



## Remuneration Disclosure under Prudential Standard CPS 511

### **The Northern Trust Company, Melbourne Branch – Remuneration Disclosure under Prudential Standard CPS 511**

**For the period 1 January 2025 to 31 December 2025**

This Remuneration Disclosure has been prepared in accordance with CPS 511 (Remuneration) (“CPS 511”) and provides the disclosures required by CPS 511.

The Northern Trust Company Melbourne Branch (“TNTCM”) is a branch of The Northern Trust Company, a wholly-owned subsidiary of Northern Trust Corporation (“Northern Trust”), the parent company headquartered in Chicago, USA. TNTCM is an APRA-regulated foreign authorized deposit taking institution classified as a non-significant financial institution for the purposes of CPS 511.

#### **DESIGN AND STRUCTURE OF REMUNERATION FRAMEWORK**

Northern Trust’s approach to compensation is underpinned by a common set of guiding principles that define how remuneration programs are designed and delivered. While our compensation approach is applied consistently across the organization, specific compensation programs may be tailored locally to meet the unique talent needs and regulatory requirements of our diverse businesses and locations.

Following from the above, some elements of the remuneration framework in place at TNTCM are shared across the whole of Northern Trust, including, for instance:

- the compensation’s guiding principles and the guidelines on how the compensation programs are designed and delivered,
- the standards of conduct to be followed by all Northern Trust employees,
- the eligibility, terms of awards and administration of Northern Trust’s incentive program, and
- the conditions under which incentive awards may be returned, repaid or forfeited and the prohibition of hedging deferred variable remuneration.

Additionally, other elements of the remuneration framework are specific to TNTCM, including:

- a dedicated Remuneration Standard, detailing compliance with CPS 511,
- the guidance on the type and level of risks that TNTCM is willing to take, including risk tolerance levels, and
- the fit and propriety standards that TNTCM upholds for all of its Covered Persons (defined later).

TNTCM’s remuneration framework is aligned with TNTCM’s business plan, strategy objectives and risk management framework, promotes the effective management of both financial and non-financial risks, sustainable performance and long-term soundness, and supports the prevention and mitigation of conduct risk by the following:

- Northern Trust’s annual performance management process includes goal setting, mid-year check-ins, multi-rater feedback, and year-end reviews. The Country Executive determines the

appropriate objectives, metrics and targets, setting the priorities and performance for TNTCM. The Head of each Business Unit/Corporate Group sets the priorities and performance targets for their teams. Managers set individual objectives for all employees (including Covered Persons) at the beginning of each performance year. This is how TNTCM sets out to achieve its strategic objectives as operationalized by the business plan;

- Employees' performance is evaluated through full performance management cycle, beginning with setting goals aligned to enterprise priorities, including effective risk management. Managers and employees revisit progress during the Mid-Year Review. A comprehensive assessment is conducted at Year-End, evaluating both outcome ("What") and behaviors used to achieve them ("How"). This includes the consideration of employees' proactive risk management actions such as staying alert to potential issues, escalating concerns appropriately, making risk-informed decisions and fostering a culture of open discussion and accountability. These evaluations inform compensation decisions, recognizing and rewarding employees based on their overall impact and alignment with enterprise priorities.
- Throughout the performance year, employees (including Covered Persons) are paid fixed compensation, which includes salary and benefits. Additionally, employees may be eligible for a discretionary variable incentive award. Fixed and variable compensation elements are not set independently; rather, a holistic approach is adopted to establish the total compensation of each employee. The mix of remuneration elements (both fixed and variable) varies depending on the employee's role and level. The fixed component represents a sufficiently high proportion of the total compensation to operate a fully flexible variable compensation policy;
- Throughout the performance year, an employee's conduct and performance is monitored by their Manager, Compliance and HR. Instances of behaviors or conduct falling below the expected standards may impact performance and reward outcomes via in-year adjustments, malus and/or clawback. The impact to variable remuneration is proportionate to the severity of the risk and conduct outcome and variable remuneration can be reduced to zero, if appropriate;
- At the end of the performance year, Covered Persons are subject to the Annual Independent Risk Review (AIRR). This is a global process covering all regulated individuals across Northern Trust. The AIRR process is conducted to evaluate the overall risk performance of individuals in regulated roles and assess whether excessive risk was taken during the performance year. The purpose of this review is two-fold: 1) to ensure risk performance is evaluated by independent Control Functions, and 2) to ensure that standards and expectations are consistently applied across the enterprise. The process concludes with all individuals receiving a "Met" or "Not Met" rating. This process encourages demonstration of Northern Trust's desired culture, purpose, values and conduct expectations;
- Even where a Covered Person receives a "Met" rating under the AIRR process, their involvement in any risk events that occurred in TNTCM during the performance year is monitored and tracked by the Risk and Compliance function. The information is reviewed by the Senior Officer outside of Australia (SOOA), who has overriding discretion in the determination of performance and reward outcomes and any downward adjustments thereof, and can have an impact on any variable compensation award. This encourages prudent risk management behavior at all levels.

