

Euroclear SA/NV
Governance Memorandum

April 2022

INTRODUCTION	1
1. LEGAL AND CORPORATE STRUCTURE.....	1
1.1. REGULATORY SUPERVISION	1
1.2. SHAREHOLDERS	2
1.3. SUBSIDIARIES	3
1.3.1. CSDs.....	3
1.3.2. Other subsidiaries.....	4
1.4. PARTICIPATIONS	5
1.4.1. PREF-X	5
1.4.2. LiquidShare.....	5
1.4.3. Derivatives Service Bureau Ltd.	5
1.4.4. Euronext	5
1.4.5. AcadiaSoft Inc.....	5
1.4.6. Fnality	5
1.4.7. Futuræ	6
2. GOVERNANCE BODIES	6
2.1. GOVERNANCE BODIES AND REGULATED GROUP STRUCTURE.....	6
2.2. BOARD OF DIRECTORS	6
2.2.1. Role and Responsibilities	6
2.2.2. Composition.....	7
2.2.3. Appointment, Renewal and Resignation of Board Members.....	8
2.2.4. Chair.....	9
2.2.5. Operating Rules.....	9
2.2.6. Evaluation of the Board	10
2.2.7. Induction and Training	10
2.2.8. Remuneration	11
2.2.9. External directorship and managerial functions.....	11
2.3. BOARD COMMITTEES	11
2.3.1. Composition and appointment	11
2.3.2. Operating rules	12
2.3.3. Evaluation	12
2.3.4. Audit and Compliance Committee	12
2.3.5. Risk Committee	13
2.3.6. Remuneration Committee	13
2.3.7. Nominations and Governance Committee.....	14
2.4. MANAGEMENT COMMITTEE	15

2.4.1.	Role and Responsibilities	15
2.4.2.	Composition	15
2.4.3.	Appointment and Resignation of MC Members.....	16
2.4.4.	Operating Rules	16
2.4.5.	Internal division of tasks	17
2.4.6.	External directorship and managerial functions	19
2.4.7.	Remuneration	19
2.4.8.	Internal Committees.....	19
3.	BUSINESS ORGANISATION	22
3.1.	BUSINESS & SUPPORT DIVISIONS.....	22
3.1.1.	Division Heads	22
3.1.2.	Divisions	23
3.2.	CONTROL DIVISIONS.....	30
3.3.	BRANCHES AND REPRESENTATIVE OFFICES	36
3.4.	OUTSOURCING.....	36
4.	CONTROL FRAMEWORK.....	38
4.1.	THE RISK AND INTERNAL CONTROL FRAMEWORK.....	38
4.2.	IT OVERSIGHT (see also 4.1 and 4.3).....	40
4.3.	BUSINESS RESILIENCE MANAGEMENT	40
5.	PURPOSE, LONG-TERM VISION, VALUES AND POLICY FRAMEWORK	42
5.1.	GROUP purpose.....	42
5.2.	LONG TERM VISION	42
5.3.	GROUP VALUES	42
5.4.	POLICY FRAMEWORK AND INTEGRITY POLICIES.....	42
5.4.1.	Ethical, Legal & Compliance risks	43
5.4.2.	Conflicts of Interest	44
5.4.3.	Speak up (Whistleblowing)	45
6.	PUBLICITY OF GOVERNANCE PRINCIPLES	46
7.	APPROVAL AND ANNEXES	46
ANNEXES	47
ANNEX I	ESA group structures.....	48
ANNEX II	ESA Organisational Chart - April 2022.....	50
ANNEX III	Euroclear Compensation Policy.....	51

INTRODUCTION

This Governance Memorandum (the "**Memorandum**") of Euroclear SA/NV ("**ESA**" or the "**Company**") has been prepared in accordance with the provisions of circular NBB_2015_29 (introducing a Governance Manual for the Banking Sector, relating to the prudential expectations of the National Bank of Belgium ("**NBB**") on good governance of financial institutions (the "**Circular**").

In line with the provisions of the Circular, this Memorandum describes the governance of ESA, including an overview of the relevant governance matters at the level of the "**Regulated Group**", (consisting of ESA, Euroclear Bank SA/NV ("**EB**") and the financial institutions controlled by the former), and in particular sets out its legal and corporate structure, a detailed overview of its Board of Directors, Board Committees and management structure, its business organisation, and principles regarding its strategic objectives and values.

The Management Committee and Board of Directors of ESA have approved this Memorandum and believe it demonstrates that the governance of ESA, in the context of the Regulated Group as a whole, provides a suitable framework which seeks to ensure sound and prudent management and oversight of the Company and its subsidiaries, bearing in mind its business, size and risk profile.

All references to he/she and his/her should be taken gender neutral and also be interpreted as "they".

1. **LEGAL AND CORPORATE STRUCTURE**

This section of the Memorandum describes the legal structure of the Company including how it fits into the overall "**Euroclear Group**" (being Euroclear Holding SA/NV and all its direct and indirect subsidiaries) organisation and structure (see also Annex I). It also identifies the shareholders of ESA and outlines how they meet their responsibility to manage their shareholdings in ESA to promote the sound management of the Company for the long term.

ESA is a limited liability company ("*société anonyme/naamloze vennootschap*"), the purpose of which is, as stated in the Articles of Association (the "**Articles**"), to "carry out any and all activities related to the provision of services, research and development, and the exploitation and licensing of industrial or intellectual property rights for the operation and management of computer or electronic systems used by securities clearance and/or settlement institutions and other institutions in the financial sector".

1.1. **REGULATORY SUPERVISION**

ESA is subject to various regulatory regimes:

- It is regulated as an institution supporting a central securities depository within the meaning of article 36/26/1, §4 of the law of 22 February 1998 establishing the organic status of the National Bank of Belgium ("**NBB**"), (the "**Organic Law**"). The applicable prudential framework is developed further in the Royal Decree of 26 September 2005 relating to the status of settlement institutions and institutions assimilated to settlement institutions.
- ESA has also been designated by the NBB as a systemically important financial institution (a "**SIFI**") based on the Organic Law. It is therefore subject to reinforced supervisory rules under the Organic Law.
- The NBB has designated ESA as a domestic systemically important institution (referred to in the Capital Requirements Directive (**CRD**) as "Other Systemically Important Institution" or "**O-SII**") under the Banking Law and as such ESA is subject to a capital ratio surcharge.
- As parent entity of a Belgian credit institution (EB), ESA also qualifies – and is regulated – as an approved financial holding company as referred to in article 212/1 and following of the law of 25 April 2014 on the status and supervision of credit institutions and stockbroking firms (the "**Banking Law**"). ESA is also designated by Euroclear Holding SA/NV

(“EH”) (exempt financial holding company in the meaning of art 212/2 of the Banking law) as the entity responsible to ensure compliance of the group with prudential requirements on a consolidated basis.

The supervision of the activities of ESA as a support institution is shared between (i) the NBB who is in charge of the prudential supervision and exercises oversight over the payment and securities settlement systems in Belgium, and (ii) the Financial Services and Markets Authority (the **“FSMA”**) who is responsible, amongst other things, for the supervision of the financial market and conduct of business rules. The FSMA also partially supervises the compliance function of ESA.

ESA operates branches in London, Amsterdam and Paris as well as a representative office in Luxembourg. It is authorised to perform regulated activities in the UK and as such it is regulated by the Financial Conduct Authority.

The various regulated non-Belgian direct or indirect subsidiaries of ESA are supervised by their relevant local competent authorities.

1.2. SHAREHOLDERS

All but one of ESA’s issued shares are held by Euroclear Investments S.A. Luxemburg, (**“EI”**), a wholly owned subsidiary of EH through Euroclear AG (**“AG”**), an intermediary holding located in Switzerland which holds the remaining ESA share. The precise number of shares issued in ESA is set out in the Company’s financial statements each year.

The respective role of EH, AG and EI in the overall Euroclear Group is described in their own corporate governance documents.

EH, AG and EI are financially sound solid companies. The consolidated and stand-alone financial statements of EH demonstrate the financial soundness of EH and its subsidiaries and are published on the Euroclear Group website (www.euroclear.com).

