

**Nykredit**



**Sparinvest**

*Remuneration policy*

*March 2022*



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Approved by the Boards of Directors of

- Nykredit A/S (8 February 2022)
- Nykredit Realkredit A/S (8 February 2022)
- Nykredit Bank A/S (7 February 2022)
- Totalkredit A/S (7 February 2022)
- Nykredit Portefølje Administration A/S (2 February 2022)
- Nykredit Leasing A/S (1 February 2022)
- Nykredit Mægler A/S (2 February 2022)
- Sparinvest Holdings SE (21. April 2022)
- Sparinvest S.A. (25 January 2022)

Approved by the Annual General Meetings of

- Nykredit A/S (24 March 2022)
- Nykredit Realkredit A/S (24 March 2022)
- Nykredit Bank A/S (24 March 2022)
- Totalkredit A/S (24 March 2022)
- Nykredit Portefølje Administration A/S (23 March 2022)
- Nykredit Leasing A/S (23 March 2022)
- Nykredit Mægler A/S (23 March 2022)
- Sparinvest Holdings SE (18. May 2022)

This remuneration policy applies from 1 January 2022.

Any changes to the remuneration policy must be adopted by the Boards of Directors of the respective Companies and approved by the Annual General Meetings of the same Companies.

Document owner: Niels Gregers Hansen (NGH), HR

## **1 BACKGROUND AND PURPOSE**

### 1.1 Introduction

The remuneration policy of the Nykredit Group lays down the framework for remuneration of the Boards of Directors, the Executive Boards, other material risk takers, staff in control functions and other staff of Nykredit A/S and the Nykredit Realkredit Group Companies: Nykredit Realkredit A/S, Nykredit Bank A/S, Totalkredit A/S, Nykredit Portefølje Administration A/S, Nykredit Leasing A/S, Nykredit Mægler A/S, Sparinvest Holdings SE and Sparinvest S.A. (collectively "Nykredit" or the "Group").

This remuneration policy has been prepared on the basis of:

1. Nykredit's business model, strategy and desired risk profile
2. Rules and legal practice within the field
3. Collective agreements
4. Recommendations by the Committee on Corporate Governance
5. Nykredit as a Systemically Important Financial Institution (SIFI)

The remuneration policy has been prepared with focus on accountability and risk management and supports the objective that Nykredit contributes to financial stability. Another objective of this remuneration policy is for Nykredit to safeguard its long-term interests and the interests of other stakeholders such as customers, shareholders, other investors and the public.

The recommendations issued by the Committee on Corporate Governance, including recommendations in respect of remuneration of management, will be implemented on a current basis subject to employment and contract law.

The Boards of Directors of Nykredit have set up a Group-level Board Remuneration Committee tasked with preparing the work of the Boards of Directors of the Group Companies with respect to remuneration. The Board Remuneration Committee also monitors remuneration policy compliance.

On the recommendation of the Board Remuneration Committee, the Boards of Directors of the Group Companies review the remuneration policy at least once a year for the purpose of making any changes necessary to reflect the Group's development. Any changes to the remuneration policy are subject to approval by the Annual General Meetings of the Companies.

For a description of the Board Remuneration Committee's members, responsibilities, tasks and powers, see the mandate of the Board Remuneration Committee at [nykredit.com](http://nykredit.com) and [totalkredit.dk](http://totalkredit.dk).

Nykredit ensures that remuneration is set and overseen to help avoid potential conflicts of interest in relation to remuneration. For other measures having the same purpose, see 2.4.1 (cap on variable remuneration) and 2.6 (presentation of high variable remuneration to the Group Executive Board/responsible Group Managing Director); 2.4.2 (no variable remuneration based on quantitative commercial criteria); 4.1 (determination and composition of the remuneration of the Group Executive Board).

### 1.2 General remuneration principles

The remuneration policy lays down Nykredit's general remuneration principles and components, underpinning:

- Delivery of the Group's strategy
- Nykredit's ability to attract and retain qualified and performance-oriented staff
- Nykredit's wish to prioritise development and opportunities for engaged and skilled people
- Promotion of responsible conduct
- Sound and effective risk management – including that Nykredit's remuneration structure does not encourage excessive risk taking, for instance by:
  - preparing bonus programmes that do not encourage breach of risk limits or governance
  - acting in harmony with principles of fair treatment of customers and protection of customers and investors by taking measures to avoid conflicts of interest

- ensuring that the remuneration structure does not erode Nykredit's capacity for strengthening its capital position
- defining criteria for the determination of fixed and variable remuneration components

Remuneration of the staff is independent of gender, religion, sexual orientation, political affiliation and ethnic origin.

### 1.3 Strategy and risk

The remuneration policy has been prepared on the basis of Nykredit's Group strategy, Winning the Double 2.0, which sets the framework for the Group's strategic and business development.

