



# Nordea

## **Remuneration Policy for Governing Bodies**

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*Subject to an advisory resolution at Nordea's 2024 Annual General Meeting*



## Introduction

This Remuneration Policy for Governing Bodies (the “Remuneration Policy”) sets the framework for the remuneration of the members of the Board of Directors, the President and Group CEO and the Deputy Managing Director of Nordea Bank Abp (the “Company” and together with its group companies “Nordea”).

The Remuneration Policy has been prepared and issued in accordance with the Finnish Corporate Governance Code 2020, the Limited Liability Companies Act, the Securities Markets Act and the Ministry of Finance Decree on the remuneration policy and remuneration report of a share issuer. It is subject to an advisory resolution at Nordea’s 2024 Annual General Meeting and will apply until the Annual General Meeting to be held in 2028 unless material changes are proposed or the Board of Directors otherwise determines that a revised Remuneration Policy should be presented for an advisory resolution at an earlier General Meeting. The Remuneration Policy applies to remuneration decided at or after the 2024 Annual General Meeting.

### Remuneration Policy updates

This Remuneration Policy replaces the policy adopted in 2020. The update to this Remuneration Policy compared with the previous version are mainly covering the used terminology. The minor updates to the actual policy are connected to the variable pay plans and the alignment to long-term shareholder value.

The long-term incentive plan has been detailed as decided by the Board of Directors including linkage to the sustainability strategy.

The short-term incentive plan has also been further linked to the sustainability goals. The guidance for outcome for performance on target is no longer provided.

### 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 being the preferred partner for customers in need of a broad range of financial services – a partner who drives a sustainable future 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 ade-

quate and versatile knowledge and experience reflecting the requirements set by the business operations and related risks of Nordea.

The Remuneration Policy further supports 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 through their leadership, expertise and strategic decision-making to enable Nordea to deliver on its strategy and targets.

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

Accordingly, variable remuneration awards (in the form of short-term incentives and 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 strategy, long-term interests and vision while creating value for shareholders. The goals and targets also consider sustainability by for example setting goals and targets which relate to risk, compliance and conduct, customer satisfaction, employee engagement, diversity and inclusion, goals which support a sustainable business and Nordea’s climate strategy and ambitions, or other relevant goals.

Deferral of variable pay awards with retention period post-vesting 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 the Nordea purpose and values and applicable laws and regulations.



The Board of Directors decides on the remuneration for the President and Group CEO and the Deputy Managing Director as well as the employment terms in their service agreements. The remuneration framework and employment terms applied to the President and Group CEO and the Deputy Managing Director in their service agreements take into account on a general level the employment terms of Nordea's employees and the overall remuneration strategy applied at Nordea. However, the level and nature of the elements offered to the President and Group CEO and the Deputy Managing Director reflect their specific roles and responsibilities.



## Decision-making process

The Board of Directors has established a Board Remuneration and People Committee. The Board Remuneration and People Committee's tasks include preparing the Board of Directors' proposal regarding the Remuneration Policy. The Shareholders' Nomination Board of Nordea is consulted in connection with the preparation of the Remuneration Policy about the remuneration of the members of the Board of Directors. The Board of Directors puts the Remuneration Policy forward for an advisory resolution by the Annual General Meeting at least every fourth year. The Remuneration Policy is in force until a new Remuneration Policy is presented at the General Meeting. The Board Remuneration and People Committee and the Shareholders' Nomination Board annually review the Remuneration Policy. Technical amendments to the Remuneration Policy may be made due to, for example, statutory, regulatory, tax or administrative reasons without presenting a revised policy to the Annual General Meeting.

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 Board Remuneration and People Committee is responsible for preparing and presenting proposals to the Board of Directors

on remuneration issues. Where relevant the Board Risk Committee and the Board Operations and Sustainability Committee are involved in the preparations. The Chair and most of the members of the Board Remuneration and People Committee are independent of the Company. The President and Group CEO and the Deputy Managing Director do not participate in considerations and/or decision-making regarding remuneration-related matters in so far as they are affected by such matters.

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

The Board of Directors decides on share-based remuneration for the President and Group CEO and the Deputy Managing Director within the framework of the Remuneration Policy and in accordance with applicable laws and regulations. Any resolutions relating to share-based remuneration including issuance of Nordea shares to the President and Group CEO and the Deputy Managing Director 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 are not to 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 the Deputy Managing Director as well as the employment terms in their service agreements following a proposal by the Board Remuneration and People 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 insur-

ances, 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% of fixed remuneration, as decided by the Annual General Meeting on 28 March 2019.





## Fixed salary

Fixed salary is generally reviewed annually by the Board Remuneration and People 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 the 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.

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.

## Pension

Pension and insurance aim 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. Pension can also be offered by means of a pension allowance. Nordea does not use discretionary pension benefits, meaning non-standard one-off payments made on an individual basis.

The maximum cap for defined contribution plans is 30 percent of annual base salary. 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.