As (in)direct ESA shareholders EH, AG and EI create the conditions necessary to ensure a sound, objective and prudent management of ESA and treat the holding of their interest in ESA in accordance with these conditions. EH, AG and EI have undertaken to adopt all measures necessary to promote ESA’s stability and autonomous management of its business in support of its long-term development. Given the dual governance group structure (i.e. EH as top holding company of the Euroclear Group and ESA as top holding company of the Regulated Group) and taking into account the systemic risk profile of the Regulated Group, the respective Boards adopt or adhere to a Protocol setting out certain principles in regard of the decision-making and information flows on strategic and important matters affecting the Regulated Group (**“Relevant Matters”**). The Protocol outlines a governance process to ensure ESA has exclusive responsibilities and powers in connection with Relevant Matters in line with the regulatory expectations towards ESA and in conformity with the prudential Derogations and Exemption granted to EH.

1.2.1 General Meeting of Shareholders

All ESA shareholders who have the right to vote may attend General Meetings, either themselves or through proxies, subject to compliance with applicable law and the Articles of ESA. Each share of the Company carries one vote.

The Annual General Meeting is held on the last Thursday of April each year. Extraordinary General Meetings are convened at any such time as the Company’s interests may require it or when shareholders representing at least one tenth of the capital request it. Annual and Extraordinary General Meetings are held at the place and time indicated in the notice of meeting, but usually at the registered office of the Company.

The quorum for General Meetings consists of a number of shareholders, present in person or by proxy, entitled to exercise not less than fifty percent of the total number of votes attached to all the shares of the Company. Notwithstanding applicable legal requirements, the resolutions of the shareholders are taken by simple majority of the votes cast. No resolution on items which are not on the agenda can be adopted unless all shareholders are present and consent unanimously. Shareholders' resolutions that do not relate to a change of the Articles of Association can be adopted by unanimous written consent of the ESA shareholders. Decisions taken at General Meetings are binding on all shareholders, including absent or dissenting shareholders.

1.3. SUBSIDIARIES

ESA is the parent company of several national or international Central Securities Depositories (the "**CSDs**" or "**Operating Entities**" or "**Euroclear Company**") **and other regulated and unregulated companies**. The Company has also made investments in a number of other entities in view of furthering its overall strategic objectives.

1.3.1. CSDs

(i) Euroclear Bank SA/NV

Euroclear Bank SA/NV ("**EB**"), a Belgian incorporated "*société anonyme*", is based in Brussels, Belgium, and performs the International CSD role and holds a banking licence.

(ii) Euroclear Belgium

Euroclear Belgium ("**EBE**") is the commercial name of "*Caisse Interprofessionnelle de Dépôts et de Virements de Titres SA/ Interprofessionele Effectendeposito-en Girokas NV ('C.I.K.')*", a Belgian incorporated "*société anonyme*". EBE is a CSD in Belgium for a broad range of securities, mainly equities.

EBE is a securities settlement system that settles Euronext stock exchange transactions (with LCH.Clearnet S.A. as central counterparty) and Over-The-Counter ("OTC") transactions and provides custody and other services to its clients (financial institutions and issuers).

(iii) Euroclear France SA

Euroclear France SA, ("**EF**") a French incorporated "*société anonyme*", is a CSD in France and a securities settlement system that settles Euronext stock exchange transactions (with LCH.Clearnet S.A. as central counterparty) and OTC transactions, and provides custody and other services to its clients (financial institutions and issuers).

(iv) Euroclear Nederland

Euroclear Nederland ("**ENL**") is the registered commercial name of "*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. ('NECIGEF')*", a Dutch incorporated "*besloten vennootschap*". ENL is the CSD of the Netherlands, appointed by the Minister of Finance as the Centraal Instituut under the Dutch Securities Giro Act, a securities settlement system that settles Euronext stock exchange transactions (with LCH.Clearnet as central counterparty) and OTC transactions, and provides custody and other services to its clients (financial institutions and issuers).

EBE, EF and ENL are together referred to as "ESES" (Euroclear Settlement of Euronext-zone Securities) and are connected to the European Central Bank's Target2-Securities (T2S) settlement platform.

(v) Euroclear UK & International Limited

Euroclear UK & International Limited ("**EUI**"), an English incorporated limited company, owns and operates the CREST system, which is the CSD of the United Kingdom. The CREST system provides real-time settlement for a range of corporate and government securities and money market instruments traded on the London Stock Exchange and various Multilateral Trading Facilities and holds them in dematerialised electronic form, recorded as balances in the CREST system. EUI also owns and operates the EMX Funds Order Routing Service that provides the electronic messaging for automating the purchase, sale, valuation, reconciliation and registration of funds.

(vi) Euroclear Sweden

Euroclear Sweden AB ("**ES**"), a private limited liability company ("*Aktiebolag*") incorporated in Sweden is the CSD of Sweden. ES provides registrar services for Swedish and foreign securities, clearing and settlement services and a wide range of related back-office services.

(vii) Euroclear Finland

Euroclear Finland Oy ("**EFi**"), a private limited liability company ("*Osakeyhtiö*") incorporated in Finland, is the CSD of Finland. EFi provides clearing and settlement as well as registrar services for Finnish and foreign securities as well as other related back-office services.

1.3.2. Other subsidiaries

(i) MFEX Holding AB

MFex Holding AB is an "aktiebolag" incorporated in Sweden, holding company of MFEx Mutual Funds Exchange AB.

MFEX offers a complete solution for fund companies and distributors.

(ii) Euroclear Global Collateral Ltd.

Following the dissolution of the joint venture with the Depository Trust & Clearing Corporation, ESA wholly owns this private limited company registered in England and Wales. The Company provides open industry infrastructure solutions for clients as they manage their collateral and margin needs, including a Collateral Management Utility (CMU), which provides highly automated collateral management services.

(iii) Euroclear Market Solutions Ltd. ("EMS**")**

The company dissolved on 6 March 2020.

(iv) Euroclear Information Solutions Ltd. ("EIS**")**

The company dissolved on 29 December 2020.

(v) EMX Company Limited

It is a private limited company incorporated on 25 June 1998 and registered in England & Wales. EMX is currently dormant.

(vi) Taskize Ltd.

It is a private limited company incorporated on 24 January 2012 and is registered in England and Wales. The principal activity of the company is to develop, provide and operate a software platform for the financial industry. In

July 2021, ESA has acquired the minority stake owned by the founders and the company is now a wholly owned company.

(vii) Quantessence Ltd.

It is a private limited company incorporated on 18 December 2014 and registered in England and Wales. Quantessence brings industrial scale and infrastructure robustness to the activities supporting automated investment by delivering an open architecture platform for the running of predefined asset allocation algorithms. ESA has built up a stake of 71%.

(viii) Greenomy

ESA has acquired a 54.89% stake in the Belgium-based company Greenomy, which offers sustainability reporting SaaS, helping companies in measuring and improving their sustainability scoring according to the various EU Sustainability Finance standards (EU Taxonomy, SFRD, NFRD/CSRD).

1.4. PARTICIPATIONS

The Company has participations in the equity of the following companies in view of furthering its strategic objectives:

1.4.1. PREF-X

It is a French limited company incorporated as a société par actions simplifiée with registered office in Paris. ESA has a stake of 28.68%. PREF-X is a web-based solution that simplifies the management of private debt portfolios for issuers and institutional investors.

1.4.2. LiquidShare

ESA acquired a minority stake (16.2%) in LiquidShare, a French incorporated entity in June 2017, together with seven other French banks and Euronext. This company provides post trade services for illiquid shares of SME companies in Europe.

1.4.3. Derivatives Service Bureau Ltd.

ESA acquired a minority shareholding (10%) in The Derivatives Service Bureau (DSB) Limited. DSB is a private limited company incorporated on 29 December 2016 and registered in England and Wales. It was set up by the Association for National Numbering Agencies to develop an automated global numbering solution for OTC Derivatives.

1.4.4. Euronext

ESA acquired 8% of the issued share capital of Euronext at the time of the initial public offering of that company. This investment was made as part of a group of reference shareholders who have a strategic interest in the future of Euronext as the trading venue for the ESES markets. ESA has sold part of its investment in 2021, resulting in a stake of 4.35%.

1.4.5. AcadiaSoft Inc.

ESA currently holds an 6.9% stake in this company. AcadiaSoft Inc., is a Delaware registered leading industry provider of margin automation for counterparties engaged in collateral management worldwide.