## **GOVERNANCE OF REMUNERATION FRAMEWORK**

Responsibility for TNTCM's remuneration framework and its effective application ultimately rests with the SOOA. The SOOA reviews TNTCM's remuneration framework at least once a year and formally approves TNTCM's Remuneration Standard. The SOOA reviews the criteria for the identification and approves the final list of employees designated as Covered Persons. The SOOA is also responsible for approving any performance and remuneration outcomes for individuals in those roles. In addition, the SOOA has an overriding discretion to adjust all forms of variable remuneration downwards at each decision point (including the use of in-year adjustments, malus, and, where the SOOA considers it appropriate, clawback). When exercising his discretion, the SOOA takes into account the outcome from the AIRR process together with TNTCM's risk events as well as any relevant additional input.

Typically, the SOOA holds at least four meetings a year with the Senior Human Resources Business Partner on matters related to TNTCM remuneration framework (including the TNTCM Remuneration Standard). In total, over 2025, the SOOA had 4 meetings with Human Resources, including one on the External Audit year-end close. In carrying out the duties outlined above, the SOOA is supported by the Risk and Compliance, Finance and Human Resources functions. The Human Resources function provides ongoing advice to the SOOA including, where necessary, coordinating the engagement of any third-party experts to advise on remuneration-related matters. Additionally, at Northern Trust level, the Risk and Compliance function works with Human Resources and, in some cases, external consultants, to ensure that the remuneration programs and processes are properly aligned with risk management objectives and expected behaviors, providing appropriate risk reporting as required.

## REMUNERATION POLICY

### Covered Persons

The Risk and Compliance function is responsible for the identification of individuals in specified roles. Employees in these roles are referred to as “Covered Persons” at TNTCM, and the types of positions which are identified as Covered Persons<sup>1</sup> are the following:

Senior Managers	This group consists of individuals who have, or who exercise, senior management responsibilities for a business area or country operations. This includes all individuals who are Responsible Persons under CPS 520, the Senior Officer Outside Australia, the Country Executive, and executives assessed against CPS 520 para 20 and 25. Temporary or acting Responsible Persons are included. External auditors are excluded, as they are not employed by TNTCM.
Material Risk Takers	This group consists of: (i) all individuals in regulated roles for TNTCM i.e., Accountable Persons under the Financial Accountability Regime (FAR), Responsible Persons (APRA), Responsible Managers (ASIC) and the MLRO; (ii) highly paid material risk takers; (iii) Heads of Material Business Functions, where materiality is determined by business functions generating more than 5% of TNTCM’s total revenue; (iv) individuals involved in trading activities for TNTCM; (v) individuals in roles responsible for services supporting products or trading activities that may impact TNTCM’s risk profile or revenue; and (vi) temporary or acting Material Risk Takers. Quantitative or qualitative criteria may be applied when determining whether an individual is a Material Risk Taker.
Risk and Financial Control Personnel	This group consists of individuals heading the Risk, Compliance, Finance and Audit functions in TNTCM. Individuals are included where their primary role is in risk management, compliance, internal audit or financial control. Deputy or “2IC” roles are excluded, as they do not hold equivalent authority or impact. Temporary or acting heads of these functions are included.

<sup>1</sup> Executive directors are not included in the list of Specified Roles as TNTCM does not have executive directors.

