

Remuneration Policy (the “Policy”)

Adopted by	The Board of Directors of Swedbank Management Company S.A. (hereinafter the “Management Company”)
Date of adoption	July 19, 2017
Applies to	Swedbank Management Company S.A.
Framework Owner	HR Swedbank AB (publ) Luxembourg Branch
Responsible for implementation	Chief Executive Officer of Swedbank Management Company S.A.
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Language version	English

1. Purpose and background

- 1.1 The Management Company is a company incorporated in the form of a société anonyme under the laws of the Grand Duchy of Luxembourg, and registered with the RCS Luxembourg under No. B 149.317. The Management Company’s purpose is to act as a Management Company for investment funds under Chapter 15 of the amended Law of 17 December 2010 (“UCITS Law”) and also under the 12 July 2013 Law on Alternative Investment Fund Managers (“AIFMD Law”). The Management Company is supervised by the Luxembourg Commission de Surveillance du Secteur Financier (“CSSF”) or its successor in charge of the supervision of UCI in the Grand-Duchy of Luxembourg. The Management Company is as a wholly owned subsidiary of Swedbank AB (publ).
- 1.2 This Policy has been adopted with the aim to ensure compliance with the Remuneration provisions outlined in the UCITS Law, the AIFMD Law, CSSF Circulaire 10/437, Circular 12/546 (as amended), as well as ESMA Guidelines 2016/575 and 2013/232 (as amended).
- 1.3 The objective of this Policy is to set aligned and overarching principles and practices for remuneration of the employees of the Management Company , as well as to regulate how this Policy applies to those firms to which Investment Management and/ or Portfolio Management has been delegated. As further detailed in this Policy, a total remuneration approach applies to compensation which includes fixed and variable remuneration, pension schemes and other benefits. The Management Company acknowledges the importance of a sound remuneration culture being consistent with, and promoting, sound and effective risk management, not encouraging excessive risk-taking or counteracting the Management Company’s and investor’s long term interests.
- 1.4 The Board of the Management Company has decided that the Management Company shall, as far as is possible with deference to Luxembourg Law and Regulation, adhere to the same remuneration practices as the Swedbank Group, as described in the general part of the “Information regarding remuneration in Swedbank” in Appendix A to this Policy.
- 1.5 This Policy covers remuneration made available to all employees of the Management Company, with the exception of employees that has agreed a global employment contract, and where these employees have another legal entity as their main employer.
- 1.6 Concepts, terms and expressions written in capital letters in this Policy shall have the meaning specified in section 9.

1.7 This Policy may be revised from time to time at the Board's discretion.

2. Remuneration principles

Total Remuneration approach

2.1 The Management Company offers competitive but not market leading remuneration that is derived from business and local market conditions, as well as the need of the Management Company, and which is set independently of gender, transgender identity or expression, ethnic origin, religion or other profession of faith, disability, sexual orientation or age.

2.2 The following principles for Total Remuneration applies:

- a) the remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk taking which, is inconsistent with the risk profile, management regulation, or instrument of incorporation;
- b) the remuneration policy is in line with the business strategy, objectives, values and interests of the Management Company, the funds that it manages and the investors of the funds;
- c) the remuneration policy is adopted by the Board and that the Board adopts and reviews a least annually the general principals of the remuneration policy;
- d) the implementation of the remuneration policy is at least annually subject to central independent internal review for compliance with policies and procedures;
- e) staff engaged in control functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas that they control;
- f) the remuneration of the senior officers in the risk management and compliance functions is overseen directly by the remuneration committee, where such a committee exists;
- g) where remuneration is performance-related, the Total Remuneration is based on a combination of the assessment as to the performance of the individual and of the business concerned as well as of the overall result for the Management Company;
- h) the assessment of performance is set in a multiyear framework appropriate to the holding period recommended by the Board;
- i) guaranteed variable remuneration is executional, occurs only in the context of hiring new staff and is limited to the first year of engagement;