1.4.6. Fnality

ESA has participated to a series B founding round through a loan which will convert into a 3-4% stake in Fnality. Fnality aims to create a peer-to-peer wholesale settlement ecosystem, offering real time cross-border payments from

a single pool of liquidity to improve efficiency, lower risk and support the growth of digital financial markets.

1.4.7. Futurae

Euroclear AG has acquired a 13.16% stake in the Swiss-based company Futurae which provides digital authentication services for trustworthy and convenient end-user access.

2. GOVERNANCE BODIES

This section describes ESA policy as regards governance structure, composition and functioning of the following ESA governance bodies:

- Board of Directors;
- Board specialised committees; and
- Management Committee and its underlying internal committees.

2.1. GOVERNANCE BODIES AND REGULATED GROUP STRUCTURE

The Company shall be managed by a Board of Directors and a Management Committee, in accordance with the applicable legislation and regulatory requirements.

ESA is the parent company of the Operational Entities the boards of which have full competence, ultimate decision-making power and responsibility with regards to the determination of the local strategy and management of these entities. The management of these entities is subject to the primacy of local laws, regulations and Regulatory Expectations.

The Operational Entities are wholly controlled subsidiaries of ESA. They all qualify as financial market infrastructures and CSDs, and are subject to the common authorisation, supervision and regulatory framework set forth in the CSDR.

As the controlling shareholder of the Operational Entities, the governance bodies of ESA also formulate shareholder expectations which the Operational Entities are expected to meet. In this same capacity, ESA is subject to the ongoing assessment by the CSD supervisory authorities of its suitability to ensure sound and prudent management of the Operational Entities. In addition, as a financial holding company and support institution, ESA is subject to prudential supervision requirements on a consolidated basis set forth in the CRD framework and Belgian law.

To this end all Boards of the Regulated Group adopt or adhere to the Euroclear Group Matters Protocol that identifies the group matters requiring a consolidated, group-wide alignment and coordination within the Regulated Group based on shareholders' expectations and/or regulatory requirements. It also contains the principles of elaboration and implementation across the group of such standards and minimum requirements as well as an escalation mechanism in case an Operational Entity believes it needs to deviate thereof¹.

2.2. BOARD OF DIRECTORS

2.2.1. Role and Responsibilities

The Board determines the Company's general policy and strategy and is entitled to perform all undertakings reserved by law.

¹ Euroclear group Matters Protocol is mutatis mutandis also applicable to the MFEX group, pending full roll-out of the group frameworks and policies

The Board sets annually the Company and Management objectives and reviews the achievement of those as part of the performance review process.

The Board, as a collegiate body, is responsible for supervising the Management Committee.

The control and oversight of the Company's management is carried out by the Board in various ways. Management reports to the Board and its Committees at each of their meetings on business matters and the implementation of the agreed strategy and risk profile as well as on the financial position of the Company and the Group. All other matters delegated from the Board to the Management Committee are the subject of regular reporting to the Board, including the internal control framework and risk control policies, capital and liquidity planning, IT security, business continuity and recovery framework, and any material change thereto.

The responsibilities of the Board are defined in detail in the Articles and its own Terms of Reference.

2.2.2. Composition

The Articles prescribe that the Board as a collegiate body, comprises at least three (3) Directors appointed by the General Meeting of shareholders, and who comply with legal and regulatory requirements. Directors must at all times meet the fitness and propriety criteria required for their role as determined by law and applicable regulatory requirements. The Board is composed of a majority of non-executive Directors, whereof a suitable number of independent Directors with as minimum the number of independents required by law. Independence is defined within the meaning of the Banking Act and/or applicable regulatory requirements at the time of appointment.

The list of Board members is available in the annual report of the Company and on the Euroclear website (www.euroclear.com).

In order to ensure that the Board shall be at all times composed of suitable members of sufficiently good repute with an appropriate mix of skills, experience and knowledge of the Company and of the market, ESA has issued a Group policy on the assessment of suitability of Board, Senior Management and Key Function Holders ("Suitability Policy") (replacing the existing Board and Board Committee Composition Policy). The retained approach to the selection of Board members should ensure a balanced Board with appropriate skills, knowledge and experience both from a collective and individual perspective, taking into account the business of the Regulated Group and its Financial Market Infrastructure role. A collective skills matrix is in use.

As part of the Company's diversity policy, the Board composition shall take account of the target regarding the representation of the under-represented gender. The Company aims at one third of under-represented gender, which is currently complied with.

The Nominations and Governance Committee ("**NGC**") leads the process for Board nominations and makes recommendations to the Board in this respect. In putting forward names for membership of the Board, the NGC strives to achieve a Board composition that would comply globally with following considerations:

1. The members' ability to permanently act with high standards of honesty and integrity, on the basis of their historical/professional background;
2. The member should be of sufficiently good repute;
3. The member's ability to demonstrate independence of mind in order to effectively challenge the decisions;
4. The member's actual and potential conflicts of interest, if any;
5. As the case may be, the member's compliance with the independence criteria, in line with applicable local legal and regulatory requirements on Board member's independence;
6. The member's skills, knowledge and experience to exercise the role of the specific position concerned;

7. The member's ability to commit sufficient time to the role of the specific position concerned and, if applicable, whether the limitation of directorships imposed by law are being complied with.

The process for identifying prospective director nominees is as follows:

- Non-executive directors: the NGC prepares the specification of the roles and capabilities (including the time commitment expected) for Board members and determines the modalities of the selection process, including the engagement of any headhunter(s) in the search process for Board members. It makes an assessment each time there is a vacancy as to whether the prospective director needs to qualify as an independent director. The qualification as Independent should be duly motivated. The Committee provides the relevant information to the shareholder or search consultant, as appropriate. All suitable candidates are assessed against the defined profile and the criteria in the */Suitability Policy* and a short list of candidates determined.
- Executive directors: are proposed from amongst the members of the Management Committee in accordance with the Belgian Banking Act.

Other than in the case of executive directors, the Chair of the Board interviews the prospective nominees with the chair of the NGC, and where appropriate with the involvement of other Committee Chairs. If the Chair deems appropriate to proceed with a nominee's candidature, the candidate's nomination will then be reviewed by the NGC as a whole which decides whether to make a recommendation to the Board to proceed with the fit and proper assessment and eventual appointment of the nominee.

The NGC reviews at least annually the balance of skills, knowledge and experience on the Board to ensure sufficient collective expertise in regard of the Group's evolving strategy and risk profile and make recommendations to the Board in this regard. During that review, the NGC also verifies the independence criteria for the relevant Board members still being met.

The principles set out above, also apply where relevant to the composition of the committees of the Board.

With a view to further enhance the Euroclear Group's dual governance structure in line with prudential expectations, ESA and EH Boards are fully mirrored with a balanced composition (independents, non-executive directors proposed by shareholders or users, ESA executive directors) of currently 19 members.

2.2.3. Appointment, Renewal and Resignation of Board Members

In line with Belgian legal and regulatory requirements, Board members are appointed by the shareholders. The appointment of the Directors is for an initial term of three years (and for the Chair of four years) and directors are expected to complete at least one full term. At the end of their term, Directors may be re-elected by the General Meeting. Should a Board member leave the Board before the end of her/his term, the Board can appoint a new Board member to fill the vacancy; such appointment being confirmed by the shareholders at the next General Meeting and made for the remaining duration of the predecessor's term.

In order not to create any discrimination based on age, there is no age limit of members. Unless otherwise decided by the Board, Directors above the age of 70 are subject to annual re-election by the shareholders.

Appointments of individual Board members are subject to a prior assessment of his or her expertise and professional integrity (referred to as 'fit and proper', in accordance with local regulatory guidance), and to prior regulatory approval by the supervisory authority. Where a new Board member is being appointed, the NBB is provided with all the necessary information and documents to assess the experience and skills of the candidate, and ensure they are fit and proper to sit on the Board.

The Company will also inform the supervisory authority of any proposed renewal of appointment, as well as of non-renewal and removal. Board members must permanently comply with the 'fit and proper' requirements during their term of office and all changes to their circumstances are notified to the Company, and

where appropriate, the competent authority. A suitability re-assessment of directors should be performed in case of doubt or of significant change as well as of heightened money-laundering or terrorist financing risk.

