



Euroclear UK & International
Limited (the “Company”)
Audit Committee
(the “Committee”)
Terms of Reference

Approved by the EUI Board on 13 July 2021

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1. Purpose

The Audit Committee is an advisory committee of the Board established to assist the Board in fulfilling its financial reporting, audit, compliance, and ethics oversight responsibilities. EUI aims for the highest levels of effective governance, voluntarily adopting the key principles of UK Governance Code and the Senior Managers and Certification Regime (SMCR). The Committee reports to the Board.

2. Members

- 2.1. The Committee shall comprise at least two independent non-executive directors. The Board Chair will not be a member of the Committee.
- 2.2. The Committee shall include at least one member of the Risk Committee,
- 2.3. At least one member shall have competence in accounting and/or auditing.
- 2.4. The Committee members collectively shall have:
 - An understanding of the Company's business;
 - Recent and relevant financial experience; and
 - Competence relevant to the sector in which the Company operates.
- 2.5. The Chair of the Committee, as well as the majority of its members, should be different from the chairs and members of the Risk Committee (the "**RC**") and the Nominations, Remuneration and Governance Committee (the "**NRGC**").
- 2.6. All Committee members are appointed by the Board on the recommendation of the NRGC, and in consultation with the chair of the Audit Committee.
- 2.7. Appointments to the Committee shall be for a period of up to three years, renewable at the Board's discretion

3. Chair

- 3.1 The Committee Chair:
 - Shall be appointed by the Board from among the independent non-executive directors;
 - May be a member of, but not chair, any other Board Committee; and
 - Shall have appropriate and recent audit committee experience.
- 3.2 The Committee Chair shall have direct access to:
 - The Chair of the Board; and
 - The Chair of the Audit Committee of Euroclear SA/NV.

In the Committee Chair's absence, or in the event that they have a conflict of interest, the Committee members present shall appoint one of their qualifying number to chair the meeting.

4. Meeting Attendees

4.1 Entitled to be present:

- Committee members; and
- Committee Secretary

4.2 Other attendees by invitation:

- Board members;
- Chief Executive Officer (the "CEO");
- Chief Internal Auditor (the "CIA");
- Chief Compliance Officer (the "CCO");
- Chief Financial Officer (the "CFO");
- Observers/advisers appointed by the Committee;
- External Auditors (the "EA"); and
- Any additional invitees as deemed necessary or appropriate.

5. Frequency of meetings

Meetings will take place:

5.1 At least five (5) times per year.

5.2 At least one closed session per year will be held (without executive management present) with each of the following:

- CIA;
- CCO; and
- EA.

5.3 Additional ad-hoc meetings as deemed necessary by the Committee Chair.

6. Quorum

Two Committee members either physically present at the location of the meeting or by telephone/video conference.

7. Voting

In the event that voting is required, the following rules apply for a vote to carry:

7.1. A simple majority of Committee members present and eligible, to vote in favour of the motion.

7.2. The Committee Chair has the casting vote in case of equality of votes.

7.3. Where the Committee is composed of only two members, all decisions shall be taken by a unanimous vote of members. To the extent that both members cannot agree a motion before them, the Committee shall refer the matter to the Board of the Company for final decision.

8. Meeting agenda and notice

- 8.1. The Committee Chair sets the agenda for the meetings.
- 8.2. Individual Committee members can place items on the agenda.
- 8.3. Items to be discussed must be included on the agenda. Exceptionally, an item not on the agenda may be addressed at the meeting provided all Committee members present agree to this addition.
- 8.4. Notice of meetings shall be sent to Committee members by electronic means.
- 8.5. The agenda should allow sufficient time to undertake as full a discussion as may be required.