- j) fixed and variable components of Total Remuneration are appropriately balance and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable components, including the possibility to pay no Variable Remuneration component;
- k) payments relating to the early termination of a contract reflect performance achieved over time and are designated in a way that does not reward failure;
- l) the measurement of performance used to calculate Variable Remuneration components or pools of Variable Remuneration components includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks;
- m) subject to the legal structure of the Management Company and its risk profile, management regulation, or instrument of incorporation, a substantial portion, and in any event at least 50%, of any Variable Remuneration component consists of units of the concerned company, equivalent ownership interests, or share-linked instruments or equivalent non-cash instruments with equally effective incentives as any of the instruments referred to in this point;
- n) a substantial portion, and in any event at least 40% of the Variable Remuneration component, is deferred over a period which is appropriate in view of the holding period recommended to the investors concerned and is correctly aligned with the nature of the risks of the UCIs. The period referred to in this point shall be at least three years; remuneration payable under deferral arrangements vests no faster than on a pro-rata basis; in the case of a Variable Remuneration component of a particular high amount, at least 60% of the amount shall be deferred;
- o) the Variable Remuneration, including the deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Management Company as a whole, and justified according to the performance of the business unit, the Management Company and the individual concerned.
The total Variable Remuneration shall generally be considerably contracted where subdued or negative financial performance or negative financial performance of the Management Company occurs, taking into account both current compensation and reductions in pay-outs of amounts previously earned, including through malus or clawback arrangements;
- p) the pension policy is in line with the business strategy, objectives, values and long-term interests of the Management Company. If the employee leaves the Management Company before retirements, discretionary pension benefits shall be held by the Management Company for a period of five years in the form of instruments defined in point m). The same applies for discretionary pension benefits in case of an employee reaching retirement.
- q) staff are required to undertake not to use personal hedging strategies or remuneration- and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements;

- r) Variable Remuneration is not paid through vehicles or methods that facilitate the avoidance of the requirements of any regulations.

3. Fixed Remuneration

- 3.1 Fixed Remuneration constitutes the primary component of the Total Remuneration. The Fixed Remuneration reflects the nature of the position held, individual employee performance and local employment market conditions.
- 3.2 Remuneration for subordinates is a decision made by each manager. Any such decision must in turn be approved by his/her own superior (the so-called *grandfather principle*), and HR, following the applicable governance structure.

4. Variable Remuneration program

General provisions

- 4.1 Variable Remuneration is a component of the Total Remuneration which aims to incentivise particular behaviours and desired results, create an alignment between the rewards and risk exposure to those of the shareholders, and provide motivation and foster a performance driven culture in the Management Company.
- 4.2 Variable Remuneration may only be granted as part of the Management Company's Variable Remuneration program, as approved by the Board in accordance with the requirements contained in this Policy.
- 4.3 The Management Company SMC employees may not be awarded the Management Company Variable Remuneration containing discretionary pension benefits.
- 4.4 The Board has appointed the HR function within Swedbank AB (publ) Luxembourg Branch to, in cooperation with Group HR, be responsible for leading the work to set and follow up on the implementation of Variable Remuneration processes and standards.
- 4.5 The Management Company has the right to reclaim any Variable Remuneration paid or delivered on the basis of information which is later turned out to be clearly erroneous or the result of fraudulent activities. Procedures how to agree on such terms with all employees are implemented in the notification letter received in conjunction with allotment of the Eken program, as further described in Appendix B to this Policy.
- 4.6 The total Variable Remuneration payable by the Management Company must not be of such size that it may affect the Management Company's ability to maintain a sufficient capital base or, as needed, to reinforce the capital base. The Board will annually be provided with an assessment to this effect, in conjunction with the adoption of Variable Remuneration program.
- 4.7 Variable Remuneration will be based on relevant, predetermined and measurable criteria, set with the purpose of safe-guarding the best interest of the investors, as well as to preserve the Management Company's long-term value. Consequently, it shall be

considered how Remuneration may affect the Management Company's profit from a long-term perspective. The term *measurable* means that it shall be possible to evaluate the degree to which the criteria have been fulfilled.