Once a Board member is appointed, information on the Board members and on her/his directorship and managerial functions exercised outside ESA are communicated to the NBB through the eManex system. All directors are subject to the Board approved procedure on the exercise of mandates outside of the Company.

2.2.4. Chair

The Board appoints a Chair from among its independent non-executive members. The Board may remove him from office as Chair at any time. The Board may also appoint one or more Deputy Chairs.

The Chair presides every meeting of the Board and is responsible for directing, advising and leading the Board in all aspects of carrying out its role as the senior governing body of the Company. In carrying out this role, the Chair is pivotal in ensuring an informed Board, facilitating the Board relationship with Management, creating the conditions for overall Board and individual Director effectiveness, both inside and outside the boardroom, realising the potential of the Board and controlling the implementation of the allocation of powers between the Board and the MC.

In the absence of the Chair, one of the Deputy Chairs takes the chair. In the absence of both the Chair and Deputy Chair(s), the Board can nominate one of the other Board members to chair the meeting, in accordance with the procedure laid down in the Company's Articles of Association.

The Deputy Chair's primary role is to act in the place of the Chair should the Chair become incapacitated or otherwise no longer be able to carry out her/his regular Board responsibilities, and to assist the Chair in performing her/his role.

2.2.5. Operating Rules

The Board has at least four quarterly and two dedicated scheduled meetings per year. Additional meetings may be and are called whenever the specific needs of the business require it. Board members are expected to attend all Board meetings in person. Board Committee meetings are, in general, organised a week or so before Board meetings in order to allow for input from the Committee to be duly incorporated in the recommendations and report to the Board.

The Board of Directors may only deliberate and adopt resolutions if at least a simple majority of its members are present or represented, provided that at least two Directors are physically present, either at the location of the meeting or by conference call or video conferencing. Board resolutions are adopted by a simple majority of members present or represented at the meeting. In the event of a tie in the voting, the Chair has a casting vote. Unless provided otherwise in the Articles of Association, Board resolutions may be approved by unanimous written consent of all Directors.

The Chair, in consultation with the Chief Executive Officer, establishes the agenda for the Board meetings with the assistance of the Board Secretary. All Board members have the right to place items on the meeting agenda. Under exceptional circumstances an item not on the agenda may be addressed at the meeting provided all members are present or represented and agree.

The Chair takes responsibility for ensuring that Board members receive accurate, timely and clear information in advance of meetings. The Chair liaises with management in this regard and is assisted by the Board Secretary in fulfilling this responsibility. Board papers are supplemented where necessary by presentations at Board meetings, generally given by MC members or other senior managers of the Company.

Discussions held during Board meetings are minuted. The Board minutes aim to provide a true and accurate record of proceedings, discussions and decisions of the Board meetings and, where appropriate, to reflect the balance of arguments

and challenge by the Board and to serve as guidance for future Board action. Directors are given an opportunity to review and approve draft minutes which are provided to them prior to being tabled for approval at the next Board meeting.

The Board has appointed a Board Secretary to assist and advise the Board and its Chair, as well as the Chairs of each of the Board Committees in the performance of their roles and responsibilities. The Board Secretary convenes the meetings of the Board and of the Board Committees and acts as Secretary to those meetings.

2.2.6. Evaluation of the Board

The Board regularly assesses the functioning of the Company's governance structure, in particular of its governance bodies, including their competences, composition and size.

The Board carries out a self-assessment and effectiveness review of the Board as a whole, the Board Committees, the Board Chair and the individual members. It reviews annually the structure, size, composition, diversity aspects including representation of the underrepresented gender and performance of the Board and Board Committees to ensure that the Board has the necessary framework in place within which to make decisions, clarity of goals and processes, a culture of frankness that encourages constructive evaluation, full disclosure of procedures and an effective relationship with management. The Nominations and Governance Committee decides on areas of focus for the annual assessment process.

This Board assessment process is led by the NGC Chair, who may opt to carry the process by way of self-assessments, questionnaires and/or individual interviews with all Board members. Based on the output, they identify to the NGC and Board any area for discussion and improvement. Part of the Board discussion on the outcome of the assessment includes agreeing on follow up actions and changes needed in view of the results.

The NGC, while reviewing the Board composition as well as the list of candidates proposed for re-election at the Annual General Meeting, uses the results of the assessment as a basis for its analysis on director performance. The Chair takes steps to ensure that any areas of weak performance in the assessment are taken up with the relevant individual Director as necessary.

On a periodic basis, the evaluation of the Board is facilitated by an external party.

2.2.7. Induction and Training

Upon being appointed to the Board, all new Directors receive customised induction training. Such induction training is comprehensive and designed to cover all the major business areas and each of the support functions in order to give Directors a global view of the Euroclear Group, its strategy and policies and the major risks & challenges it is facing. The induction programme focuses on the characteristics of a Financial Market Infrastructure and on the systemic and banking risks within the Regulated Group in particular. It also develops the Directors' understanding of their role and responsibilities under Belgian Law, and the legal and regulatory regime applicable to the Company and the Group.

Directors also receive ongoing training on matters relevant and material to their directorships and committee mandates. They attend training sessions as necessary or requested from time to time

Content of both induction and training will be adapted as appropriate to the individual needs of Board members based on their previous expertise and the outcome of internal or external periodic (self) assessments. Board members' training requests may also be addressed to the Company Secretary.

In addition, workshops are arranged for the Board and its committees on topics of particular relevance or importance.

2.2.8. Remuneration

The remuneration package of the Directors is decided by the shareholders' meeting. The Directors are remunerated for their mandate as Board member and such remuneration is not be linked to the business performance of ESA. The amount of remuneration takes account of the level of responsibility and time required in fulfilment of their Board role.

2.2.9. External directorship and managerial functions

All members of the Board are required to commit sufficient time to perform their functions in the Company. There may be restrictions on the nature or number of directorship mandates or managerial functions that Board members can exercise outside the Group as these may create conflicts of interest, inhibit the Board member to spend adequate time on their Euroclear mandate and impact their independence. Prior to accepting any external function, the Board member informs the Company Secretary, who will ensure the appropriate authorisation/information/publication procedure, as described in the procedure on External Mandates for Board members, is followed. An annual overview of the external positions will be submitted to the Board, or on occurrence of any change.

2.3. BOARD COMMITTEES

In order to perform its responsibilities more efficiently, the Board has established several advisory committees: the Audit and Compliance Committee, the Risk Committee, the Remuneration Committee and the Nominations and Governance Committee.

2.3.1. Composition and appointment

Each Committee is composed of at least three members (currently between five and seven) per committee and consists exclusively of non-executive Board members of whom the majority is independent within the Audit and Compliance Committee and at least one within the meaning of the of the Banking Act and/or applicable regulatory requirements at the time of appointment. The Company strives to achieve a majority of independents in each Committee. The Chairs of the committees are independent.

A Committee shall not be composed of the same group of members that forms another Committee. Board members will in principle not sit on more than two Board Committees of the Company.

Appointments to a Committee are for a period of up to three years, renewable at the Board's discretion. Board Committee members are appointed by the Board upon recommendation of the NGC (except for the Chair of the Audit and Compliance Committee who is appointed by the ACC members). The NGC regularly reviews the composition of each committee in order to make sure they remain properly composed, with the required level of collective and individual knowledge, commitment, availability and independence of mind, and makes its recommendations to the Board. The review is undertaken in light of the role of governance bodies in question, the characteristics of the Company and its Regulated Group and the relevant applicable legal and corporate governance requirements applicable.

The appointment of the Chair of each of the Committees is also subject to the NBB approval regarding the fit & proper character of the candidate. Any change to the composition of any Board Committee is notified to the NBB.

Each Committee can, and does from time to time, appoint observers and/or advisors to the Committee who are professionals with experience relevant to the role and workings of the said Committee. Engagement of cyber/IT advisors is scheduled .

The membership and expertise of those Committees is disclosed in the annual report.

2.3.2. Operating rules

The Board has defined the Terms of Reference of each of the Committees, which include details of their role and responsibilities, operating procedures and the reporting requirements back to the Board. Committee's activities, observations and recommendations are reported by the Committee Chair to the Board at each meeting. Supporting material and minutes of the Committee meetings are also made available to the Board members.

