

# Nasdaq Stockholm AB

## Conflicts of Interest Policy for the Board of Directors



Revision 1.3

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## 1. OBJECTIVE

The purpose of the Conflicts of Interest Policy for the Board of Directors (“the Policy”) is to further explain and define the responsibilities, obligations and potential or real conflicts of interest (collectively referred to as “conflicts of interest” or “conflict(s)” in this Policy) of the Board of Directors of Nasdaq Stockholm AB (“the Board”).<sup>1</sup>

Under the Swedish Securities Market Act (2007:528)<sup>2</sup>, as well as the Markets in Financial Instruments Directive (Directive 2014/65/EU, hereinafter referred to as “MiFID II”)<sup>3</sup> market operators and data reporting services providers shall have effective and sufficient arrangements to prevent, identify and manage any conflicts of interests.

More detailed provisions on managing conflicts of interest are also found in the ESMA Guidelines on the management body of market operators and data reporting services providers (“DRSPs”) (hereinafter “ESMA Guidelines”, which also describe the management of conflicts of interests for Board members. According to the ESMA Guidelines “the management body of market operators and DRSPs should have a formal written conflicts of interest policy and an objective compliance process for implementing the policy.”<sup>4</sup>

Additionally, Nasdaq Stockholm AB (hereinafter “NQS”) has adopted a general Conflicts of Interest Policy that applies to all NQS employees. Finally, conflicts of interest issues are also governed by the Code of Ethics.<sup>5</sup>

This Policy on Conflicts of Interest for the Board of Directors (“the Policy”) describes circumstances that may give rise to conflicts of interest within the Board of Directors of NQS (the “Board”) and sets out how they should be prevented, managed and disclosed. The Policy also sets out how to deal with non-compliance with the Policy.

## 2. SCOPE

This Policy applies to all conflicts of interest that may arise within the Board, for instance between Board members and NQS’ clients or between a Board member’s duties and responsibilities towards NQS and their engagement outside NQS.

All Board members must adhere to this Policy.

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<sup>1</sup> The Conflicts of Interest Policy may be used for reference also for the purposes of this Policy.

<sup>2</sup> The Swedish Securities Market Act (2007:528) Chapter 12, section 6 (e) states that “The board of directors shall ensure that the undertaking is organised and managed in an effective and prudent manner, including in a manner which ensures the segregation of the various parts of the business and the prevention of conflicts of interest, and which promotes the integrity of the market”.

<sup>3</sup> Article 45(6) for market operators and Article 63(4) for data reporting services providers.

<sup>4</sup> Cf. ESMA Guidelines 70-154-271 section 35.

<sup>5</sup> The Nasdaq Code of Ethics is a group policy affirming Nasdaq, Inc.’s dedication and commitment to the highest ethical conduct in all dealings and outlines the obligations as an employee to ensure we meet that commitment. The Code of Ethics is adopted by all the companies within the Nasdaq Group.



### 3. DEFINITION OF A CONFLICT OF INTEREST

A conflict of interest can be defined as a situation in which at least two stakeholders have competing interests (whether professional and/or personal) which may (actually or potentially) be an improper influence on the relevant decision-making process and make it difficult to fulfil their duties fairly.

Usually risks of conflicts of interest arise in connection with prioritizing, and a potential conflict of interest often becomes real in the context of decision-making. It may involve one party being able to make a decision affecting another party, or holding/accessing information about another party, and the decision or the information received can be beneficial or harmful to the deciding/receiving party, or to a person related to that party. Further, the decision or the information generally involves a risk of violating the rights of another party.

A conflict of interest arises when:

- Your own private interests, personal or financial, interfere in any way (or could be perceived as interfering in any way) with the interests of NQS or its clients;
- Your activities might raise questions as to whether you are acting for personal gain or for the benefit of a third party, rather than in NQS' or its clients' interests;
- You or others could reasonably perceive that you owe a duty of loyalty to an entity or person whose business interests are not aligned with NQS' or its clients'; or
- Your activities might raise questions as to whether you are acting in NQS' commercial interests when you are acting on behalf of NQS, including for the benefit of a third party, in a way that conflicts with the regulatory requirements applicable to the exchange.

Conflicts of interest can arise between a service provider (i.e. a Board member also having the role of a service provider) and its client, or between different clients of the service provider.

Section 4 below describes specific circumstances that may give rise to conflicts of interest within the Board.

