Nordea Bank Abp and its group companies collectively except where it is clear from the context that the term means Nordea Bank Abp) fall within the provisions of this Remuneration Policy for Governing Bodies (the "Remuneration Policy").

This Remuneration Policy is subject to an advisory resolution at Nordea's Annual General Meeting 2020 and will apply until the Annual General Meeting to be held in 2024, unless material changes are proposed or the Board of Directors otherwise determines that a revised Remuneration Policy should be brought for an advisory resolution at an earlier General Meeting. The Remuneration Policy applies to remuneration decided at or after the Annual General Meeting 2020.

### ***Remuneration Policy objectives and the link to business strategy, long-term interests and sustainability***

The Remuneration Policy is designed to facilitate performance driving Nordea's vision of becoming a strong and personal financial partner who provides great customer experiences and delivers on financial targets as well as creates value for shareholders.

The Remuneration Policy and the remuneration offered to members of the Board of Directors is intended to attract and retain members with adequate and versatile knowledge and experience reflecting the requirements set by the business operations and related risks of Nordea.

The Remuneration Policy shall further support and ensure that Nordea maintains a competitive and market aligned total reward offering needed to recruit, motivate and retain the President and Group CEO and the Deputy Managing Director and in consideration of their leadership, expertise and strategic decision-making.

A key aspect of this Remuneration Policy is the concept of pay-for-performance. This is ensured using variable remuneration for the President and Group CEO and the Deputy Managing Director, which ensures a sufficient portion of the total remuneration of the President and Group CEO and the Deputy Managing Director is dependent on performance.

Accordingly, variable remuneration awards (in the form of short-term incentives and/or long-term incentives) are determined based on performance against pre-defined financial and non-financial goals and targets on Nordea, business area/group function and individual level. These goals and targets are derived from Nordea's business strategy, long-term interests and vision of becoming a strong and personal financial partner while creating value for shareholders. These also considers sustainability by for example setting goals and targets which relate to risk and compliance, customer satisfaction, employee engagement or other relevant goals.

Deferral of variable pay awards with post-vesting holding periods supports the delivery of sustainable performance and the long-term interests of shareholders. The Remuneration Policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of Nordea. It is further aligned with Nordea purpose and values and applicable laws and regulations.

In accordance with Nordea's remuneration policy applicable to all staff including the President and Group CEO and Deputy Managing Director, the remuneration of Nordea's wider workforce generally includes similar elements as described in this Remuneration Policy. However, the level and nature of the elements offered to the President and Group CEO and Deputy Managing Director reflect their specific role and responsibilities.

### **Decision-making process**

The Board of Directors has established a Board Remuneration Committee. The Board Remuneration Committee's tasks include preparing the Board of Directors' proposal regarding the Remuneration Policy. The Board of Directors and/or the Board Remuneration Committee shall consult the Shareholders' Nomination Board of



Nordea in connection with the preparation of the Remuneration Policy about the remuneration of the members of the Board of Directors. The Board of Directors shall put a Remuneration Policy forward for an advisory resolution by the Annual General Meeting at least every fourth year. The Remuneration Policy shall be in force until a new Remuneration Policy is presented at the General Meeting. The Board Remuneration Committee and the Shareholders' Nomination Board shall annually review the Remuneration Policy.

The decision-making processes in terms of remuneration have been structured in order to avoid conflicts of interests in accordance with applicable laws and regulations. The Chair and most of the members of the Board Remuneration Committee are independent of the Company. The President and Group CEO and the Deputy Managing Director do not participate in consideration and/or decision-making regarding remuneration related matters in so far as they are affected by such matters.

The Board Remuneration Committee and the Board of Directors may engage external consultants to advise on remuneration related matters.

As part of the remuneration awarded under this Remuneration Policy, share-based remuneration may be granted. Any resolutions relating to share-based remuneration will be made in accordance with the terms of valid authorisations granted by shareholders to the Board of Directors at a General Meeting and in accordance with applicable laws and regulations and this Remuneration Policy.

### **Remuneration of the Board of Directors**

The General Meeting of Nordea decides on the remuneration of the Chair and members of the Board of Directors, as well as the Chairs and members of the committees of the Board of Directors, and whether it is paid in cash or in other forms.

In addition to the remuneration, the General Meeting may decide to cover or reimburse the members of the Board of Directors all costs and expenses related to or arising from the Board membership.