Each Committee has an agreed reporting calendar to assist it in discharging its responsibilities and covering all matters within its purview.

The quorum consists of a simple majority of Committee members present or represented, with at least three either physically present at the location of the meeting or by telephone/video conference.

For voting, a simple majority of Committee members present or represented is needed with the Committee Chair having the casting vote in case of equality of votes.

2.3.3. Evaluation

The evaluation of the performance of the Board Committees is undertaken as part of the overall Board assessment process described above.

2.3.4. Audit and Compliance Committee

The Audit and Compliance Committee ("ACC") is an advisory committee of the Board established to assist the Board in fulfilling its financial reporting, internal and external audit and compliance and ethics oversight responsibilities. Its responsibilities are detailed in its own Terms of Reference which are approved by the Board.

The Committee members collectively have an understanding of both the Company's and Group's business as well as collective competence in the area of accounting and audit. At least one member shall have specific expertise in accounting and/or auditing matters.

The ACC meets quarterly and in preparation of dedicated Board meetings a year with additional ad-hoc meetings as deemed appropriate by the Chair.

Only the ACC members are entitled to be present at a meeting of the ACC. However, to facilitate the effective conduct of its business, the Chief Executive Officer, the Group Chief Administration Officer, the Group Chief Auditor, the Group Chief Compliance Officer/Company Chief Compliance Officer, the External Auditor and additional invitees as deemed necessary or appropriate by the Chair may attend the Committee meetings. The ACC meets at least once a year with each of the Group Chief Auditor, the Group Chief Compliance Officer/Company Chief compliance Officer and the External Auditor without management being present (closed session).

The ACC Chair may be a member of, but not chair any other Board Committee and has an appropriate recent audit experience.

The Committee has adequate interaction with the Risk Committee to ensure consistency and avoid any gaps in their respective roles and to make sure the ACC is informed of the major risk issues reported to the Risk Committee. To this end, the Chair of the Risk Committee has an open invitation to attend the ACC meetings where desired. At times the ACC and Risk Committees meet in joint session to review issues relevant to both Committees including, but not limited to, ICAAP, cyber security, and internal control system reports.

The Group entities ACs keep ESA ACC informed about:

- any material issues of concern at subsidiary level; and
- the level of assurance on the safety and soundness of the subsidiary.

The ESA ACC keeps the Group entities AC informed about any material group level issues under its review having an impact on the subsidiaries.

With a view to ensuring abovementioned information flow as well as consistency of financial reporting, risk & compliance practices across the group and to support ESA in its oversight function, a structural interaction exists between the Operating Entities' AC and ESA ACC. Such interaction is organised via quarterly conference calls between ESA and subsidiary AC chairs, a cross-attendance programme at Committee meetings, and informal contact between members.

2.3.5. Risk Committee

The Risk Committee ("**RC**") assists the Board in fulfilling its oversight responsibilities for ESA in respect of the following: risk tolerance and profile, risk exposures, risk management framework and risk policies, risk management function, Group Chief Risk Officer, alignment of remuneration policy and procedures with sound risk management, and business continuity. Its responsibilities are detailed in its own Terms of Reference.

The Committee members individually have the skills and experience to be able to understand both the Company's and Group's business and to oversee the risk strategy, risk tolerance, risk capacity and risk profile of the Company and the Group.

The RC meets quarterly and in preparation of dedicated Board meetings with additional ad-hoc meetings as deemed appropriate by the Chair.

Only the RC members are entitled to be present at RC meetings, including a member of the Remuneration Committee. However, to facilitate the effective conduct of its business, the Group Chief Risk Officer, the Chief Executive Officer and additional invitees as deemed necessary or appropriate by the Chair may attend the Committee meetings. The RC meets at least once a year with the Group Chief Risk Officer without management being present (closed session).

The RC Chair may be a member of, but not chair any other Board Committee and has appropriate recent risk experience.

The Committee shall be informed about major risk or control issues raised by/to another board committee to enable it to assess the acceptability within the Company's and Group's risk profile.

The Committee has adequate interaction with the Audit and Compliance Committee to ensure consistency and avoid gaps in their respective roles. To this end, the chair of the Audit and Compliance Committee has an open invitation to attend the Risk Committee meetings where desired. The ACC and Risk Committees may meet together from time to time discuss areas of common interest and significant matters of relevant to both Committees as described in the section above on the Audit and Compliance Committee.

To ensure consistency across the group on risk practices and material risk issues, the ESA RC will ensure that each Operating Entity RC is informed, by the Group Chief Risk Officer of any material group level issues under its review having an impact on that subsidiary.

The Operating Entities' RCs will similarly keep the ESA RC informed about any material issues at subsidiary level.

The interaction between ESA and Operating Entity RC is organised via quarterly conference calls between ESA and entity RC chairs, a cross-attendance programme, sharing of relevant minutes and informal contact between members.

2.3.6. Remuneration Committee

The Remuneration Committee ("**RemCo**") assists and advises the Board of Directors in:

- Defining a global compensation philosophy for the Regulated Group and the gender-neutral remuneration policy of the Company;
- Ensuring that the non-executive Board and Board Committee members of the Company, the members of the Management Committee as well as Identified Staff are compensated as per the principles described in the Euroclear remuneration policy;

- Overseeing management's implementation of the remuneration policy.

Its responsibilities are detailed in its own Terms of Reference.

The Committee members will exercise relevant and independent judgment on the remuneration policies and practices. They collectively have the knowledge, expertise and experience concerning remuneration policies and practices, risk management and control activities, namely with regard to the mechanism for aligning the remuneration structure to the Company's risk and capital profiles.

The Committee members collectively shall have an understanding of the Company's and Group's business and shall have competence relevant to the sectors in which the Group operates.

The RemCo meets at least twice a year and as much as required by the reward calendar with additional ad-hoc meetings as deemed appropriate by the Chair.

Only the RemCo members are entitled to be present at RemCo meetings, including a member of the Risk Committee. However, to facilitate the effective conduct of its business, the Chief Human Resources Officer and additional invitees as deemed necessary or appropriate by the Chair may attend the Committee meetings.

The RemCo works closely with the Risk Committee in evaluating the incentives created by the compensation policy. The Risk Committee chair attends the RemCo discussion on the performance review and year end remuneration decisions. The Risk Committee advises the RemCo on its opinion with respect to:

- The consistency of the compensation policy with sound and effective risk management;
- The identification process of material risk takers and identified staff in accordance with the regulation;
- The way the risk strategy and risk tolerance is reflected in the overall annual performance review and
- Quantitative and qualitative assessment of risk adjustments measures and data so as to ensure that the Remuneration Committee takes into account existing and future risks when advising the Board on the incentive pool and individual incentive compensation for the members of the Management Committee and other Identified staff.

2.3.7. Nominations and Governance Committee

The Nominations and Governance Committee assists and advises the Board of Directors in all matters in relation to the nomination and suitability assessment of Board and Management Committee members as well as key function holders, Board and Committee composition including diversity, succession planning as well as corporate governance matters, as they apply to the Company and the Group.

Its responsibilities are detailed in its own Terms of Reference.

The Committee is composed in such a way so as to be able to properly and independently advise on the composition and the functioning of the Board and the Board Committees of the Company and on governance matters and therefore have adequate collective knowledge relating to the business of the Company and Group. Committee members should possess individual and collective appropriate knowledge, skills, expertise and professional experience regarding governance and selection process, suitability and control practices.

The Committee meets at least two times a year and in preparation of dedicated Board meetings with additional ad-hoc meetings as deemed appropriate by the Chair.

Only the NGC members are entitled to be present at NGC meetings. Other attendees may be invited such as Board members, external advisors, if any, the relevant Management Committee members as well as any additional invitees as deemed necessary or appropriate by the Chair.

The Committee will maintain effective working relationships with the Board and Management Committee of the Company.

2.4. MANAGEMENT COMMITTEE

2.4.1. Role and Responsibilities

The Management Committee is a collegiate body to which all management powers from the Board are transferred, with the exception of:

- i) the determination of the strategy and general policy of the Company; and
- ii) the powers reserved to the Board by virtue of the Code of Companies and Associations or the Banking Act

The powers thus transferred may not be exercised concurrently by the Board.