### 4. POTENTIAL CONFLICTS OF INTEREST

Conflicts of interest may arise due to Board members':<sup>6</sup>

- Personal, professional or economic relationships with other persons or legal entities (such as shareholders of NQS or of a competing market operator or DRSP);
- Past or present positions held;
- Personal, professional or economic relationships with other members of the Board of Directors or senior management (or with other entities within the Nasdaq Group);
- Other economic interests (e.g. loans to the member's or prospective member's company); or
- Other interests, including family interest, that may create actual conflicts of interest.

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<sup>6</sup> See ESMA Guidelines 70-154-271 section 31.



In particular, the following, non-exhaustive circumstances may give rise to (potential) conflicts of interests:<sup>7</sup>

- Involvement with a particular member firm, to which the Board member has a connection (through participation (i.e. shareholdings reaching or exceeding 5% of voting rights) , current or previous managerial positions, association or similar);
- Involvement in a decision taken at another Nasdaq Group Board meeting that is being decided upon at NQS Board meeting;
- Involvement in a decision affecting another business unit where the Board member has a managerial position or a decision in regard to a licensed operation where the Board member is involved;
- A Board member not being able to commit sufficient time to execute his/her responsibilities within NQS;<sup>8</sup>
- A conflict with obligations towards another Nasdaq Group entity;
- Involvement with another market operator/DRSP or an entity of a market operator's/DRSP's group (contractual, through participation, association, employment or similar) or association directly with a shareholder whose ownership reaches or exceeds 5% of voting rights of a market operator/DRSP;
- A family member<sup>9</sup> gains a role which causes a conflict of interest;
- A Board member gains a new position either within or outside the Nasdaq Group;
- A Board member has a connection to a service provider, including a service provider in an outsourcing arrangement;
- A Board member has a financial interest in a particular decision;
- A Board member has an Outside Business Activity that conflicts with NQS's interests, and
- Any transaction that can constitute a conflict of interest.

## 5. MEASURES FOR MANAGING CONFLICTS OF INTEREST

### 5.1 Group activities

NQS is a subsidiary and affiliate of other entities within the Nasdaq, Inc. ("Nasdaq Group").

NQS deems it acceptable for its executives to sit on more than one Board within the Nasdaq Group.<sup>10</sup> However, if a conflict of interest arises (see list of Potential Conflicts of Interest in section 4 above), it must be managed in accordance with the procedures described in this Policy.

<sup>7</sup> See ESMA Guidelines 70-154-271 section 32.

<sup>8</sup> The number of contracts or mandates a Board member may have, depends on the circumstances and is to be assessed individually. Further guidance on sufficient time commitment and calculation of the number of directorships can be found in ESMA guidelines 70-154-271 section 17-23. No individual assessment of the number of mandates a Board member may hold shall violate the above-mentioned principles in the guidelines.

<sup>9</sup> Family members (relatives by blood, marriage) and cohabitantes and other equal person who might be relevant in terms of conflicts of interest for NQS.

<sup>10</sup> More detailed overview and guidance on calculation of the number of directorships is provided in MiFID II art. 45 and chapter 5.2 of ESMA Guidelines 70-154-271.



As mentioned above, NQS is a subsidiary and an affiliate of other entities within the Nasdaq Group. It is important that NQS has procedures in place to ensure that decisions made by other group entities, affecting NQS' operations and governance, cannot be made without the consent of the Board.

Therefore:

- The Board can refrain from implementing a decision taken by another group entity where the decision could compromise NQS' ability to comply with local regulatory requirements and policies, or where the risks of the decision affecting NQS' ability to operate appropriately would be too high.
- Where policies or plans have been prepared by another Nasdaq Group Entity, the Board shall ensure that they are appropriate for the purpose before approving them.

## **5.2 Disclosure of circumstances**

Each Board/prospective Board member must promptly disclose circumstances described in section 3-4 above to the Chairman of the Board. Further, the Board member must refrain from participating in the decision-making in situations referred to in the Swedish Companies Act (2005:551) Chapter 8, Section 23 . The Chairman of the Board shall decide on the measures to be taken in respect of the member, based on the particular facts and circumstances. Measures may include, but not limited to the following:

- Requiring the Board member to leave the room for that discussion, or
- Requiring the Board member to abstain from voting on that agenda item.

If the Chairman of the Board is conflicted, he/she must notify the Board and appoint another Board member to deal with the matter in accordance with the above.

Any Board member's refrainment from participating in the decision-making shall be documented in the Board meeting minutes.