- 4.8 Variable Remuneration allocations from Eken will primarily be based on Swedbank Group risk-adjusted measures of profit, as detailed in Annex A to this Policy. Both current and future risks are taken into consideration as well as actual costs for capital and liquidity. Further, a multiple-year perspective is applied to ensure long term sustainability of profits considering underlying business cycles and risks at the time of pay-out. In the event that subjective assessments are used for adjusting profit based on risk, factors forming the basis for the adjustment must be well balanced and documented.
- 4.9 The Board annually resolves on any Variable Remuneration program, and the detailed terms that will be applied as well as the basis for participation in such programs. No other Variable Remuneration arrangements are allowed. The programs shall comply with the decided remuneration principles and taking any proportionality considerations into account. A decision to change of the Variable Remuneration program must always be preceded by a risk analysis.

Individual performance criteria

- 4.10 On an individual employee basis, Variable Remuneration will be based on Individual Performance Criteria, assessed against performance criteria set at the beginning of each calendar year. The Individual Performance Criteria on which the Variable Remuneration decision is based must be specified and documented as part of the "Personal Development Process" (maintained by HR). For each eligible employee, a maximum amount of Variable Remuneration shall be set at the beginning of each calendar year. As Swedbank Group strives for a value driven corporate culture, the personal performance criteria will include an element of "Living the Values". Lack of compliance with external or internal regulation or deficiencies in risk management capabilities are such circumstances that will be considered as lack of performance in relation to "Living the Values". For further details of the Individual Performance Criteria see Appendix E to this Policy.

Control Function employees

- 4.11 For employees belonging to the category Control Functions the individual goals that determines these employees' individual allocation out of the Variable Remuneration program, are set solely based on their performance in relation to the objectives of the applicable Control Function.

Variable Remuneration composition and deferrals

- 4.12 For employees, at least 40 percent of each employee's Variable Remuneration shall consist of shares in Swedbank AB (publ), or instruments tied to such shares and be deferred for at least three years. The proportion of Variable Remuneration allotted in shares or in instruments tied to such shares must always, as a minimum, meet the proportion limits set by applicable regulation.
- 4.13 For employees who have been identified as *Material Risk Takers* and whose Variable Remuneration amounts to a Particularly High Amount, delivery of at least 60 percent of the

Variable Remuneration shall be deferred for at least three years and consist of shares in Swedbank AB (publ) or instruments tied to such shares.

- 4.14 If applicable, the Particularly High Amount will be decided by the Board in retrospect of the relevant financial year when the aggregate amount of Variable Remuneration is known as well as individual allocations.

Delivery and cancellation

- 4.15 Deferred Variable Remuneration will only be delivered provided that delivery is justified considering:

- (a) that the delivery is in the best interest of the investors;
- (b) the financial health of the Management Company is not jeopardised; and,
- (c) the relevant employee's performance against the Individuall Performance Criteria.

Further, Deferred Variable Remuneration may be cancelled during the deferral period for the aforementioned reasons.

Identified staff

- 4.16 Identified Staff shall be identified and listed on an individual basis in Appendix D to this Policy. Identified staff shall be made aware of the implications of their status in accordance with the process described in Variable Remuneration programs.
- 4.17 Any deviation from or interpretation of the Remuneration principles in section 2. of this Policy shall be documented in writing by the relevant employee's manager, and approved by the Board, the manager's manager, and HR.

Balance between Fixed Remuneration and Variable Remuneration

- 4.18 If the Total Remuneration includes a variable portion, there shall be an appropriate balance between the fixed and the variable portions. The fixed portion of the Remuneration must account for a sufficiently large portion of the Total Remuneration, so that it is freely possible to set any employee's Variable Remuneration to zero.
- 4.19 The Board shall annually decides on a maximum ratio between Variable and Fixed Remuneration for all employee categories. The variable pay may never exceed the variable pay cap set by the Board and comply with applicable Law and Regulation. See Appendix C to this Policy.

Severance payment and gratuities

- 4.20 Remuneration paid out in connection with the termination of employment, if in excess of what is provided for by local accplicable law, must be in proportion to the employee's performance during the term of employment and must not reward unsound risk-taking, and approved by the Board.

- 4.21 Ancillary payments or benefits, such as gratuities, that are part of a the Fixed Remuneration, and which pose no incentive effects in terms of risk assumption, may be awarded in conjunction with severance payment.

5. Governance and control etc.

The Board

- 5.1 The Board has the overall responsibility to ensure that there are adequate routines in place for this Policy to be implemented and enforced.