The Management Committee is entitled to represent the Company in all matters towards third parties, including legal proceedings. The company shall be validly represented vis-a-vis third parties and in all legal proceedings by two members of the Management Committee, acting jointly.

The MC reports directly to the Board and, where it concerns an area within the remit of the Board Committees, to the Board's specific Committees which in turn report their analysis to the Board.

The MC may delegate specific powers which may be exercised beyond the day-to-day management, with the power to sub-delegate, to one or more persons or group of persons. It may, among others, delegate, with the power to sub-delegate, the following specific powers, to be exercised consistently with the decisions of the MC:

- Specific powers to committees in all areas necessary or useful to the management of ESA; and
- Specific powers to senior management, in all areas necessary or useful to the management of ESA insofar as they fall within the remit of their respective Divisions.

Without prejudice to the prerogatives of the Board, certain powers are exclusive to the MC vis-à-vis any other internal structure of the Company and may not be delegated by the MC. Such powers include:

- The delegation of powers to committees established by the MC, to one or more persons or to groups of persons, save where it is expressly provided in the MC Terms of Reference;
- Decisions on the reporting process to the MC (content and frequency of reporting obligations);
- Strategic recommendations to the Board;
- Decisions effecting a material change to the global internal organisational structure of ESA; and
- Decisions that involve a material reputational, material financial, or material legal risk to ESA.

2.4.2. Composition

The MC is composed of at least three members, and as many members as the Board may decide from time to time to appoint, who form a college. The list of ESA MC members is made available in the annual report and accounts of the Company and on the Euroclear website (www.euroclear.com).

As ESA is a financial holding company, at least three of the MC members are also Board members, as per legal requirements. The other MC members, although they are not Board members, also participate in ESA Board meetings and exercise their influence on general policy decisions in this way. All members of the MC are therefore given the opportunity to participate, directly or indirectly through recommendations to (and thereby have an influence on) the decision-making process of the Company.

Members shall be of sufficiently good repute and experience so as to ensure the sound and prudent management of the Company and are subject to fit and proper suitability assessment by the National Bank of Belgium.

All nominations to the MC are made against merit and on the basis of the knowledge, experience and skills of the candidate, regardless of their gender or ethnic background.

The Chair of the MC, with the assistance of the Human Resources Division, is in charge of the recruitment process of MC members for purposes of making a recommendation to the Board. In order to select the best candidates for this function, the Human Resources Division has created a competency profile for the MC members based on the following criteria to be understood and applied in the light of the seniority and importance of the position:

- Business acumen: MC members shall exercise sound business judgement to make the right decisions, leveraging overall understanding of the business and its underlying drivers;
- Leading change: MC members shall define, initiate and support organisational transformation change initiatives required to achieving the organisation's objectives and vision;
- Leading people: MC members shall be able to energise people for success and achievement and lead people to surpass themselves;
- Strategic agility: MC members shall set vision and strategic direction; take decisions and actions accordingly for long-term business success;

In addition, the MC as a whole should possess the necessary balance of skills and experience to fulfil its role and responsibilities.

2.4.3. Appointment and Resignation of MC Members

With respect to future potential members of the MC, the Chair of the MC (i.e. the Chief Executive Officer), upon the review by the NGC, propose to the Board the names of the candidates to be appointed as members of the MC. The Board determines the length of MC members' mandate, but MC members are generally appointed for an undetermined period of time.

The Chair of the MC is appointed by the Board after consultation with the Management Committee.

The recruitment process of future potential members of the MC includes a series of interviews of the candidate, an assessment of the candidate's profile carried out by reputable external consultants where appropriate as well as a check of the candidate's experience, skills and fit and proper character for the role.

Each proposal of appointment of an MC member (and possible renewal of appointment) as well as the resignation or dismissal of a MC member is duly notified to the NBB. Any appointment of an MC member is subject to receiving the approval of the NBB as to the fit and proper character of the nominee.

Once an MC member has been appointed, information on the MC members and on their directorship and managerial functions exercised outside ESA are communicated to the NBB through the eManex system.

2.4.4. Operating Rules

The MC acts as a college adopting decisions collectively. In accordance with its Terms of Reference, the MC has allocated its duties among its members and designates individual MC members as sponsors for each of the Divisions in the Company. As sponsors, individual MC members set the objectives of the relevant Division Head and oversee the relevant Division Head in the exercise of the day to day management of their Division.

The MC meets as and when required, normally once every two weeks. The chair of the MC has the power to call additional meetings if required.

A quorum of a simple majority of the members of the MC is required. Members may attend and participate in the meetings and its decisions (and be counted in the quorum and voting) by telephone and video conference call and the meeting

will be treated as validly held. If the Chair of the MC is not present at a particular meeting, the members present will appoint an acting chair for the purpose of the meeting.

To the extent that voting may be required at a meeting, a simple majority of all MC members, present or represented, will be required for approval of a motion. Members who are unable to attend the meeting may authorise, in writing, another member to attend and to vote in their place. In case of equality of votes, the Chair will have the casting vote. Save for other provisions in the Company's Articles of Association, decisions may be taken by unanimous written resolution.

The Chair, or the Committee Secretary, sets the agenda prior to the relevant meeting. Individual members of the MC have the right to place items on the meeting agenda. In exceptional circumstances, duly justified by the urgency of the matter or the Company's corporate interest, an item not on the agenda may be addressed at the meeting, provided all members are present or represented and agree.

The Chair may invite Division/Department Heads, external consultants or advisors with relevant experience to attend its meetings, in order to assist the MC by way of presentations, seminars, general advice or answers to queries.

The MC has appointed an Executive Secretary who provides administrative support. The Executive Secretary prepares the minutes of each meeting indicating clearly all decisions taken, recommendations made, and all items discussed or noted. The minutes of all MC meetings are approved by the MC at a subsequent meeting. If the Executive Secretary is not present at a particular meeting, then the MC members present will appoint an acting secretary for the purpose of the meeting.

The MC receives periodic reporting on all major business areas which gives it an appropriate overview of the Group's business activities. The MC also regularly receives reports from its internal committees. The MC endeavours to ensure that each member receives written material in a timely manner ahead of meetings so that the meetings can be effective.

The Management Committee evaluates its own performance and effectiveness on a periodic basis.

2.4.5. Internal division of tasks

2.4.5.1. Group Chief Executive Officer

The Group Chief Executive Officer ("**CEO**") is the Chair of the MC and is appointed by the Board after consultation with the MC, and subject to approval by the NBB.

The CEO is a different person than the Chair of the Board.

The CEO reports to the Board Chair. The latter is responsible, amongst others, for setting the CEO's objectives and proposing remuneration to the Board in line with Euroclear's compensation policy.

The MC has delegated to the CEO the day-to-day management and the representation of the Company with regard to such day-to-day management.

The day-to-day management refers to those acts which are necessary for the day-to-day operating of the Company or for which an MC meeting is not required, considering either the minor importance of such acts or the necessity for prompt action.

The CEO may sub-delegate any powers related to the day-to-day management to the persons they designate.

In addition, the role of the CEO consists of:

- Leading the Company's staff in implementing the Company's vision, philosophy, and mission;
- Ensuring the Company's focus on innovation, and identifying world economic and industry events and trends that impact the strategic vision for the Company;

- Ensuring implementation of the strategic goals and objectives of the Company as set by the Board
- Liaising with the Chair of the Board and ensuring a strong relationship of senior management with the Board and support of the Board in its activities;
- Leading in establishing the Company values, and setting a cultural tone of honesty, integrity and transparency;
- Ensuring the appropriate programs for recruiting and retaining talented staff and developing their capabilities;
- Ensuring effective crisis management, which generally requires crisis management planning for financial, political, legal, regulatory, physical and reputational crises.

The CEO has within his/her remit the sponsorship of: Internal Audit, Regulatory Compliance & Public Affairs and Human Resources Communications. Given the importance of the cyber domain, the CISO currently reports into the CEO as well.

2.4.5.2. Group Chief Administration Officer

The Group Chief Administration Officer ("**CAO**") has within his/her remit the sponsorship of: Finance, Legal, Operational Excellence and Corporate Secretariat.