9. Committee support and resources

- 9.1 The Committee shall appoint a Secretary to the Committee with the relevant skills and expertise (the "**Committee Secretary**").
- 9.2 Each Committee member will:
 - Obtain an understanding of the detailed responsibilities of the Committee and the Company's business, financial and accounting practices, operations and risks;
 - Give due consideration to relevant laws and regulations of all applicable jurisdictions and regulators;
 - Dedicate sufficient time to the fulfilment of his/her role as Committee member;
 - Carry out his/her duty with the necessary objectivity and independence from management;
 - Receive induction training on all topics considered necessary for his/her membership; and
 - Receive ongoing training, as appropriate.
- 9.3 The Committee:
 - Shall determine the nature, scale, form and frequency of the information and reports it receives from Management and the three lines of defence, and where relevant, from any subsidiary companies, as they deem necessary to prepare the issues to be discussed;
 - Shall obtain information and reports from the management of the Company, as they deem necessary to prepare the issues to be discussed;
 - Can invite experts to advise the Committee or seek external professional advice at the Company's expense, necessary for the fulfilment of its duties;
 - Can investigate any matters within its terms of reference and shall have unlimited access to any documents or Company records associated with such investigation;
 - Can request the attendance of any employee at a Committee meeting and/or seek any information it requires from any Company employee in order to perform its duties, and in cognisance of the Company's speak up procedures and the confidentiality provisions therein; and
 - Will have ongoing contact with the key people associated with the Company's governance.

- 9.4 The Committee Secretary will minute all meetings and submit these to the Committee for approval. The minutes shall evidence the discussions that took place in the Committee meeting and shall include:
- Summaries of all matters reviewed;
 - Details of the recommendations made;
 - Details of the decisions taken by the Committee; and
 - A record of any challenge and dissention by Committee members.
- 9.5 The minutes will be kept in accordance with applicable legal requirements and internal procedures.
- 9.6 Written materials will be made available to Committee members in a timely manner ahead of meetings, and with a target of 5 working days, where feasible.

10. Responsibilities

The Committee has the following responsibilities and advises the Board in relation to each of these matters:

10.1 *Financial*

- Monitor the financial reporting process and the integrity of the financial statements of the Company;
- Oversee the establishment and adoption of accounting policies and review and recommend to the Board any changes to such accounting policies having a potential material impact;
- Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the EA's communications with the Committee;
- Responsible for monitoring the adequacy of regulatory capital, consistent with the Company's stated risk appetite; and
- Advise the Board with regards to the financial soundness of the Company as a going concern.

10.2 *Internal Controls and Audits*

- Monitor and review the effectiveness of the Company's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems;
- Oversee the activities of the internal audit ("**IA**") function and ensure that it has the necessary resources and access to assets and information to fulfil its mission and operate in accordance with the Institute of Internal Auditor's International Professional Practices Framework for internal auditing, as well as with relevant regulatory requirements;
- Review and oversee control reports received from the CIA and monitor management's responsiveness to findings and recommendations;
- Monitor and review the effectiveness and independence of the Company's IA function and ensure that the scope of its activities is unrestricted to enable it to fulfil its mandate;
- Assess annually the effectiveness of the IA Function;
- Review and recommend to the Board for approval the following:
 - IA Plan; and
 - IA Charter;

- Review and recommend to the NRGC and Board for approval the appointment and removal of the CIA, following joint consideration with the Group Chief Audit Executive (**CAE**);
- Advise the NRGC and Board on the following matters, following consultation with the CEO and, as required, the CAE:
 - the CIA's objectives;
 - the CIA's performance;
 - the remuneration of the CIA;
- The CIA shall have a functional reporting line to the Committee Chair to ensure that the Internal Audit function is fully independent and to the CAE to enable the CAE to manage effectively the Group audit function via the Audit Management Team.
- The Committee Chair and the CAE shall jointly conduct the process that proposes the appointment or removal of the CIA to the Audit Committee who recommend to the Board for approval. This process also applied to objective setting, performance evaluation and remuneration of the CIA, and, in the event of disagreement, the Board shall have the final say on any such decisions;
- The CIA shall have an administrative reporting line to the CEO to facilitate Internal Audit's unrestricted access to records, personnel and physical properties relevant to the performance of the audit assignments;
- The CIA shall have direct unmediated access to both the Committee Chair and the Committee as a whole and to the Board Chair and the Board as a whole, and may contact the EA or the supervisory authority when deemed necessary;
- Assess periodically the effectiveness of the horizon scanning and legal watch processes;
- Periodically review whether effective arrangements are in place, particularly in a group context, to mitigate any potential conflicts of interest that might undermine the actual or perceived independence and objectivity of the CIA and the IA Function.