Managerial responsibilities

- 5.2 Each manager is responsible for setting and following-up on Individual Performance Criteria for his/her direct reports. Further, each responsible manager shall ensure, within his/her area of responsibility, that all employees receive information about the criteria which forms a basis for their Variable Remuneration and about how their respective performance is assessed.
- 5.3 The Board has appointed the HR function within Swedbank AB (publ) Luxembourg Branch be responsible for leading the work to set and follow up on the implementation of common processes and standards.
- 5.4 The Head of ManCo is responsible for leading the work to set and follow up on the implementation of common processes and standards.

6. Delegated activities

- 6.1 The Management Company shall ensure that:
- the entities to which investment management activities have been delegated are subject to regulatory requirements on remuneration that are equally as effective as those applicable to this Policy; or, that
 - appropriate contractual arrangements are put in place with entities to which investment and/or portfolio management activities have been delegated in order to ensure that there is no circumvention of the remuneration rules set out in this Policy. Such contractual arrangements should cover any payments made to the delegates' Identified Staff as compensation for the performance of investment management activities on behalf of the UCIs managed by the Management Company.

7. Risk Analysis

Risk analysis

- 7.1 Prior to the adoption of this Policy, a risk analysis should be performed by the Compliance Officer and Operational Risk Officer. This assessment shall be presented to the Board in

respect of the suggested Total Remuneration program's potential adverse impact on the the Management Company and the UCIs it manages.

Review

- 7.2 The Compliance Officer will annually review compliance with this Policy and ensure that an analysis of the terms and conditions from a compliance perspective is performed in conjunction with the adoption of a Variable Remuneration program.
- 7.3 The Head of Operational Risk will ensure that a risk analysis is performed in conjunction with the annual adoption of this Policy and at any material change to the Variable Remuneration program.

8. Proportionality

- 8.1 The Management Company is a small management company, both with regards to the number of employees and to the total assets under management. The Management Company does not receive compensation from the activity Investment Management (including any performance fees) from any UCI, due to that these activities are delegated in full. The Variable Remuneration available to distribute to employees is limited in amount and of a nature that well surpasses the requirements on deferral. Thus the establishment of a separate remuneration committee is not deemed to be necessary, and the Board shall fulfill this duty. This constitutes a deviation from Remuneration Principle 2.2 f)
- 8.2 The current amount available for distribution via the Variable Remuneration program available to the Management Company employees, is defined and set by the Board of Swedbank AB (publ). Whilst the performance of the the Management Company is included in the consolidation of the Group's result, the Management Company's contribution to this result is insignificant. This constitutes a deviation from Remuneration Principle 2.2 g) with regard to the maximum amount available to distribute.
- 8.3 The Board of the the Management Company cannot influence the framework of the Variable Remuneration offered. This constitutes a deviation from Remuneration Principle 2.2 h)
- 8.4 Due to that the assets under management in UCIs under the AIMD Law within the Management Company constitutes less than 50 % of the total assets under management, Variable compensation, deferred and non-deferred, will not be invested to mirror the development of the UCIs managed by the Management Company and that the Variable Remuneration program being a Swedbank Group wide program, the provisions outlined in Remuneration Principle 2.2 g) cannot be met.

The Board is of the opinion that these proportionality based deviations are acceptable and do not impair the overall compliance with the spirit of the regulation, neither constitute a promotion of practices that would negatively impact the investors of the funds.

9. Definitions

In this Policy, the following concepts, terms and expressions are defined as stated below.