## Short-term incentives

To achieve a suitable balance between the fixed and variable remuneration, a short-term incentive plan ("STIP") currently called Nordea Incentive Plan may be offered to the President and Group CEO and the Deputy Managing Director. The STIP rewards achievement of financial and non-financial goals and targets at group, business area/group function and individual level. These goals and the specific targets are normally decided at the start of each financial year by the Board of Directors. 50% of the STIP award is delivered in shares. The nominal share awards are settled once the award is earned. Dividends are not paid on deferred, unvested awards delivered in Nordea

shares in line with regulatory requirements. Any STIP awards are subject to ex-post and ex-ante risk adjustments including malus and claw-back provisions, as described further below.

## Maximum levels for STIP

The maximum award from the STIP for the President and Group CEO and the Deputy Managing Director in any financial year is up to 100% of fixed remuneration.

## Goals, weights and time period applicable for STIP

The STIP has a 1-year performance period. STIP goals are based on financial and non-financial goals and targets. Financial goals support Nordea's long-term business strategy, and are generally goals which measure or contribute to return and/or profitability, and are risk adjusted as appropriate. Non-financial goals generally also include goals and targets which further support a sustainable business and Nordea's climate strategy and ambitions. STIP awards are determined by the Board of Directors at the end of the performance period by assessing performance against the pre-defined targets. The outcome of the assessment is a percentage of the maximum award. 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. The Board of Directors should also consider significant events for example compliance incidents, government sanctions, serious control failings and adverse supervisory inspection. STIP awards are partly subject to deferral, retention and delivery in instruments considering regulatory requirements.

## Long-term incentives

The main purpose of the long-term incentive plan (LTIP) is to further align the interests of the President and Group CEO and the Deputy Managing Director with those of shareholders. The LTIP is allocated conditionally each year with vesting of the conditional shares subject to long-term performance requirements. LTIP awards are fully share-based. Any LTIP awards are subject to ex-post and ex-ante risk adjustments including malus and clawback provisions, as described further below.

## Maximum levels for LTIP

The maximum LTIP allocation in any financial year is normally up to 100% of fixed remuneration, considering the STIP maximum level and the regulatory maximum of 200% of fixed remuneration. Any share-based LTIP awards shall normally be valued by applying the share price at the allocation of the conditional LTIP shares.



### Goals, weights and time period applicable for LTIP

The LTIPs cover a performance period of three years and are fully share-based (conditional shares). The LTIP normally has a higher weighting based on financial goals, which support Nordea's long-term shareholder value and business strategy. Non-financial goals normally include ESG-related goals supporting Nordea's sustainability strategy. The goals can be both absolute and/or relative return. The LTIP vesting percentage (and award) is determined by the Board of Directors at the end of the performance period by assessing performance against the pre-defined goals. For each of the performance requirements, threshold performance will trigger only a certain % of award to vest.

Notwithstanding the level of the LTIP vesting percentage achieved against the performance requirements, the Board of Directors will further consider the vesting percentage to holistically reflect wider financial and business performance and consider significant events and/or compliance with the dividend policy. Vested LTIP awards are delivered subject to deferral and retention in line with regulatory requirements including a deferral period of minimum five years as well as an additional 12-month retention period (after deferral is released).

### Shareholding requirement

The President and Group CEO and the Deputy Managing Director must hold a significant number of shares granted until the total value of the shareholding in Nordea corresponds to 100% of the gross annual fixed base salary. Such shares must be held until the end of Group Leadership Team membership.

### Benefits

Non-monetary benefits are offered to the President and Group CEO and the Deputy Managing Directors to facilitate performance. The level of these benefits is 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. 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 and People Committee considers this to be appro-

priate because of individual circumstances. 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.

The benefits and the costs of these may vary year on year in line with the market and individual circumstances.

### Ex-post and ex-ante risk adjustments including malus and clawback

The Risk and Remuneration Alignment Committee, 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 Risk and Remuneration Alignment Committee carries out an independent ex ante and ex post assessment of the individual risk and compliance adjustments that should be made to the performance assessment and remuneration and may provide recommendations to the Board of Directors.

The Board of Directors has discretion to partly or fully forfeit variable remuneration awards, even if already paid out (ex-post risk adjustment including 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 service agreements. The Board of Directors has full discretion to apply ex-post and ex-ante risk adjustment including malus and clawback and follows a prescribed process when determining whether and how to apply discretion.





## Key contractual terms

### **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 have a notice period of maximum 12 months and Nordea has 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 service agreement is terminated for cause. The President and Group CEO and the Deputy Managing Director have a non-competition clause of maximum 12 months due to the nature of position and in line with market practice.

### **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 works during a notice period; and
- whether it is appropriate to award STIP and/or LTIP awards if any for the year during which the service agreement 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 resigns from their respective position or if the service agreement is terminated for . Generally, buy-outs will be made on a comparable basis to those deferred awards which will be

cause, they are generally treated as bad leavers for variable remuneration purposes and will not be eligible for STIP and/or LTIP awards.

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

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

The Board of Directors can decide that the President and Group CEO and the 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 and People Committee, the Board of Directors will 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 will 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 the appointment of the President and Group CEO or the 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 for these positions





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

## Deviation from this Remuneration Policy

### Board discretion

In the following circumstances to ensure Nordea's long-term interests, the Board of Directors may - on recommendation from the Board Remuneration and People Committee and based on its full discretion resolve to temporarily deviate from any sections of the Remuneration Policy if applying the Remuneration Policy would no longer be feasible:

- 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 must 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 exercising its discretion in this respect) 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.



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