10.3 *Compliance*

- Supervise, and review the Company's monitoring process for, compliance with laws and regulations;
- Follow up on recommendations of supervisory authorities; and
- Monitor ongoing litigation and actual or potential fraud issues;

10.4 *Compliance Function*

- Monitor and review the adequacy, effectiveness and independence of the Compliance function and ensure that they have adequate resources and appropriate access to information;
- Review the Company's arrangements in place to prevent bribery, corruption, fraud and possible wrongdoing in financial reporting or other matters (including appropriate speak up arrangements for its management and employees to raise concerns, in confidence, about possible wrongdoings) and arrangements, to make sure the Company maintains high ethical standards, and to facilitate proportionate and independent investigation of such matters and appropriate follow-up action;
- Review and recommend to the NRGC and Board for approval the appointment and removal of the CCO;
- Advise the NRGC and Board on the following matters, based on the proposals made by the CEO and, as required, following consultation with the Group CCO:
 - the CCO's objectives;

- the CCO's performance;
 - the remuneration of the CCO;
- The CCO shall report to the CEO, who has executive management responsibility for the CCO, and to the Committee Chair. The CCO shall have direct unmediated access to both the Committee Chair and the Committee as a whole;
- The CCO shall have a functional reporting line (dotted) to the Group CCO to ensure alignment and consistency in the application of the C&E framework across the Group, as well as sharing of information and reporting on material compliance risk and control issues. The Group CCO shall be consulted regarding the appointment, removal, objective setting, performance evaluation and remuneration of the CCO, and the Board shall have the final say on decisions, upon recommendation from the Audit Committee.
- The CCO shall have direct unmediated access to the Board Chair and the Board as a whole, and may contact the EA or the supervisory authority when deemed necessary;
- Review and recommend to the Board for approval the following:
 - Compliance Plan; and
 - Compliance Charter;
- Review and recommend to the Board for approval the policies falling within the remit of Compliance; and
- Periodically review whether effective arrangements are in place, particularly in a group context, to mitigate any potential conflicts of interest that might undermine the actual or perceived independence and objectivity of the CCO and the Compliance Function.

10.5 *External Auditor ("EA")*

- Consider and make recommendation to the Board, to be put to the shareholder(s) for approval as appropriate, in relation to the appointment, reappointment, removal and remuneration of the EA, including the annual engagement letter and fees in relation to audit services. In providing such recommendation, the Committee shall review annually the overall performance of the EA;
- Oversee the relationship with the EA, considering relevant professional and regulatory requirements, including:
 - Monitor the statutory audit of the annual accounts;
 - Follow up of recommendations made by the EA and monitor management's responsiveness to findings and recommendations;
 - Review the EA's Audit Plan to include the scope of the audit;
 - Assess annually the EA's independence and objectivity;
 - Discuss with the EA the threats to its independence; the safeguards applied to mitigate those threats; and review the annual written confirmation by the EA of his independence;
 - Assess the effectiveness of the external audit process;
 - In the event of the EA's resignation, investigate the issues leading to such resignation and determine any action as may be required; and
 - Review the Group's policy on the engagement of the EA.

10.6 *Reporting Calendar*

- The Committee shall put in place a reporting calendar to ensure it has the reporting, tools and information necessary to fulfil its role.