Nykredit's strategic foundation builds on our mutual ownership structure, banking, mortgage lending and the Totalkredit partnership.

The strategy focuses particularly on three objectives:

- 1) We want to secure Totalkredit's future position as market leader in home financing in Denmark
- 2) We want to expand Nykredit's banking position by gaining more full-service customers
- 3) We want to be the customer-owned, responsible financial provider for people and businesses all over Denmark.

Nykredit has an objective of growing income from core business and of continuously becoming more cost-efficient. This is required to meet the regulatory requirements and to ensure a competitive business in the long term.

Today, Nykredit uses Strategic Scorecard as a strategic management tool to measure the effects of its business initiatives. This will ensure, on a current basis, that the required business development is realised. Nykredit's Strategic Scorecard includes Group targets, focusing on capital, finances, customers, processes and staff. The extent of target attainment as determined in accordance with the target management tool used from time to time will also have an impact on the size of any variable remuneration.

Decisions made by individual staff members may imply risks in the form of credit risk, market risk, liquidity risk and operational risk – including compliance and IT security risk. Effective risk management in these areas is secured by laying down and following up on policies, guidelines, limits and business procedures.

## **2 A COMMON FRAMEWORK APPLYING TO ALL STAFF MEMBERS**

### 2.1 Remuneration components

Remuneration of a staff member is determined based on the remuneration level of that staff member's job category and job level, relevant personal and professional skills, contribution and performance, attitude and conduct relative to Nykredit's values, and market conditions.

Remuneration of Nykredit staff consists of the following components: (i) a base (fixed) salary and (ii) a pension contribution.

In addition, remuneration components such as (i) bonus/performance awards, (ii) sign-on and/or stay-on fees, (iii) staff benefits and (iv) severance pay may be used to a limited extent.

The weighting of the remuneration components varies depending on the job category and business area. Remuneration is structured at all times to prevent conflicts of interest between members of management and staff on the one hand and customers and investors on the other.

## 2.2 Base salary

The base salary consists of a fixed cash amount.

Staff subject to collective agreement are subject to the provisions governing salaries of the collective agreements and any related agreements in force from time to time. Under the current collective agreement, staff members are placed at salary levels/grades which are adjusted annually on 1 July. Nykredit's use of individual salary rises based on skills, contribution or market conditions is limited with respect to staff subject to a collective agreement.

There is no automatic annual adjustment of the salaries of staff and managers whose salary levels are not regulated by a collective agreement. Instead, salary adjustments may be agreed once a year based on the remuneration budget and guidelines laid down by the Group Executive Board and input provided by local managers.

Staff employed in other countries than in Denmark are normally not covered by the collective agreement that applies to the majority of Nykredit's staff in Denmark. Such staff may be subject to other salary adjustment rules.

## 2.3 Pensions

For staff subject to the collective agreement, pension contributions are regulated by such agreement.

For staff not subject to collective agreement, Nykredit's policy is that such staff should be guaranteed pension terms similar to the terms applicable at any time under the collective agreement. Pension terms are set out in the individual employment contracts.

Staff employed in other countries than in Denmark may be covered by other pension terms and conditions.

## 2.4 Bonus programmes and performance awards

In order to ensure market-consistent and competitive remuneration and to underpin the delivery of its strategy at the level of the Group and the individual business divisions, Nykredit offers bonus programmes to certain staff groups. Nykredit's benchmarks for this purpose are national financial businesses.

The proportion of base salary to variable remuneration depends on the specific job position, and individual programmes are subject to limits, ensuring that the bonus programmes do not result in excessive risk-taking, and that relevant legislation is complied with.

Staff members may generally be awarded a bonus provided that Management has decided, prior to its approval of the annual financial statements, that there is a basis for awarding bonuses – and always provided that the payments, for instance in case of economic fluctuations, do not impair Nykredit's capacity for strengthening its capital position.

The majority of Nykredit's staff are not covered by a bonus programme. The top performers among the staff not covered by a bonus programme may, on an individual basis and subject to approval by the Group Executive Board, be awarded a (non-recurrent) performance bonus from year to year. The decision in this respect is made by the management staff, primarily based on the attainment of individual targets set out in the performance review.

### 2.4.1 Bonus programmes and maximum share of variable remuneration

The Board of Directors determines the maximum proportions of the variable remuneration and the base salary. In principle, the variable remuneration component must never exceed 100% of the base salary; for the majority of staff covered by a bonus programme the percentage is, however, significantly lower.

Payment of a variable remuneration component exceeding DKK 750,000 is subject always to approval by the Group Executive Board.

#### 2.4.1.a Long-term incentive scheme

After approval by the Board of Directors of Nykredit A/S, the Group Executive Board may implement a long-term incentive scheme for a limited number of the Group's executives/senior staff.

The scheme would serve as a supplement to the bonus programmes mentioned below, and a variable remuneration component of up to 100% of the base salary may be awarded under the scheme, but the total variable remuneration is, however, subject to the limits set out in 2.4.1 above.