The Shareholders' Nomination Board annually prepares a proposal to the General Meeting on matters pertaining to the remuneration of the Chair and members of the Board of Directors, as well as the Chairs and members of the committees of the Board of Directors.

Members of the Board of Directors who are employed by Nordea shall not be paid remuneration for their role as members of the Board of Directors.

### **Remuneration of the President and Group CEO and the Deputy Managing Director**

The Board of Directors decides on the remuneration for the President and Group CEO and Deputy Managing Director as well as the employment terms in their service agreements following a proposal by the Board Remuneration Committee.

### **Remuneration elements for the President and Group CEO and the Deputy Managing Director**

The President and Group CEO and the Deputy Managing Director may be offered remuneration which includes fixed salary, pension and insurances, benefits, short-term incentives and/or, if decided by the Board of Directors, long-term incentives.

Variable remuneration for the President and the Group CEO and the Deputy Managing Director for a financial year will not exceed 200 percent of fixed remuneration, as decided by the Annual General Meeting on 28 March 2019.

<b>Fixed salary</b>	
Operation	Fixed salary is generally reviewed annually by the Board Remuneration Committee and proposed for approval by the Board of Directors. Fixed salary remunerates for role and position and is impacted by: job complexity, responsibility and market conditions. It supports the recruitment and retention of the President and Group CEO and Deputy Managing Director. The overriding principle for determining fixed salary is market practice, based on data from external benchmarking of peer companies, but also considering Nordea's financial situation and individual contribution, skills and experience. Any increases are decided discretionarily by the Board of Directors where deemed appropriate.
Maximum levels	No prescribed maximum level. Any increases to fixed salaries are generally aligned to salary increases for appropriate parts of the wider workforce of Nordea, unless otherwise decided by the Board of Directors.
KPIs, weighting and time period applicable	N/A
<b>Pension and insurance</b>	
Operation	<p>Pension and insurance aims at ensuring an appropriate standard of living after retirement as well as personal insurance coverage during employment. Pension and insurance provisions are in accordance with local laws, regulations and market practice. Pension is generally offered as defined contribution pension plans.</p> <p>Pension can also be offered by means of a pension allowance.</p> <p>Nordea does not use discretionary pension benefits, meaning non-standard one-off payments made on an individual basis.</p>
Maximum levels	<p>Maximum 30% of fixed salary on defined contribution plans.</p> <p>If the President and Group CEO and the Deputy Managing Director are subject to beneficial statutory pension systems, additional pension entitlements may be offered by Nordea, within the above maximum at the discretion of the Board of Directors.</p>
KPIs, weighting and time period applicable	N/A
<b>Short-term incentives</b>	
Operation	<p>To achieve a suitable balance between the fixed and variable remuneration, a short-term incentive programme ("STIP") currently called "Executive Incentive Programme" may be offered to the President and Group CEO and the Deputy Managing Director.</p> <p>STIP rewards achievement of financial and non-financial KPIs at group, business area/group function and at individual level. These KPIs and the specific targets are normally decided in the start of each financial year.</p> <p>Dividends are not paid on deferred, unvested awards delivered in Nordea shares in line with regulatory requirements.</p> <p>Any STIP awards are subject to malus and clawback provisions, as described further below.</p>
Maximum levels	The maximum award from STIP for the President and Group CEO and the Deputy Managing Director in any financial year is up to 100% of fixed remuneration.



<p>KPIs, weighting and time period applicable</p>	<p>STIP has a 1-year performance period.</p> <p>STIP KPIs are based on financial KPIs, which support Nordea’s business strategy, and are generally KPIs which measure or contribute to return and/or profitability, and are risk adjusted as appropriate. Non-financial KPIs generally also include KPIs which further support a sustainable business.</p> <p>STIP awards are determined by the Board of Directors at the end of the performance period by assessing performance against the pre-defined KPIs. The outcome of the assessment is a %-of the maximum award.</p> <p>The pay-out levels at target performance is normally 50% of the maximum award.</p> <p>The Board of Directors will further consider the calculated STIP award to holistically reflect wider financial and business performance, demonstration of leadership and Nordea’s Purpose and Values, or to consider significant events.</p> <p>STIP awards are partly subject to deferral, retention and delivery in instruments considering regulatory requirements.</p>
<p><b>Long-term incentives</b></p>	
<p>Operation</p>	<p>The Board of Directors may decide to implement a long-term incentive plan (“LTIP”) as a remuneration element for the President and Group CEO and the Deputy Managing Director.</p> <p>The purpose of an LTIP is to establish a multi-year performance frame to create a stronger focus on long-term KPIs and shareholder value creation.</p> <p>Awards of LTIP may be granted each year with vesting subject to long-term performance requirements. A pre-grant assessment period may be used to determine participation in LTIP. LTIP awards are generally share-based but could also be partly cash-based.</p> <p>A shareholding requirement may be introduced.</p> <p>Dividends are not paid on deferred, unvested awards delivered in Nordea shares in line with regulatory requirements.</p> <p>Any LTIP awards are subject to malus and clawback provisions, as described further below.</p>
<p>Maximum levels</p>	<p>The maximum LTIP award in any financial year is normally up to 100% of fixed remuneration.</p> <p>Any share-based LTIP awards shall normally be valued by applying the share price at the grant of the LTIP award.</p>