10.7 *Annual Report and Audited Financial Statements*

- Provide details of its activities to be included in the company's annual report, describing the work of the Committee;
- Review related information presented with the financial statements, including the strategic report, and corporate governance statements relating to the audit and to risk management; and
- Review and report to the Board on any significant financial reporting issues, adoption of appropriate accounting policies and the appropriateness of estimates and judgements made in connection with the preparation of the Company's financial statements, taking into account the EA's views on the financial statements.
- Provide oversight and challenge to the proposed Strategic report and Directors report in the annual financial statements, including the disclosures required pursuant to section 172 Companies Act 2006 (including but not limited to stakeholder engagement and Environmental, Social and Governance (ESG) matters such as carbon energy reporting, diversity and inclusion and Modern Slavery Act requirements).

11. Relationship with other corporate bodies

11.1 The Committee shall be informed about the major risk or control issues raised by/to another board committee to enable it to assess the acceptability of the control environment.

11.2 The Company's financial reporting and compliance practices are consistent with those of the parent and to support the latter in its oversight function, the Committee will keep the parent audit committee informed about:

- Any material issues of concern at Company level; and
- The level of assurance on the safety and soundness of the Company.

11.3 The interaction between parent and subsidiary audit committees is organised via quarterly conference calls between parent and subsidiary committee chairs, a cross-attendance programme, sharing of relevant minutes and informal contact between members.

The Committee should have adequate interaction with the RC to ensure consistency and avoid any gaps in their respective roles. To this end, the Chair of the RC shall have an open invitation to attend the Audit Committee meetings where desired.

11.4 To the extent that Compliance Risks and any related policies are to be considered, these primarily fall under the remit of the Committee as part of the its oversight of the Compliance Function, who provide direct reporting on Compliance Risks to the Committee. Cross attendance between the RC and the Committee ensures that Compliance Risks are adequately monitored and discussed and with Legal and Compliance Risk metrics provided through CRO reporting to the RC, which assists the RC in its consolidated monitoring of such risks.

11.5 Where there are issues relevant to both the Audit and Risk committees, including, but not limited to, Internal control system reports, oversight of ISAE3402, budget stress testing, the Audit and Risk Committees should meet in joint session.

- 11.6 The parent audit committee will keep the Committee informed about any material group level issues under its review having an impact on the Company.
- 11.7 In order to perform its duties, the Committee will maintain effective working relationships with the board, management, the internal and external auditor, the CCO, and, as appropriate, the parent company.

12. Committee evaluation

Annually, the Committee shall evaluate its own performance against regulatory requirements, authoritative guidance and best practices, and report to the Board on the outcome of the evaluation. The Committee undertakes a periodic evaluation with the assistance of an external party.

13. Reporting to the Board

The Committee will report as follows to the Board:

- 13.1 The Committee's activities, observations and proceedings on all matters within its duties and responsibilities will be reported by the Committee Chair at each Board meeting;
- 13.2 Provide recommendations to the Board including, as deemed appropriate, on any area within its remit where action or improvement is needed;
- 13.3 Dissenting views as well as majority views, where appropriate, to support Board understanding or where explicitly requested by a Committee member, will be reported; and
- 13.4 Supporting materials and minutes of the Committee meetings will be made available to all members of the Board, unless inappropriate to do so.

14. Conflicts of Interest

- 14.1 Committee members should notify potential, or actual conflicts of interest regarding any matter under consideration by the Committee to the Committee Secretary or Committee Chair immediately. The Committee Chair will determine how to conclude on the conflict of interest and, where necessary, the steps to be taken to manage such potential conflict in line with the procedure set out in the Board Policy on Conflicts of Interest.
- 14.2 Where the Committee Chair has an actual or potential conflict of interest, he/she should notify it to the Board Chair immediately. The Board Chair will determine how to conclude on the conflict of interest and, where necessary, the steps to be taken to manage such potential conflict in line with the procedure set out in the Board Policy on Conflicts of Interest.

15. Review of Terms of Reference

This document shall be reviewed annually by the Committee, who will recommend any changes to the Board.

Last approved by the Board on 13 July 2021.

Policy Owner	UK Company Secretariat
Key contact(s)	Jennifer Parker
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