#### 2.4.1.b Markets Trading, Asset Management, Investments and Group Treasury

Special bonus programmes apply to members of staff and management of Markets Trading, Asset Management, Investments and Treasury who have major earnings responsibility, in line with market standards for such positions. Remuneration of these staff members is based on the business performance, and the variable remuneration component is generally high relative to the rest of the Group's bonus programmes. The variable remuneration component may reach up to 100% of the base salary.

#### 2.4.1.c Functions with responsibility for the largest and most professional business customers

A limited number of bonus programmes under which the variable remuneration component may reach up to 100% of the base salary apply to members of management and staff in key functions having responsibility for the largest and most professional corporate clients.

#### 2.4.1.d Functions with responsibility for the largest personal clients

A limited number of staff/managers in key functions having responsibility for high-net-worth clients are selected to participate in a bonus programme under which the variable remuneration component may reach up to 100% of the base salary.

#### 2.4.1.e Other members of management and staff

Bonus programmes under which the variable remuneration component may reach up to 25% of the base salary apply to other members of management and a small number of the members of staff in high-level positions or tasked with special projects. Variable remuneration is exclusively awarded to reward exceptional performance.

#### 2.4.2 Bonus criteria

For all bonus programmes, a number of bonus award criteria must be met. The criteria are all aligned with Nykredit's strategic priorities and targets as specified in the Group's Strategic Scorecard and vary depending on the business division in question or the position held by the staff member in question. Moreover, a number of circumstances may cause the bonus to be reduced or cease, irrespective of the extent to which the set criteria have been met.

A balance between short-term and long-term targets should apply to the bonus programmes. This means that earnings targets/quantitative criteria will be supplemented with other targets/quantitative criteria.

Examples of specific targets/criteria are:

- Earnings – both level and growth
- Risk impact
- Customer satisfaction
- Contribution to internal and external collaboration
- Contribution to development of business area
- Contribution to efficiency and projects
- Conduct – must be aligned with strategy and culture
- Contribution to meeting the targets set out in the Group's current performance management tool
- Attainment of individual targets set out in performance reviews.
- Staff satisfaction

The assessment of earnings targets factors in credit risk, market risk, liquidity risk and operational risk – including compliance and IT security risk, by, among other things, deducting any losses and capital charges. The purpose is to ensure that business divisions and/or members of management/staff do not take unnecessary risks, as this may prompt a

reduction in the individual bonus.

In addition, the earnings of the Group, the division/subsidiary and the individual staff member are factored in but are weighted differently relative to the individual staff member's earnings impact. As for Nykredit Portefølje Administration A/S and Sparinvest S.A., consideration is also made for the performance of the UCITS and alternative investment funds under management and the overall performance of the asset manager.

The above criteria must include a requirement of meeting the applicable rules on sustainability risks (ESG risks), including those of Nykredit's investment policy which staff members must observe to correctly perform their duties.

The main circumstances that may cause the bonus to be reduced or cease are:

- Non-compliance with rules or business procedures etc (compliance)
- Non-compliance with policies, guidelines or risk limits
- That the staff member is not deemed to have carried out their job or acted in accordance with their obligations in a satisfactory manner and has thus failed to meet appropriate eligibility and integrity requirements.

In accordance with the rules applicable to the financial area aimed at ensuring that the Company's remuneration policy and practice are designed so as to prevent conflicts of interest vis-à-vis customers, Nykredit does not pay out variable remuneration based on quantitative commercial criteria (such as specific sales targets or the number or proportion of approved home loan applications).

Criteria similar to those outlined above apply to staff eligible for the bonus programme, see 2.4.1.d. However, more weight will be attached to Nykredit's overall performance, including attainment of the targets set out in the Group's Strategic Scorecard and a manager's performance in this respect.

For management staff reporting directly to the Group Executive Board, bonuses are particularly closely linked to the attainment of targets in the Strategic Scorecard of the Group and the Balanced Scorecards of their own division. Moreover, bonus awards also depend on the attainment of individual targets set out in the annual performance review. All targets are thus set by the Group Executive Board or the individual Group Managing Director.

For other management staff, the attainment of individual targets, as agreed in, for instance, in the performance review, carries the highest weighting. Targets are based on Nykredit's strategy and overall objectives. Bonus is exclusively paid in case of an exceptional performance and is subject to delivery of individual ambitious targets. No bonus is payable for performance expected to be covered by the base salary.

Each staff member subject to a bonus programme may at any time request a discussion of the status of their performance relative to specific bonus criteria.

