

# Remuneration Policy



Revision 5.0

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## Document History

Revision	Published	Author(s)	Summary of Changes
1.0	DRAFT	CCO	Updated in accordance with Internal Audit recommendations and to more clearly reflect regulatory requirements.
2.0		CCO	Minor linguistic edits, updated third bullet point in section 3.2 as well as IA procedures in section 5. Updated FFFS reference.
3.0		CCO	Updates to section 4.1 for the TR Programs on Fixed and Fixed pay, minor clarifications.
4.0		CCO	Annual review. No changes made to the policy.
5.0		CCO	Annual review. Minor linguistic and grammatical edits.

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## Introduction

### 1.1 Background

Nasdaq Clearing AB (“Nasdaq Clearing”) is committed to promoting sound compensation practices in line with applicable law, regulatory guidelines and market practice. Employee compensation, both in terms of fixed and variable remuneration, must have adequate regard to the longer term risks that an employee can impose on the company. Financial incentives must therefore be balanced against excessive risk taking that can arise from the remuneration structure.

### 1.2 Scope of Application

This Remuneration Policy (“the Policy”) supplements the Nasdaq Group total rewards programs (“TR Programs”) as documented in the Total Rewards Manual and other applicable internal documents.<sup>1</sup> The TR Programs and this Policy are applicable to all employees within Nasdaq Clearing AB (“Nasdaq Clearing” or “the Company”). However, this Policy contains further restrictions with regards to remuneration for employees of Nasdaq Clearing whose actions may have a material impact on the risk exposure<sup>2</sup> (hereinafter referred to as “Risk Takers”). The applicability of the remuneration principles with respect to Risk Takers is described in Section 4 below.

### 1.3 Objective

The objective of this Policy is to have a competitive and fair approach to remuneration for all employees within Nasdaq Clearing, allowing for the recruitment and retention of qualified and experienced staff. The Policy is designed to promote effective risk management and governance with regards to mitigating risk-taking aligned with the Company’s long-term interests. The Policy shall account for prospective risks as well as existing risks and risk outcomes in relation to remuneration.

The three main components of the TR Programs are: annual base salary (fixed remuneration), annual performance-based cash incentive awards and long-term incentives (i.e., equity awards) (variable remuneration).

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<sup>1</sup> At the time of writing, other relevant documentation includes e.g. the Nasdaq inc. Equity Incentive Plan etc.

<sup>2</sup> Definition taken from Finansinspektionen’s general guidelines regarding remuneration policies in exchanges and clearing organisations, ref. FFFS 2020:15.

## 1.4 Regulatory Scope

This Policy is set up to meet the “Finansinspektionen’s general guidelines regarding remuneration policies in exchanges and clearing organisations” (ref. FFFS 2020:15) (“the Swedish Regulation”) as well as Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (“EMIR”) and the Commission Delegated Regulation 153/2013 (“RTS”) as well as any other applicable international or national rules, laws and standards.

## Core elements of the Total Reward Programs

### 2.1 General Philosophy

The remuneration principles presented in this Policy are based on the core philosophy of the TR Programs applicable for the Nasdaq Group. To uphold independence in the compensation decisions, the Management Compensation Committee, designated by the Board of Directors of Nasdaq Inc., issues the TR Programs and sets the core philosophy for employees' compensation levels.

The core philosophy of the TR Programs is based on "pay for performance", aligning compensation with corporate goals and objectives, rewarding outstanding service and maintaining compliance with each country's laws, regulations and market practices. Furthermore, each employee's variable remuneration is, according to the Global Policy, evaluated by the overall parent company or subsidiary objectives and business unit/department objectives as well as individual objectives.

The Management Compensation Committee has endeavored to create a performance-based compensation program that meets the needs of our global company and recognizes the important responsibilities to our stockholders. Accordingly, the compensation mix focuses on short-term (cash based compensation, hereinafter the "Short-Term Compensation Program") and long-term (equity based compensation, hereinafter the "Long Term Equity Incentive Plan") financial performance of our company. Nasdaq Group strives to offer employees a competitive balance between fixed and variable components in order to attract and retain motivated employees. Consequently, each employee's variable remuneration has a maximum upside opportunity in accordance with the TR Programs. For all employees the variable remuneration, both short-term and long-term, is expressed as a percentage of base salary. Such upside opportunity promotes the balance between the variable and fixed remuneration and appropriate risk taking.