Swedbank Group:	Swedbank AB (publ), a public limited liability credit institution incorporated in Sweden, and its Branches and Subsidiaries at any given time.
UCI:	any undertaking for collective investments
The Board:	the Board of Directors of Swedbank Management Company S.A.
Total Remuneration:	all remuneration and benefits paid and/or awarded to an employee, i.e. the sum of Fixed and Variable Remuneration.,. . (e.g., fixed salary, o, pension provisions, severance pay, car benefits, meal vouchers, accident insurance etc.).
Fixed Remuneration:	fixed cash salary paid to an employee on a regular basis, and any other benefit that is awarded to employees on a regular basis without consideration of any performance related criteria, i.e.:meal vouchers accident insurance, and extra legal pension, staff loans, schooling fees and car benefits.
Control functions:	staff (other than senior management) responsible for risk management, compliance, internal audit and similar functions within a management company (e.g. the CFO to the extent that he/she is responsible for the preparation of the financial statements).
Variable Remuneration:	remuneration that is not fixed in advance to a particular amount or size, i.e.; participation in profit sharing.
Particularly High Amount:	the amount that the Board agrees to in connection with the establishment of the outcome of Variable Remuneration for a particular year.
Identified Staff:	categories of staff, including senior management, risk takers, <i>control functions</i> and any employee receiving total remuneration that falls into the <i>remuneration bracket</i> of senior management and risk takers, whose professional activities have a material impact on the management company's risk profile or the risk profiles of the the Management Company that it manages and categories of staff of the entity(ies) to which investment management activities have been delegated by the management company, whose professional activities have a material impact on the risk profiles of the UCI that the the Management Company manages;
Individual Performance Criteria:	the meaning described under Appendix C to this Policy.

Appendix A

GENERAL DESCRIPTION OF REMUNERATION IN SWEDBANK GROUP

Employees in Swedbank are to be encouraged to perform according to Swedbank's goals, strategy and vision. The remuneration shall also encourage employees to act according to Swedbank's values - simple, open, caring - since this is considered to be the foundation for a successful and long-term business.

Further, the total remuneration shall be designed in a way that makes Swedbank attract employees with the needed skills within the existing margins of cost. Most of the employees have remunerations with one fixed and one variable part which, together with other benefits, make up the employee's total remuneration. The goal is to reach a healthy balance between the variable and the fixed part of the remuneration.

DESCRIPTION OF VARIABLE REMUNERATION IN SWEDBANK

Variable remuneration is a component of remuneration which aims to incentivise particular behaviours and desired results, create an alignment between the rewards and risk exposure to those of the shareholders and provide motivation and foster a performance driven culture in the Group.

Variable remuneration is tied to individual performance, the Group's total result and the business area result during the performance year. Variable remuneration is based on relevant, predetermined and measurable criteria, set with the purpose of increasing the Group's long-term value. Variable Remuneration will primarily be based on a common risk-adjusted measure of profit. Allotments of variable compensation are contingent on a positive economic profit (operating profit after deducting company tax and the cost of capital) at the business area and Group levels.

Any Variable Remuneration to employees in Control functions will be determined based on objectives set in the respective Control function, independently of the earnings in the business areas they oversee.

The Board can withhold variable compensation if the Group's financial position has been greatly weakened or there is a significant risk of this occurring, or if improper actions by individuals have adversely affected Swedbank's or a business area's results.

The maximum ratio between variable and fixed remuneration is set in accordance to legislation in force and may never exceed the variable pay cap as decided by the Annual General Meeting and/or applicable regulations. For staff whose professional activities have a material impact on the risk profile (material risk takers) the variable remuneration shall not exceed 100 per cent of the yearly fixed remuneration for each individual.

Swedbank's Board of Directors has decided to apply the same principles for all employees regarding deferred variable pay which means that staff whose professional activities do not have a material impact on the risk profile (non-material risk takers) will be handled in the same way as material risk takers.

For staff included in the individual program 2016, which comprises around 700 employees in the Group, 40% of variable remuneration will be deferred for three years (with the exception of senior executives as well as material risk takers with an especially high amount, who will have at least



60% deferred for three years). For staff included in the general program, Eken 2016, which comprises essentially all employees in the Group, 100 % of the variable remuneration will be deferred for three years. All deferred remunerations will be paid out in Swedbank AB shares.

The Bank or the employer has the right to reclaim any Variable Remuneration paid or delivered on the basis of information which is later turned out to be clearly erroneous or the result of fraudulent activities.

APPENDIX B

VARIABLE REMUNERATION PROGRAM

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Appendix C

**MAXIMUM VARIABLE REMUNERATION, DEFERRAL STRUCTURE AND CRITERIA FOR RISK
ADJUSTMENT OF VARIABLE PAY FOR CERTAIN CATEGORIES OF EMPLOYEES**

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Appendix D

IDENTIFIED STAFF

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Appendix E

INDIVIDUAL PERFORMANCE CRITERIA

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Appendix F

PENSION PLANS AND OTHER BENEFITS

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