### 2.5 Sign-on and stay-on fees

Sign-on and stay-on fees are offered only in extraordinary cases. Sign-on fees are offered to attract highly specialised key staff. Stay-on fees are offered to retain staff if it is deemed essential for Nykredit that such staff remain in Nykredit's employ for a specified period of time. The Board of Directors defines maximum limits to such fees annually. The maximum sign-on fee is 100% and the maximum stay-on fee is also 100% of the base salary. Amounts above DKK 750,000 are always subject to approval by the Group Executive Board. Amounts below DKK 750,000 are subject to approval by the responsible Group Managing Director.

The total variable remuneration component (sign-on/stay-on fees, bonus etc) cannot exceed 100% of the base salary.

Bonuses are not subject to any guarantee.

### 2.6 Staff benefits

Nykredit wants to provide the Group's staff with the best possible options in critical situations, and under the collective agreement, all staff are covered by group life insurance,



including critical illness, full-time accident, dental insurance and health insurance.

In addition, the staff is offered flexible pay packages (transport, mobile phones, broadband etc) within the framework of Danish legislation.

Some staff groups may, against a reduction in their salaries, opt for staff benefits that are not offered to all staff, such as newspaper subscriptions or a car subject to Nykredit's company car policy.

Furthermore, some of the financial products of the Nykredit Group are offered to staff on special terms.

For staff employed in other countries than in Denmark, other rules on staff benefits may apply.

### 2.7 Severance pay

Staff members subject to the Group Collective Agreement will receive severance pay pursuant to the provisions of the Danish Salaried Employees Act and the Collective Agreement.

Severance pay for some members of management and staff not subject to the Group Collective Agreement is determined in accordance with provisions of the individual employment contracts and cannot exceed nine months.

Apart from this severance pay, an appropriate compensation for early termination by Nykredit may extraordinarily be paid in certain individual cases.

Special conditions apply to the Group Executive Board, see 4.

For staff employed in other countries than in Denmark, other rules and laws may apply.

### 2.8 Gender-neutral remuneration

Nykredit's systems and practices in relation to remuneration and bonus awards must be gender-neutral and support equal pay for equal work (equal pay).

To eg promote equal pay, Nykredit's job positions are, to the greatest extent possible, classified using systems supporting objective remuneration setting. The system must moreover enable comparison of internal and external remuneration levels.

Any discrimination based on gender will not be tolerated.

## **3 REMUNERATION OF THE BOARD OF DIRECTORS**

The members of the Boards of Directors of Nykredit Realkredit A/S and Nykredit A/S and staff-elected members of the Board of Directors of Nykredit Bank A/S, investment representatives elected to the Board of Directors of Nykredit Portefølje Administration A/S and certain members of the Board of Directors of Sparinvest Holding SE, Sparinvest S.A. receive fixed annual cash fees. This group of persons may further receive a fixed cash fee for serving on Board Committees. The fees must be approved by the Annual General Meeting of the Group Company in question for the current year.

No board member is entitled to any kind of variable remuneration by virtue of their directorship. Board members employed with the Group may receive variable remuneration as part of their employment contract with Nykredit.

The fees paid to the Board of Directors are fixed at a reasonable level relative to market standards and reflect the qualifications and skills necessary for board members relative to the size and complexity of the Group, their individual contribution, value creation and responsibility as well as the time they are expected to spend to meet their obligations.

Except for the staff-elected members of the Boards of Directors of Nykredit Realkredit A/S,

Nykredit A/S, Nykredit Bank A/S and Totalkredit A/S, the board members do not receive any staff discounts on the Group's products.

Except for the staff-elected members of the Board of Directors of Nykredit Bank A/S, the internal board members of the subsidiaries do not receive any fees for their service.

Based on the recommendation of the Board Remuneration Committee, the Board of Directors of the relevant Company submits a proposal to the Annual General Meeting of that Company for fees to be paid to the members of the Board of Directors.

## **4 REMUNERATION OF THE EXECUTIVE BOARD**

### 4.1 Remuneration of Group Executive Board

The members of the Group Executive Board who are responsible for the duties of the Executive Boards of Nykredit Realkredit A/S and Nykredit A/S receive cash base salaries as determined by the Board of Directors.

Members of the Group Executive Board are covered by Nykredit's company car policy and may, against a reduction in their salaries, choose a car within the limits stipulated therein.

The Group Managing Directors do not receive variable remuneration.

In addition to their base salaries, the members of the Group Executive Board receive a contribution for a pension plan of their own choice. The pension programmes applicable from time to time are published annually in connection with the presentation of the Group's Annual Report and in the Group's remuneration report, see the Danish Companies Act and Recommendations on Corporate Governance.

The members of the Group Executive Board are subject to a notice of termination of 12 months. Moreover, severance pay agreed upon appointment and not performance-driven may be paid in case the employment is terminated by Nykredit. Severance pay constitutes between 6 and 17 months' salary.

The members of the Group Executive Board do not receive staff discounts on the Group's products.

### 4.2 Remuneration of Executive Boards of subsidiaries

Salaries and bonuses paid to the Executive Boards of the subsidiaries are determined by the Group Executive Board and the Boards of Directors of the Group Companies in question.