The CAO encompasses the role of Chief Financial Officer which is responsible for a variety of financial activities as set out below, to meet Euroclear business requirements, taking into consideration the Euroclear Group financial strategy.

One of the key missions of CAO is producing reliable and timely financial statements that respect applicable laws and regulations. This control objective is further articulated into more granular key controls' objectives in the Financial Internal Control Accountability process (FICA process). The Financial Division maintains a central database where these control activities are formalised, evidenced and monitored.

2.4.5.3. Group Chief Business Officer

The Group Chief Business Officer ("**CBO**") oversees all product strategy, commercial development, maintenance activities as well as data services and innovation, and ESG and sustainability.

The CBO is accountable for:

- The development and implementation of Euroclear's product strategy. This comprises the maintenance and extension of Euroclear's product range as well as innovation and development; and
- The maintenance and growth of existing, and the development of new customer relationships throughout the Euroclear Group.

The CBO protects and enhances Euroclear's position as a financial market infrastructure for securities' post trade, as well as ensuring its stability, financial health and future growth.

2.4.5.4. Group Chief Risk Officer

The Group Chief Risk Officer ("**CRO**") is a member of the Management Committee. In order to protect the independence of the CRO, the duty of the CRO to escalate appropriate matters to the level of the Board, takes precedence over his/her general duties and responsibilities as a member of the Management Committee.

The CRO is the sponsor for Business Resilience and Risk Management within the MC and as such has overall responsibility for ensuring there is robust independent oversight of risk-taking activities at Group level. Given that the

Business Resilience Division (1LOD) and Risk Management (2LOD) report to the CRO, it is to be noted that in order to ensure continued independence of Risk Management and alignment with the 3 Lines Model, the Head of Operational Risk in charge of second line oversight of business resilience has direct access to the Risk Committee in case of any concern in this domain.

2.4.5.5. Group Chief Information Officer

Overseeing the Information Technology Divisions, the Group Chief Information Officer ("CIO") is responsible for defining, leading and executing the strategic direction and technical vision for the continued development of technology that supports Euroclear's global operating model and business strategy.

2.4.6. External directorship and managerial functions

All members of MC should commit sufficient time to perform their functions in the Company. There are some restrictions and limits on the number of directorship mandates or managerial functions that MC members can exercise outside the Euroclear Group. Prior to accepting any external function (in or outside the Euroclear Group), the MC member must inform the Corporate Secretary, who will ensure the appropriate authorisation/ information/ publication procedure is followed, as described in the Board Policy on External Mandates for Board and Senior Management. Directorships functions exercised outside the Euroclear Group are published on the Euroclear Group website (www.euroclear.com)

2.4.7. Remuneration

The remuneration of the MC members is fixed by the Board on the proposal of the RemCo.

The RemCo discusses and recommends to the Board for approval the MC members' annual fixed and variable compensation. Fixed and variable compensation of MC members is based on principles of the Euroclear Compensation Policy as set out in Annex III.

2.4.8. Internal Committees

The MC of ESA has set up the following committees to assist it in the performance of its duties.

2.4.8.1. Group Executive Committee

The Group Executive Committee ("**GEC**") brings together the members of the Management Committee of Euroclear SA/NV ("Euroclear" or the "Company") as well as senior executives in key functions across the Euroclear Group. It is an advisory committee whose principal role is to ensure that material and relevant issues impacting the group are known and discussed at the most senior executive level in an effective and timely way.

The existence and operation of the GEC do not detract from the responsibility of each legal entity in the Euroclear group for the management of its own affairs in line with the sound governance arrangements in place in that entity.

Matters of relevance take into account the following dimensions: people, business, operations, risk, financial, regulatory and policy developments for all Group entities.

The members of the GEC are:

- All members of the ESA MC;
- Such group senior executives as determined by the Group CEO.

The Group Chief Internal Auditor and the Group Chief Compliance Officer are observers on the GEC. The GEC is chaired by the Group CEO.

The GEC will meet normally every month and the Chair has the power to call additional meetings.

2.4.8.2. Group Risk Committee

The Group Risk Committee ("**GRC**") has been set up with a dual purpose: to act both as a risk committee for the Group and as ESA's executive risk committee.

As risk committee for the Group its main role is to maintain a holistic and structured view of the major risks of the Group and to ensure that the appropriate entity properly identifies, assesses and actively manages these risks by either accepting them or taking adequate mitigation measures. It monitors the evolution of the risk profile and control environment of the Group against the risk appetite set by the ESA Board. It reports on material breaches of risks limits and follows up of remedial action. The GRC also reviews group risk, compliance, business continuity and outsourcing frameworks (incl. policies), their methodological aspects and related assessments.

As ESA risk committee, the GRC's main role is to monitor the evolution of the risk profile and control environment of the ESA divisions, accepting residual risks up to defined levels and escalating to the ESA MC for the remainder. It approves ESA risk related policy handbooks by delegation of the ESA MC.

The GRC is composed of both permanent representatives of each CSD and of involved ESA Divisions with the Chair appointed by the ESA MC. When the GRC acts as ESA Risk Committee only, the CSD representatives do not vote on the topics concerned.

The GRC normally convenes every two weeks, unless otherwise decided by the Chair.

2.4.8.3. Outsourcing Committee

The Outsourcing Committee ("**OSC**") has been created by the Group Risk Committee with respect to the outsourcing of services or activities undertaken by Euroclear CSDs and Critical Service Providers ("CSP").

The OSC has four main responsibilities:

- Develop the Group outsourcing and the Critical Service Providers (CSPs) framework and share best practices relating to outsourcing and CSPs;
- Consolidate a view on group risks that are specific to outsourcing/CSPs and to relay such view to the GRC;
- Review risk assessments relating to outsourcing and contracts of ESA with CSPs in the meaning of CSDR;
- Based on delegations granted by the GRC, the OSC also approves the outsourcing intent and approves (non-critical) outsourcing when ESA is the contracting party for an outsourcing arrangement. If the outsourcing intention is of strategic importance for Euroclear, than this intention should be shared with GRC.

The OSC may create sub-committees to fulfil some of its obligations but remains accountable to the GRC.

The Committee is composed of the Head of ESA Supply Chain (presenting Head of ESA Finance Division), permanent representatives from each outsourcing CSD (rotating chair), as well as from all involved ESA divisions. When ESA outsources its own activities (outside any outsourcing arrangement between itself and another Euroclear CSD), the composition of the OSC would be limited to ESA members only excluding CSDs' representatives.

OSC meetings are held on an agreed frequency depending on the business needs.

2.4.8.4. Credit & Assets Liabilities Committee

The Credit & Assets Liabilities Committee ("**CALCO**") provides advice to the ESA MC on dividend proposals, capital restructuring proposals, capital planning, funding proposals, investment and hedging policy (stand-alone and group).

The Committee is composed of the Group Chief Risk Officer (Chair) and the Group Chief Administration Officer as well as advisors from both ESA and Euroclear Bank (banking division).

The CALCO meets on a monthly basis unless decided differently by the Chair.

2.4.8.5. Group Security Committee

The Group security Committee ("**GSC**") acts both as executive security committee for ESA and for the benefit of the Group CSDs and other subsidiaries. The GSC has been entrusted by the ESA MC with the control furtherance of the improvement of the security risk posture and the overall reduction of IT related risk across the group. The GSC thus deals with following topics:

- Ensuring the management of the information security²control landscape; Monitoring the technology and information security risk profile;
- Acting as a central Committee to monitor and accept ESA owned high³ technology and information security risks, ensuring to submit on a regular basis the decisions taken on the high risk acceptance to the GRC for endorsement;
- Endorsing the prioritization of the common required risk mitigations;
- Reporting regularly to the ESA MC, the GRC and any relevant management committees on its work and risk related recommendations and decisions.

The GSC consists of members and permanent attendees. The members are the Group Chief Information Security Officer (CISO) or deputy Chief Information Security Officer (deputy CISO), the ESA Head of CISO IT risk, the Group Chief Information Officer (CIO) or CIO deputy, Chief Technology Officers (CTO's) and the ESA Head of Operational Risk. The permanent Attendees are the CSD Chief information Security Officers (CSD CISO's), the ESA Head of CISO Office, the ESA Head of Cyber Risk.

Ad hoc attendees may be invited as appropriate by the co-chairs.