### 2.2 Long Term Perspective

According to the TR Programs, the total compensation mix aims to encourage taking appropriate risks in order to improve Nasdaq Group long-term performance and build long term shareholder value. The compensation programs are subject to a comprehensive risk assessment process that is intended to identify any areas of the compensation structure that may intentionally encourage inappropriate risk taking. This risk assessment aims to prevent that Nasdaq Group's total remuneration for a given period of time does not expose its ability to achieve a positive result over the lifetime of a business cycle. Accordingly, the actual costs for maintaining adequate capital and liquidity that are inherent to the business operations are taken into account in such performance measurement.

In order to discourage excessive risk taking within Nasdaq Group some positions/functions within the Nasdaq Group are not permitted to have any revenue related goal in their cash based variable compensation scheme nor as a performance measure for the long-term incentive program (equity based).

In addition, where necessary, in case of material errors, omissions, fraud, or misconduct of an employee, Nasdaq has the authority to seek reimbursement for any compensation deferred to any such employee. Moreover, Nasdaq's remuneration principles according to the TR Programs do not allow any guaranteed variable remuneration.

### 2.3 Grandfather Principle

At Nasdaq Group, all decisions that are in any way linked to compensation and performance evaluations are governed by a principle called the Grandfather principle. The Grandfather principle means that any decision made by the immediate manager is also always reviewed and approved by the manager's manager. Such decisions include setting and evaluating individual goals, all changes in compensation, and all variable remuneration payouts.

## Specific Requirements on the CCP

### 3.1 Remuneration Committee

EMIR requires the Board of Directors of Nasdaq Clearing (“the Board”) to appoint a Remuneration Committee. The responsibilities of the Remuneration Committee include developing the Remuneration Policy and proposing Risk Takers to the Board. The Remuneration Committee is governed by a Charter (the Charter of the Remuneration Committee).

Nasdaq deems this level of governance to actively counterstrike excessive risk taking.

### 3.2 Risk Takers

#### 3.2.1 Rationale for risk takers

An employee’s remuneration should take account of the risks that the employee takes on behalf of the firm. The respective risk categories in Nasdaq Clearing are defined in the Nasdaq Clearing Enterprise Risk Management Policy.

Consequently, the rationale for Risk Takers in Nasdaq Clearing relates to whether the role falls within any of the following categories:

- The Chief Executive Officer and other senior managers (including e.g. the Chief Risk Officer, Chief Operational Officer and Chief Technology Officer) as well as other strategic management positions.
- Control functions, e.g. within compliance, enterprise risk management and clearing risk management (see further clarification on control functions under section 3.3.).
- Authorized signatories or employees authorized to make large payments or investments.
- Any other role who could make a decision that could significantly affect the company’s risk exposure.
- An employee with significant delegation powers from the CEO or the Board.
- Roles with voting rights in Nasdaq Clearing Risk Committee .

#### 3.2.2 Exceptions

Even if a role falls within one of these categories, there is one exception: if the employee’s decision making powers are limited in terms of making decisions that could significantly affect the company’s risk exposure they will be exempted from Risk Taker status.



The Remuneration Committee shall assess which individual employees shall be deemed as Risk Takers and propose this to the Board. The Compliance Function shall maintain and update the list of Risk Takers, including a description of the rationale for deeming them Risk Takers.

### 3.3 Control Functions

Employees within Internal Audit, the Compliance Function, second line risk management and any other applicable control function (hereinafter collectively referred to as “Control Functions”) shall have their remuneration determined independent of the business they control. Consequently, they must be remunerated in a manner that is independent of the business performance of the CCP. Revenue goals linked to the performance of Nasdaq Clearing have been removed for these Control Functions.

*Group* revenue remains as a goal since Nasdaq Clearing’s revenue represents less than 8% of the Nasdaq Group revenue, and the activities performed by the Control Functions have therefore been deemed to have no, or else very limited, influence on the Group revenue. Therefore, there is no direct link between the Group revenue and the variable remuneration of the control functions.

## Fixed and Variable Pay

### 4.1 TR Programs on Fixed and Variable Pay

The annual fixed salary shall be competitive and based on the individual's responsibilities and performance.