Members of the Executive Boards of subsidiaries are de facto risk takers and subject to the terms, conditions and restrictions mentioned in 5 below relative to variable remuneration, which may constitute no more than 50% of the base salary including pension.

In case of termination by the company, the executive boards of subsidiaries are subject to a notice of termination of up to 12 months. For more information on severance pay, see 2.8.

The members of the Executive Boards of Nykredit Bank A/S and Totalkredit A/S do not receive staff discounts on the Group's products.

## **5 RISK TAKERS**

### 5.1 Identification of material risk takers

Some of the conditions applying to the variable remuneration of the staff members, who are material risk takers ("risk takers"), are regulated by law.

The criteria laid down in law for deciding who among the staff members are risk takers have been aligned with Nykredit's present situation, and this has resulted in specific criteria for identifying the staff members at Nykredit who are risk takers. The criteria have been laid

down in business procedures determined by the Boards of Directors of the financial Group Companies, financial institutions and alternative investment fund managers that define responsibility and processes in relation to identification of risk takers and bonuses for risk takers of the Group.

In the context of criteria applicable to the remuneration of staff, the reference year for calculation of variable remuneration has been set as the year preceding the financial year in which the variable remuneration is awarded.

Based on these criteria, the HR and Risk & Conduct units will propose specific management staff and non-management staff as risk takers of Nykredit. The specific considerations, criteria and risk takers are subject to approval annually by the Board Remuneration Committee and by the Boards of Directors of the Companies in question. In addition, risk takers are designated over the year in connection with resignations/recruitments, organisational changes, budgetary changes etc.

Members of the Group Executive Board and all members of the Boards of Directors and Executive Boards of any Group Company are de facto risk takers.

Risk takers are notified of their designation and its implications in the form of a supplement to their employment contract.

Staff members of Nykredit Portefølje Administration A/S and Sparinvest S.A. having a material impact on the risk profiles of the managed UCITS and alternative investment funds are also risk takers.

Where Nykredit Portefølje Administration A/S, Sparinvest S.A. or the UCITS and/or alternative investment funds under management delegate portfolio management or risk management to staff in other Group Companies, Nykredit has made sure that the staff members so authorised are subject to either remuneration rules corresponding to those governing investment management companies or similar contractual commitments.

The risk takers are covered by the above bonus programmes, restrictions and criteria.

Some of these criteria relating to risk takers are moreover governed by law, implying that:

- A variable, performance-related remuneration component is determined on the basis of the performance of the individual, of the business unit of the said individual and of the overall results of the Company.
- The performance measurement used as a basis for the variable remuneration component reflects the current and future risks related to the actual performance and any cost of capital and liquidity required to obtain such performance.
- When assessing the performance of the individual staff member, consideration is made for non-financial criteria such as compliance with internal rules and procedures and with the Company's guidelines and business procedures that apply to the relationship with customers and investors.

Moreover, the risk takers are subject to a number of restrictions on the payout of bonuses awarded for the purpose of ensuring that material risk takers have a long-term perspective in their decision-making.

## 5.2 Long-term instruments, deferral and retention

For risk takers receiving variable remuneration, at least 50% of the variable remuneration must be awarded as long-term instruments.

For risk takers who are also members of the Executive Board of a Group SIFI, a minimum of 60% of the variable remuneration is awarded as long-term instruments.

Long-term instruments currently consist in bonds with the characteristics of senior contingent notes, where the price performance is linked to Nykredit's Tier 1 capital ratio.

As managers of UCITS and alternative investment funds, Nykredit Portefølje Administration

A/S and Sparinvest S.A. use long-term instruments which, subject to the managed funds' Articles of Association, nature etc, consist of a mix of equity investments or instruments relating to equity investments of the managed funds.

The staff member must not hedge the risk relating to the above instruments.

In pursuance of the Danish Financial Business Act, the payout of at least 40% of the variable remuneration – or at least 60% in respect of large remuneration amounts – must be deferred over a period of five years as regards all members of the Executive Board of any Group Company and four years as regards other risk takers.

The Executive Boards of the Companies in question are authorised to decide whether a variable remuneration component constitutes a large amount in each specific case. Variable remuneration components exceeding DKK 750,000 must always be considered a large amount.

Deferred variable remuneration is paid out in equal portions over the years.

The deferral period for Nykredit Portefølje Administration A/S and Sparinvest S.A. is, however, adjusted in line with the life cycle and redemption policy of the managed funds. The deferral period cannot be shorter than the four and five years stated above.

Nykredit's retention period is 12 months for bonuses placed in long-term instruments.

### 5.3 Backtesting and clawback

In connection with the payout of deferred amounts – including the bond part – Nykredit will consider whether the criteria underlying the calculation of the bonus continue to be met at the time of payout. It must be assessed whether the individual performance/actions on which the variable remuneration component was awarded in the year in question have proved as good as initially assessed, also in the long term.