KPIs, weighting and time period applicable	<p>Any LTIP awards shall typically have a 3-year performance period.</p> <p>At least 50% of performance requirements and normally with a higher weighting are based on financial KPIs, which support Nordea's business strategy, and generally absolute and/or relative return KPIs. This could for example be relative Total Shareholder Return towards a selected peer group(rTSR) and/or Return on Equity (ROE). Where non-financial performance requirements are included in annual LTIP awards, these could generally include KPIs or requirements which further supports a sustainable business.</p> <p>LTIP vesting-% is determined by the Board of Directors at the end of the performance period by assessing performance against the pre-defined KPIs.</p> <p>For each of the performance requirements, threshold performance will trigger only a certain % of award to vest.</p> <p>Notwithstanding the level of LTIP vesting-% achieved against the performance requirements, the Board of Directors will further consider the vesting-% to holistically reflect wider financial and business performance and consider significant events and/or compliance with the dividend policy.</p> <p>Vested LTIP awards are delivered subject to deferral and retention in line with regulatory requirements, such that vested LTIP awards are delivered from the end of the performance period ensuring compliance with regulatory requirements and a deferral period of minimum 5 years.</p>
<b>Benefits</b>	
Operation	<p>Non-monetary benefits are offered to the President and Group CEO and the Deputy Managing Directors to facilitate performance. The level of these benefits are determined by what is considered fair in relation to general market practice, and includes e.g. company car paid by Nordea, use of a car and a driver when required, private medical insurance, life insurance, personal accident insurance, customary directors' and officers' liability coverage, personal tax support due to cross border taxation and relocation support.</p> <p>Other benefits may be offered to the President and Group CEO and the Deputy Managing Directors at the discretion of the Board of Directors, where the Board of Directors on recommendation from the Board Remuneration Committee considers this to be appropriate because of individual circumstances.</p> <p>Benefits can alternatively be offered as allowances, to complement the fixed salary if, due to the nature of the benefit it is more suitable to offer it as a monetary compensation, e.g. a car allowance in lieu of a company car, relocation allowances or similar.</p>
Maximum levels	The benefits and the costs of these may vary year on year in line with the market and individual circumstances.
KPIs, weighting and time period applicable	N/A

### Malus and clawback

The Consequence Management Committee ("CMC"), provides governance and oversight of risk adjusted remuneration assessments for the President and Group CEO and the Deputy Managing Director in line with Nordea's remuneration policies and underlying instructions. Among other things, the CMC carries out an independent ex ante and/or ex post assessment of the individual or collective risk and compliance adjustments that should be made to the performance assessment and remuneration and may provide recommendations to the Board of Directors to do so.



The Board of Directors has discretion to partly or fully forfeit variable remuneration awards, even if already paid out (malus and clawback). Examples include, but are not limited to, material misstatement, misconduct, failure of risk management and if certain facts appear after termination of employment. The Board of Directors has full discretion to apply malus and clawback and follows a prescribed process when determining whether and how to apply discretion.

### **Service agreements, termination terms, severance agreements for the President and Group CEO and the Deputy Managing Director**

The service agreements of the President and Group CEO and the Deputy Managing Director are documented in writing and are normally in force until further notice. The President and Group CEO and the Deputy Managing Director shall have a notice period of maximum 12 months and Nordea a notice period of maximum 12 months. During the notice period, the President and Group CEO and the Deputy Managing Director will be entitled to their normal pay. If they are released, set-off of income may take place. In addition, they can have a contractual entitlement to a severance pay equal to maximum 12 months' fixed base salary with a possibility to set-off income from another employment or assignment. Severance pay is not payable if the President and Group CEO and the Deputy Managing Director resign from their position or if the employment is terminated for cause.