The variable remuneration consists of a combination of the annual actual paid cash and granted Long-Term Incentive Equity Award.

All employees who meet the service requirements for their career level and have a performance rating of "Often Delivers" or higher are eligible to participate in the Equity Incentive Program.

All employees in roles at career level Manager/Specialist or above will be eligible for up to 100% of their equity plan at grant date if actively employed on December 31.

All employees in roles at career level Senior Analyst and below have up to 100% eligibility after one full year of employment prior to grant date.

The Equity Incentive Program consists of equity vehicles that reward long-term success and growth:

- *Restricted Stock Units*, which are awards granted in the form of units—each unit represents an actual share of Nasdaq stock—and become vested over time based on the terms and conditions of the plan.
- *Performance Share Units (PSUs)*, which are awards granted in the form of units—each unit represents an actual share of Nasdaq stock—and are contingent upon achieving financial performance goals over a certain period of time, as well as the terms and conditions of the plan. PSUs are issued to executives.

Such awards are capable of being clawed-back in the event of poor financial performance of personal conduct.

In the case of voluntary or involuntary termination from the company, equity which would ordinarily have vested during the employment had the employee not been subject to deferred vesting due to identification as a Risk Taker will continue to vest. All other equity will be forfeited upon termination, in accordance with the terms and conditions of the Nasdaq, Inc. Equity Incentive Plan.

The majority of Nasdaq Group employees are eligible to participate in the Total Rewards Programs. The variable remuneration is set as a target percentage of the annual base salary. The level of the variable remuneration is differentiated based on employees' positions within the company. The total variable pay consists of the Short-Term Incentive Program and the Long Term Equity Incentive Plan. The balance

between base salary and variable pay is reviewed by the Global Rewards Team and the Board each year, to ensure that the mix of the fixed and variable remuneration is appropriate on an individual basis.

## 4.2 Nasdaq Clearing Specific Aspects of Remuneration

Risk Takers within Nasdaq Clearing shall have their total variable remuneration deferred with at least 60% for a minimum period of at least three years. The 60% deferral for three years is applied as a starting point, with additional analysis and considerations with regards to the deferral level and time to be undertaken where such is deemed relevant.

Both the fixed salary and the total variable remuneration should, on an annual basis or when significant changes occur, be reviewed and kept in line with applicable regulations and the Policy.

The deferred payment for an individual associate may be cancelled in part or in whole by Nasdaq Group, if at a later stage, in connection to the end of the deferral period, it is demonstrated that Nasdaq Clearing did not fulfill the performance criteria designated for it. Such cancellation shall be applied only if the Nasdaq Clearing's financial stability is significantly weakened, whereby the company no longer is considered to be able to continue conducting business.

For Control Functions, the level of remuneration should be adequate in terms of the individual's responsibility as well as in comparison to the level of remuneration in the respective business areas.

## Governance and Control

This Policy and the definition of Risk Takers are subject to review by the Remuneration Committee and approval by the Board. Furthermore, the Board shall be responsible for the application and follow up of the Policy.

The remuneration system must include controls and there are two controls in particular that should be undertaken on an annual basis (the controls can be performed as part of the same review)

1. The Policy shall be subject to independent audits in accordance with the Commission Delegated Regulation 153/2013, article 8(4). The result of the audits shall be made available to SFSA.
2. The Swedish Regulation requires a Control Function to independently review if the Company's remuneration complies with the Policy.

The latter control should also include a review of the disbursement of remuneration as well as sample testing after the remuneration has been paid out.

The Compliance function should also on an ad hoc basis perform a review on individual employee goals to ensure that the goals are aligned with the policy requirements.

Based on the above, the Company shall engage its Internal Audit function to carry out the control of the Policy, if appropriate by commissioning the external auditors. The results of the review shall be reported to the Board no later than in conjunction with the adoption of the annual accounts.

## Disclosure of information on remuneration

Nasdaq Clearing shall make key elements of its Remuneration Policy available to the public. In addition, Nasdaq Clearing shall, in conjunction with the adoption of the annual report, disclose information about the Company's remuneration in accordance with the specifications set out in the Swedish Regulation (ref. Chapter 5).