Further, the Group's performance – and where relevant also the subsidiary in question – must be assessed, especially with regard to any losses. The Boards of Directors of the relevant Group Companies must approve the payout of the total deferred bonus prior to the announcement of the financial statements together with the basis for bonus payout for the previous year.

The Board of Directors may also resolve to withhold variable remuneration if Nykredit and/or the Company (i) do/does not comply with capital requirements and/or capital adequacy requirements or if there is a likely risk of non-compliance, or (ii) have/has been given a deadline by the Danish FSA to fulfil the capital requirement or a requirement for a reconstruction plan.

Further, it is a precondition for deferred variable remuneration that (i) the staff member has not participated in or is not responsible for a conduct leading to substantial losses for Nykredit or the UCITS and alternative investment funds managed by Nykredit Portefølje Administration A/S or Sparinvest S.A., (ii) the staff member has met appropriate eligibility and integrity requirements, (iii) the financial position of Nykredit or the relevant Group Company, and for Nykredit Portefølje Administration A/S and Sparinvest S.A. also the managed UCITS and alternative investment funds, has not deteriorated significantly since the calculation of the variable remuneration component.

Finally, variable remuneration may be denied if the basis of the decision was erroneous and the staff member was or should have been aware of that. In such cases the staff member must moreover repay any part of the variable remuneration received previously.

### 5.4 Lower threshold

The Executive Board may decide, on the basis of a specific assessment of reasonableness of the individual variable remuneration component, to exempt variable remuneration components of a maximum of DKK 100,000 annually from the requirements relating to

deferral and retention period and the requirement that at least 50% of the variable remuneration must be in long-term instruments.

## **6 REMUNERATION OF STAFF IN CONTROL FUNCTIONS**

Nykredit considers the following as control and audit functions:

- Credit Controlling
- Group Finance and Investments
- Risk & Conduct
- Compliance
- IT Security
- Internal Audit
- HR Operations

Staff involved in the controlling process must be independent of the Nykredit units which they oversee. To the extent that staff in control functions receive variable remuneration, this will depend on how they meet targets relating to their functions and thus be independent of the performance of the units they oversee.

Managers of Group Credits, Risk & Conduct, Internal Audit, AML and Compliance do not participate in variable remuneration schemes.

For staff employed in other countries than in Denmark, other rules and laws may apply.

Nykredit finds that staff in other control functions may participate in variable remuneration schemes. The reason is that the variable remuneration pools are determined by the Group Executive Board on the basis of Nykredit's overall results – and thus not on the basis of the results of individual units. In addition, bonus/performance awards granted to staff members are based on personal targets that are linked to their own units. The targets are set and assessed exclusively by their manager and not the units they oversee.

## **7 REMUNERATION DISCLOSURES**

In connection with the Boards of Directors' Report at the annual general meeting, the Chairman of the Board of Directors accounts for (i) the principles of the remuneration policy and Nykredit's compliance with the policy, and (ii) remuneration of the Board of Directors/Executive Board, including remuneration in the past financial year and expected remuneration in the current and next financial years.

Nykredit's Annual Report contains information on this remuneration policy and the total remuneration for the financial year of current and former members of the Executive Board, the Board of Directors and risk takers as well as information on the total remuneration of each named member of the Board of Directors and the Executive Board earned as part of their employment with the Company in question in the relevant financial year and as member of the Board of Directors or Executive Board of a Group Company in the same financial year.

In addition, a remuneration report is prepared annually in accordance with the Danish Companies Act and Recommendations on Corporate Governance.

Once a year, Nykredit publishes the Group's remuneration policy, remuneration report and information on remuneration of the Boards of Directors and the Executive Boards of the Group Companies as well as material risk takers at [nykredit.com](http://nykredit.com) and [totalkredit.dk](http://totalkredit.dk).

## **8 CONTROL AND REPORTS**

Nykredit has effective, transparent and well-documented control procedures, ensuring that variable remuneration is paid out in accordance with the remuneration policy and current legislation. Based on the guidelines laid down by the Boards of Directors, once a year the HR unit reviews compliance with the remuneration policy and the remuneration rules. Based on

its review, the HR unit will prepare a report and an opinion on remuneration policy compliance, which are submitted to the Board Remuneration Committee together with a summary of the remuneration of the Executive Boards, staff with management responsibilities for control functions as defined in 6 and staff with management responsibilities in important business units.

The Board Remuneration Committee will assess the documents received and report on its findings to the Boards of Directors of the Group Companies in question. In this connection, each Board of Directors must receive the report from the HR unit and summary of the remuneration of the Executive Board.

To ensure compliance with the remuneration policy and current rules, the Compliance unit is involved as much as possible to control and assess whether methods and procedures in relation to the remuneration rules are adequate to discover and mitigate the risk of non-compliance. Compliance reports to the Boards of Directors of Nykredit A/S and Nykredit Realkredit A/S and the respective Boards of Directors of the other Group Companies.