### **Leaving arrangements**

When deciding on leaving arrangements for the President and Group CEO and the Deputy Managing Director, the Board of Directors considers several factors, including but not limited to:

- the contractual obligations to be satisfied;
- the treatment of outstanding LTIP awards if any are governed by the terms and conditions for any such awards;
- whether it is appropriate to provide reasonable outplacement support and legal advice at the expense of Nordea, as well as any payments required by law;
- whether it is appropriate that the President and Group CEO or the Deputy Managing Director work during a notice period; and
- whether it is appropriate to award STIP and/or LTIP awards if any for the year during which the employment lapses even if the President and Group CEO or Deputy Managing Director did not work during that full year.

If the President and Group CEO or the Deputy Managing Director resign from their respective position or if the employment is terminated for cause, they shall generally be treated as bad leavers for variable remuneration purposes and will not be eligible for STIP and/or LTIP.

The President and Group CEO and the Deputy Managing Director shall be treated as good leavers and will retain the right to STIP and/or LTIP for the period in a performance year until they no longer perform work for Nordea, if they end their employment with Nordea because of:

- retirement at the contractual or statutory retirement age;
- death or permanent illness; or
- termination of their employment where Nordea gives notice of termination without cause or where a mutual agreement on similar grounds.

The Board of Directors can decide that the President and Group CEO and Deputy Managing Director will be treated as good leavers for variable remuneration purposes considering the specific circumstances, e.g. to ensure operations and appropriate hand-overs during a notice period.

### **Recruitment policy**

On recommendation from the Board Remuneration Committee, the Board of Directors shall seek to align the remuneration package offered with this Remuneration Policy when making new recruitments to the President and Group CEO or the Deputy Managing Director position.

Fixed salary, pension and insurance and benefit entitlements will be set considering the principles outlined above.

STIP and/or LTIP entitlements shall be in line with the principles set out in this Remuneration Policy, with maximums of no more than what is set out above. However, it may be necessary for the Board of Directors to set alternative goals and targets for the initial awards, depending on the timing and circumstances of the new appointment, in accordance with the relevant decision-making procedures.



The Board of Directors may decide on extraordinary awards in connection with appointment of the President and Group CEO or Deputy Managing Director relating to sign-on payments or buy-out of remuneration arrangements which are forfeited upon leaving a previous employment, when hiring external candidates into these positions. Generally, buy-outs will be made on a comparable basis to those awards which will be forfeited, such as whether granted in cash or shares and the time over which they would have vested.

### **Other provisions**

In accordance with customary market conditions, Nordea maintains directors' and officers' liability coverage and/or other similar protection offered by Nordea to the members of the Board of Directors, the President and Group CEO, and the Deputy Managing Director.

### **Board discretion**

The Board of Directors may, on recommendation from the Board Remuneration Committee and based on its full discretion in the circumstances described below to ensure the Nordea's long-term interests, resolve to temporarily deviate from any sections of the Remuneration Policy:

- upon change of the President and Group CEO and/or the Deputy Managing Director;
- upon changes in Company's group structure, organization, ownership and/or business (for example merger, takeover, demerger, acquisition, etc.);
- upon material change in the Company's strategy;
- upon changes in or amendments to the relevant laws, rules, or regulations (for example for regulatory, stock exchange control, tax or administrative purposes or to consider change in legislation or corporate governance requirements or guidance);
- upon other exceptional circumstance where the deviation may be required to serve the long-term interests and sustainability of the Company as a whole or to assure its viability.

Any deviation from this Remuneration Policy shall be reported in the Remuneration Report for the relevant year. If a deviation has continued so that it cannot be deemed temporary, Nordea shall prepare a new Remuneration Policy to be presented at the next possible General Meeting.

### **Legacy commitments**

Nordea reserves the right to make any remuneration payments and payments for loss of office (including the exercising of its discretion connected thereto) even if they are not in line with this Remuneration Policy, where the terms of the payments were agreed;

- before the adoption of this Remuneration Policy; or
- at the time when the individual in question was not subject to this Remuneration Policy, and in the opinion of the Board of Directors, the payment was not related to the individual being a Board member or President and Group CEO or Deputy Managing Director of Nordea.

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This Remuneration Policy is published in English, Swedish and Finnish. In the event of any inconsistencies between the language versions, the Swedish version shall apply.