The section ‘Design and Structure of Remuneration Framework’ above sets out information on TNTCM’s Remuneration Standard and a description of how TNTCM aligns variable remuneration outcomes with performance for Covered Persons and all other employees.

## CONSEQUENCE MANAGEMENT

As noted above, throughout the performance year, an employee’s conduct and performance is monitored by their Manager and by Compliance and HR, and issues may result in an impact on performance and reward outcomes via in-year adjustments, malus and/or clawback. Where relevant, the outcome of disciplinary investigations is considered by the employee’s Manager to determine how

the behavior will impact the employee's performance rating and compensation, in line with Northern Trust's Consequence Management Framework. Cases of misconduct by Covered Persons are reported to the SOOA and the Country Executive. Managers adjust performance and reward outcomes downwards in any cases of formal disciplinary sanctions, including where there is:

- misconduct leading to significant adverse outcomes;
- a significant failure of financial or non-financial risk management;
- a significant failure or breach of accountability, fitness and propriety, or compliance obligations;
- a significant error or a significant misstatement of criteria on which the variable remuneration determination was based; and
- significant adverse outcomes for clients, employees, counterparties or shareholders; and
- any other circumstances that, under the rules of the incentive program, may require participants to repay or forfeit incentive awards.

Any downward-adjustment to variable remuneration is proportionate to the severity of the risk and conduct outcome and variable remuneration can be reduced to zero, if appropriate. TNTCM does not accelerate the vesting of unvested variable remuneration for a Covered Person no longer employed or engaged by TNTCM.

## VARIABLE REMUNERATION

Total remuneration for employees is reviewed during the Annual Review Cycle (ARC), which is the process whereby employees are assessed for their performance over the year, are assigned performance and behavior ratings and may be awarded a variable incentive award and/or salary increase. With regards to performance-related variable compensation, award amounts are fully discretionary and determined taking into consideration the performance of Northern Trust, the relevant business unit, the team and the individual. As previously mentioned, individual performance is considered holistically and the size of incentive awards takes into consideration contributions and behaviors, as well as conduct and risk management factors.

For employees whose variable remuneration exceeds certain levels, a portion of the incentive award is deferred. The percentage of variable remuneration that is deferred increases progressively with higher variable incentive amounts according to a pre-defined schedule or, in the case of Covered Persons in certain regulated roles, in accordance with requirements under the Financial Accountability Regime (FAR).

For employees eligible for deferred awards, variable remuneration is therefore split into two components:

- Short Term Incentives (“STI”): this is normally delivered in the form of cash paid out to the employee in the first quarter of the year after the conclusion of a performance year, and
- Long Term Incentives (“LTI”): this is delivered through Northern Trust equity plans and typically takes the form of restricted stock units.

This deferral approach allows TNTCM to extend the horizon over which individual performance is evaluated, supports the alignment of employee and investor interests and ensures that TNTCM's approach to risk management supports the interests of all stakeholders. Equity incentives incentivize employees to contribute to the sustainability and long-term success of Northern Trust and help to mitigate imprudent risk-taking. Equity incentives typically vest over a four-year period.

## DEFERRAL AND ADJUSTMENTS OF VARIABLE REMUNERATION

The deferral of variable remuneration also allows TNTCM to adjust variable remuneration post grant, where required under CPS 511 and, for Accountable Persons, under FAR. For the 2025 performance year and subsequent years, deferral requirements are governed by FAR, with references to the Banking Executive Accountability Regime (BEAR) retained only where obligations remain applicable to

remuneration awarded in earlier performance periods, including TNTCM's ability to reduce or claw back variable remuneration or incentive payments where specific circumstances arise.

Adjustments may be applied to variable remuneration awarded in the current year and / or in prior years, using one or a combination of:

- In-year adjustments: refer to the adjustment of individual's variable remuneration for the current year to take account of a specific crystallized risk or adverse performance outcome including those relating to misconduct;
- Malus: Adjustment of unvested variable remuneration; and
- Clawback: Recovery of an amount of variable remuneration that has already been paid or vested to employees. Clawback may be applied where appropriate, for example where in-year or malus adjustments are not sufficient or possible.