Moreover, the Board Risk Committee assesses at least once a year whether the criteria/incentives forming part of Nykredit's remuneration structure sufficiently allow for risk etc.

## **APPENDIX TO NYKREDIT'S REMUNERATION POLICY**

### **Remuneration policy of Sparinvest S.A.** **Approved by the Board of Directors on [●] 2022**

The remuneration policy of Nykredit A/S (the "Group Remuneration Policy") defines rules and processes that are also to be implemented by the Board of Directors of Sparinvest S.A. in Luxembourg. The remuneration policy of Sparinvest S.A. consists of the Group Remuneration Policy with the clarifications below.

The objective of the remuneration policy is to ensure that remuneration is determined by principles that comply with remuneration rules for both UCITS and AIFs and in this context promote sound and efficient risk management within Sparinvest S.A. Furthermore, the remuneration policy will not encourage risk taking that is inconsistent with the risk profiles of the UCITS and AIFs under management.

This policy seeks to comply with the following legal and regulatory framework:

- Luxembourg law of 17 December 2010 on undertakings for collective investment (hereinafter the "UCI Law");
- Luxembourg law of 12 July 2013 on alternative investment fund managers (hereinafter the "AIFM Law") and Regulation (EU) 231/2013;
- CSSF Circular 18/698 on authorization and organization of investment fund managers incorporated under Luxembourg law, adopting the ESMA Guidelines on sound remuneration policies under the AIFMD and the UCITS Directive (ESMA/2016/579 and ESMA/2016/575).

In light of the similarities between the investment management activities and discretionary portfolio management services to be provided by Sparinvest S.A., as well as the limited volume of discretionary portfolio management mandates (SMAs) compared to Sparinvest S.A.'s total assets under management, the remuneration principles governing Sparinvest S.A. in its capacity as authorised alternative investment manager of AIFs and UCITS management company – which are the most effective rules for the purpose of discouraging inappropriate risk taking and aligning the interests of Sparinvest S.A.'s staff with those of the investors – shall also apply in respect of Sparinvest S.A. when managing discretionary portfolio management mandates or providing other ancillary services in accordance with article 101(3) of the UCI Law and article 5(4) of the AIFM Law.

The remuneration policy is in line with the business strategy, objectives, values and interests of Sparinvest S.A., the UCITS and AIFs under management (hereinafter "the Funds") and the SMAs in order to avoid conflicts of interest. The remuneration policy supports and is part of Sparinvest S.A.'s integration of good corporate governance and responsible investments as laid down in the UN Principles for Responsible Investment, which have been signed by Sparinvest S.A..

### **GOVERNANCE**

The Board of Directors of Sparinvest S.A. is responsible for:

- (i) approving the remuneration policy of Sparinvest S.A. as defined above and reviewing at least once a year the said remuneration policy with the support of the internal auditor, and verifying its compliance with the rules applicable to Sparinvest S.A.;
- (ii) making sure that the remuneration policy is implemented in the company's staff contracts, guidelines and workflows;
- (iii) determining the total amount available for bonus payment;
- (iv) approving Management's entitlement to a performance-related bonus;
- (v) overseeing the remuneration of the Chief Risk Manager, Chief Compliance Officer and Chief Internal Auditor.

The Board of Directors of the parent company, Sparinvest Holdings SE, must also approve

the total amount available for bonus payment.

The Management of Sparinvest S.A. is responsible for making sure that the remuneration policy is implemented in Sparinvest S.A.'s staff contracts, guidelines and workflows.

Additionally, Management lays down procedures to this effect and submits them to the Board of Directors annually.

Roles of control functions:

Group Finance has the operational responsibility for executing the payments in order to make sure that payments are compliant with the terms of the remuneration policy.

The Board of Directors monitors the remuneration of Management in general and in particular that part of Management that is responsible for compliance with the limits for risk taking.

The risk management, AML/CFT, internal audit and compliance functions will have an active role in the ongoing oversight and review of the remuneration policy. The compliance function will notably be involved in reviewing the remuneration policy to ensure compliance with legal requirements. The risk management function will notably (i) ensure that the structure of remuneration practices does not limit Sparinvest S.A.'s liquidity/capital base and (ii) validate and assess risk adjustment data, both at Sparinvest S.A. and individual level. The AML/CFT Compliance Officer will provide Internal Audit with data regarding any AML/CFT breach which affects the staff before any variable compensation is paid. Internal Audit will oversee that the requirements of the remuneration policy are implemented sufficiently in the daily operations.