The existence of a circumstance which may give rise to a conflict of interest does not automatically preclude a member or prospective member from being part of the NQS' Board.<sup>11</sup>

## **5.3 Appointment of new Board members**

Prior to the appointment of a prospective Board member, any circumstances which may give rise to a conflict of interest or actual conflicts of interest as described above under sections 3 and 4, are assessed. Where appropriate, mitigating measures as described in this section 5 are taken.<sup>12</sup>

After the appointment, any new circumstance which may give rise to a conflict of interest or new actual conflict of interest should be disclosed and the mitigating measures should be approved by the Board.<sup>13</sup>

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<sup>11</sup> See ESMA Guidelines 70-154-271 section 34.

<sup>12</sup> See ESMA Guidelines 70-154-271 section 34.

<sup>13</sup> See ESMA Guidelines 70-154-271 section 34.



#### **5.4 Permanent conflicts of interest**

If a conflict of interest arises that may be of a permanent nature, the Board member should consider their resignation from the Board.

#### **5.5 Repeated conflicts of interest**

If the Chairman of the Board finds that a Board member is frequently conflicted, he/she may ask the member to resign from their position. This is in order to benefit the Board and ensure there is an adequate challenge and discussion in all aspects of the governance of NQS.

#### **5.6 Outside business activities<sup>14</sup>**

A Board member shall, to the extent possible, avoid outside business activities that could create conflicts of interest or the appearance of conflicts of interest. Prior to the engagement in outside business activities, a Board member must apply for approval, and the engagement must be disclosed.<sup>15</sup> Then, the potential/existing conflict of interest should be assessed and mitigating measures decided on. Any material changes in the circumstances should be reported to the Board.

Notwithstanding the above, a Board member may hold a position in another Nasdaq Group Board without prior approval, provided that the Board member can commit enough time and independence of mind with respect of his/her engagement in NQS.<sup>16</sup> However, such intra-group Board membership shall be disclosed.<sup>17</sup> If another type of conflict of interest is known, the Board member must apply for approval, and it will be assessed if such a Board membership is appropriate and/or tolerated.

#### **5.7 Conflicts of interest assessment**

The Compliance Officers of the Exchange will facilitate an assessment of conflicts of interest of a Board member prior to the commencement of the tenure, and in connection to any changes disclosed by the Board member.

#### **5.8 Procedures for dealing with non-compliance<sup>18</sup>**

Any non-compliance with this Policy should be taken up on a Board meeting and the Board shall decide on measures to be taken.

#### **5.9 Transactions with related parties<sup>19</sup>**

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<sup>14</sup> See ESMA Guidelines 70-154-271 section 13 and 31.

<sup>15</sup> This approval process is required in addition to the approval process set forth in the Code of Ethics.

<sup>16</sup> See further guidance on sufficient time commitment and the assessment of independence of mind in chapters 5.2 and 5.5 of ESMA Guidelines 70-154-271 respectively.

<sup>17</sup> The disclosure of outside business activities will take place in connection with the annual competence assessment and Board work evaluation.

<sup>18</sup> See ESMA Guidelines 70-154-271 section 35(g).

<sup>19</sup> See ESMA Guidelines 70-154-27, section 35 (f).



Transactions between Board members and their related parties,<sup>20</sup> which could constitute a conflict of interest or be perceived as a conflict of interest in relation to NQS, shall be carried out on an arm's length basis. A Board member shall disclose any such transaction with a related party in advance to the Board. The Board shall then assess whether the transaction may be approved.

#### **5.10 Information to the national competent authority**

National competent authority (the Swedish Financial Supervisory Authority) shall be notified about any material conflicts of interest identified and the mitigating measures taken by the Board.<sup>21</sup>

## **6. POLICY ADMINISTRATION**

This Policy shall be made public.<sup>22</sup>

## **7. REVIEW AND APPROVAL**

This Policy shall be reviewed annually and when required, by the Compliance Officer, and approved by the Board at least every second year.

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<sup>20</sup> For the purpose of this section, 'related parties' shall mean any of the following: a) a spouse, or a partner considered to be equivalent to a spouse in accordance with national law, b) a dependent child, in accordance with national law, c) a relative who has shared the same household for at least one year on the date of the transaction concerned, or d) a legal person, trust or partnership, the managerial responsibilities of which are discharged by a person discharging managerial responsibilities or by a person referred to in point (a), (b) or (c), which is directly or indirectly controlled by such a person, which is set up for the benefit of such a person, or the economic interests of which are substantially equivalent to those of such a person.

<sup>21</sup> See ESMA Guidelines 70-154-271 section 36.

<sup>22</sup> See ESMA Guidelines 70-154-271 section 36.