The Board of Directors of Sparinvest S.A. has decided not to establish a Remuneration Committee at company level since the company is part of the Nykredit Group and a Board Remuneration Committee performing its tasks and duties for the whole Group exists at Group level. This decision is based on the assumption that:

- (i) the rules governing such Remuneration Committee's composition, role and competencies are equivalent to the ones set out in ESMA's sound remuneration policies guidelines; and
- (ii) the existing Remuneration Committee takes responsibility for verifying compliance of the company with the rules set out in the said ESMA's sound remuneration policies guidelines.

The Remuneration Committee is also responsible for ensuring compliance of Sparinvest S.A.'s remuneration policy with the Group Remuneration Policy.

The Board of Directors must report to the Remuneration Committee on compliance issues with respect to rules applicable to Sparinvest S.A. The Remuneration Committee must not, however, take responsibility for such compliance issues, except for compliance of the company with the rules set out in the said ESMA's sound remuneration policies guidelines for which the Remuneration Committee is jointly responsible with the Board of Directors.

### **MATERIAL RISK TAKERS (IDENTIFIED STAFF) (referring to point 5.1)**

The remuneration policy of Sparinvest S.A. (including, for the avoidance of doubt, those employees that are employed by the Danish branch of Sparinvest S.A.) is applicable to all staff members of Sparinvest S.A. with specific provisions on variable remuneration applicable only to individuals identified as material risk takers, as detailed below.

In order to identify staff members who are material risk takers, the Board of Directors of Sparinvest S.A. has defined criteria where the material influence is decisive. Material risk takers are for the purpose of this policy defined as staff members who individually or collectively can change or have the decision-making powers either via delegation from Management or due to their position can exercise influence in a way that will impact the



business strategy or investors' interests in the company or the UCITS and AIFs under management (the "Funds")/separately managed account (the "SMAs") and can inflict a loss on the company or the Funds/SMAs.

Based on this definition the following criteria will be used when identifying staff covered by the remuneration policy:

- (i) Staff who can have a material influence on the risk profile/positions of either the company or the Funds/SMAs;
- (ii) Staff who can have a material impact on the results, balance sheet or performance of the Funds/SMAs;
- (iii) Staff who are capable of entering into substantial contracts/positions on behalf of the company.

In addition to these criteria an analysis of the employees' job functions and responsibility is made in order to assess whether their job function is covered by the remuneration policy.

On the basis of the above-mentioned criteria the Board of Directors has identified the following employees as being subject to the remuneration policy.

- (i) Executive and non-executive members of the governing body. Members of the Board of Directors who are also employed by Sparinvest S.A.
- (ii) Senior management (hereinafter "Management"). Conducting Officers (cf point 4.2 Executive Boards of subsidiaries).
- (iii) Control functions (staff responsible for AML/CTF Compliance, Risk Management, Compliance, Internal Audit). The Heads of control functions: AML/CFT Compliance, Internal Audit, Compliance and Risk Management.
- (iv) Portfolio management. Chief Investment Officer and Portfolio Managers who are responsible for a given strategy and can have a significant impact on the performance of the UCITS they manage.
- (v) Other material risk takers including administration, marketing and sales. The Head of International/Institutional Client Management, the Head of Marketing and the Branch Manager. Administration is the sole responsibility of three conducting officers in Management.
- (vi) Other. At the date of this policy, the Company does not have any other employees/persons having either a potential or actual material impact on the risk profile of the Company or of the UCITS and AIFs it manages and whose total remuneration falls into the remuneration bracket of senior managers and risk takers.

## **REMUNERATION:**

### Pension policy (referring to point 2.3)

Sparinvest S.A. does not use pension schemes that fail to follow relevant laws or collective agreements. There is no discretionary pension benefit paid to employees.

### Severance remuneration (referring to point 2.7)

For staff employed in Luxembourg and according to the Luxembourgish Labor Law, severance payments might exceed nine months in case the employee has a high seniority with the company.

Apart from this severance pay, an appropriate compensation for early termination by Sparinvest S.A. may extraordinarily be paid in certain individual cases.

The Board of Directors of Sparinvest S.A. does not receive severance pay.

## **DISCLOSURE**

### External Disclosure

Sparinvest S.A. will publish a full or partial disclosure on a proportionate basis, covering:

- Sub-total of remuneration paid to all "Material Risk Takers (Identified Staff)"
- Where relevant, the total remuneration paid under Carried Interest
- Details of the financial and non-financial performance measures used for "Identified Staff"

The external disclosure will be made via Sparinvest S.A.'s annual report, an independent remuneration policy statement or via any other form (including internet) or by similar means.

Sparinvest S.A. will also ensure that for each AIF and UCITS it manages, an annual report will be published in accordance with the applicable laws and regulations (including Article 150 and 151 of the UCI Law and Article 20 of the AIFM Law).

### Internal Disclosure

The main principles of the remuneration policy are part of Sparinvest S.A.'s policies and procedures and as such the main principles are available to all staff. The employees for whom this policy applies are regularly informed about their remuneration as part of the individual meeting regarding the 'Employee Development Plan'.