The GSC is co-chaired by the CISO and the ESA Head of Operational Risk.

The GSC meets as and when required, at least monthly.

2.4.8.6. Group Technology Strategy Committee

The Group Technology Strategy Committee ("**GTSC**") has as mission to:

- Advise the Management Committees of ESA and each of the CSDs in respect of yearly IT investment budget;
- Ensure that a Group Technology Strategy to be used as the reference framework to steer the IT investments is elaborated and maintained;
- Ensure that portfolio management practices documented in the Portfolio, Programme, Project and Change Management Policy Handbook are adhered to;
- Approve the architecture standards;
- Monitor the performance of Euroclear's IT investment portfolio;
- Report regularly to the Management Committees of ESA and each of the CSDs on its work and recommendations.

The GTSC consists of: the Group Chief Information Officer (CIO), the Group Chief Business Officer, the ESA Head of Group Information and Technology Strategy, the ESA Head of Group Technology Services, the ESA CISO, the Chief Executive Officers (CEOs) or adequate delegates from the CSDs and the Group Chief Risk Officer.

The GTSC is co-chaired by the CBO and CIO.

² 'Security' encompasses all 'logical, physical and personnel' security matters.

³ Low and Medium information security risks are managed via the Security Review Exception Board (SERB).

The GTSC meets as and when required, at least 5 times a year.

3. BUSINESS ORGANISATION

This section of the Memorandum describes how the Company is structured to fulfil its business objectives within a robust control environment. It describes the role of each of the ESA divisions; it describes the control functions that have been put in place across the Group; and it details the Euroclear outsourcing rules.

The Company organisational chart is set out in Annex II. The tasks and responsibilities of staff and departments are sufficiently delineated with clear reporting lines, supporting an appropriate organisation adapted to the size and activities of the Company and Group.

Outsourced services

In order to ensure consistency across the group in delivering its objectives and create greater organisational efficiency, ESA has centralised a significant number of business, framework and support functions for the Group entities.

ESA owns the Group's shared securities-processing platforms and delivers, upon request, all or some of the following business and support services to its CSDs:

- IT production and development;
- Human resources, corporate secretariat, legal, financial, facilities and procurement;
- Sales and relationship management, product management, strategy and public affairs, communication and marketing.

Control functions are also partially outsourced to ESA for the benefit of the Group and with a view to avoiding gaps in efficiency and coherence due to fragmentation between the different Group legal entities. Hence, a CSD has at its disposal several divisions or units whose responsibility is to define and to monitor the implementation of control processes, and to advise senior management and other staff, as well as the Board as appropriate, on risk and control matters.

3.1. BUSINESS & SUPPORT DIVISIONS

3.1.1. Division Heads

The ESA divisions, as described below in Section 3.1.2, are led by Division Heads who have been granted by the MC delegation for all matters that fall within the remit of their respective divisions.

Division Heads define their respective division's strategy and plan, organise, control, co-ordinate the activities of the division in order to achieve the Group objectives. Their role includes but is not limited to, the following:

- Strategy Development: they contribute to the development of the overall strategy of Euroclear and, within general guidelines, define a strategy for their division, in order to create a framework against which activities will be steered and followed up.
- Strategy Deployment: they drive the translation of the divisional vision and strategy into operating plans and objectives in order to ensure consistent deployment of strategy and optimisation of resources.
- Organisational Structure and Processes: they design and maintain an adequate organisational structure and efficient and effective operational processes.
- People Management: they manage their human resources in order to ensure sufficient, competent and motivated people to realise the division and company's objectives.

- Operational Activities: they plan, organise, control and co-ordinate the activities of the division, in order to ensure that the short- and long-term objectives are obtained.
- External Contacts: they ensure proper representation of the division outside the Company in order to ensure optimal conditions for cooperation and high-quality service delivery.
- Reporting: they ensure consolidation at divisional level of information, including periodic and strategic reporting, in order to allow for correct and fact-based decision making by top management.
- Risk Management and control: they ensure proper risk management and control measures are put in place and organise procedures to ensure compliance with relevant rules and policies and a robust internal control framework within the division.
- Internal Contacts: they ensure proper representation of the division inside the Company and foster an effective communication and co-operation with internal clients and stakeholders in order to capitalise on possible synergies and to contribute to the overall company results.
- Projects: they drive the proper definition and implementation of relevant divisional and company-wide projects and change initiatives.

Each Division Head reports to the MC member responsible for the area of competence of the Division Head according to the allocation of responsibilities decided by the MC (as explained in Section 2.4.5.).

Division Heads are appointed by the MC, in accordance with a recruitment procedure assisted by the Human Resources Division, with a view to assessing whether the candidate for such a position would contribute to the Group the breadth of professional expertise and skills necessary to meet the Group business needs. In order to select the best candidates for this role, a competency profile for the Division Heads has been defined based on the following criteria, to be understood and applied in the light of the seniority and importance of the position:

- Business acumen: Division Heads shall exercise sound business judgement to make the right decisions, leveraging overall understanding of the business and its underlying drivers;
- Leading change: Division Heads shall define, initiate and support organisational transformation change initiatives required to achieving the organisation's objectives and vision;
- Leading people: Division Heads shall be able to energise people for success and achievement and lead people to surpass themselves;
- Strategic agility: Division Heads shall set vision and strategic direction; take decisions and actions accordingly for long-term business success.

In terms of remuneration, the Division Heads receive a compensation package which is fixed every year by the MC in accordance with the Euroclear Compensation Policy as set out in Annex III.

3.1.2. Divisions

The Company is organised into the divisions described below. Each division operates for ESA and, to varying degrees, as service provider to the Operating Entities under the contractual framework of the Shared Services Agreement and according to the business model of the individual Operating Entity.

3.1.2.1. Group Strategy and Product Expansion

The Group Strategy and Product Expansion division is responsible for the overall product management and corporate strategy of the Euroclear Group. This includes the definition, communication, engagement of the company and implementation of the corporate and product strategy. It plays a central role to ensure its continued financial strength and competitive position.

The division's main activities include amongst others:

- Market analysis and competition monitoring, engaging with customers, industry bodies and potential partners on market & technology trends and opportunities;
- Ensure Euroclear's market presence in innovation and on thought leadership topics;
- Define the Group's corporate strategy in dialogue with Senior Management and Board representatives;
- Translate the corporate strategy into product & service objectives, and business plans;
- Engage with internal and external stakeholders to realise product business plans, including product roadmap priorities setting;
- Sponsor and determine product & service development needs, including product business architecture & analysis;
- Define overall price strategy and ensure a competitive tariff;
- Market outlook & monitoring;
- The Data Products & Services is responsible for developing new products and services from Euroclear reference and transaction data; the Data Management Office has the responsibility to spearhead the transformation of Euroclear into a data driven organisation by designing and embedding a set of group-wide data management capabilities. Digital transformation & Innovation monitors the innovation landscape and positions Euroclear in relevant market initiatives. It engages with customers and the market to identify data and innovation opportunities, and brings profitable data and innovative products and services to market.

3.1.2.2. Commercial Division

The Commercial Division is responsible for business growth, business retention and client loyalty, through sales, relationship and account management, the client experience programme and direct client support.

The Commercial Division leads the relationship and interactions with clients and key risk-related activities include:

- Admission, sponsorship, and ongoing monitoring of clients;
- Monitoring of key business indicators (sales pipeline, business at risk, etc);
- Daily monitoring of activity / support to our clients;
- Regular review of the client effectiveness in the way it uses Euroclear's operations and balance sheet;
- First line of defence on KYC/AML;
- Centralised Marketing and Editorial;
- Clients' project roll-out as well as support.

3.1.2.3. ESG and Sustainability

The Corporate Sustainability Office leads the group's work on 'Environmental, Social and Governance' (ESG) Issues. The Office is integrated within the scope of the Group Chief Business Officer, under the lead of the Chief Sustainability Officer, with the following responsibilities:

- To take the lead in defining group ESG priorities, strategy and KPIs, together with relevant stakeholders;
- To ensure that Euroclear is compliant with ESG regulations;
- To coordinate, support and align our ESG framework across the group;
- To ensure relevant and aligned ESG communication internally and externally;
- To report on material ESG aspects in an annual group Sustainability Report;
- To monitor the market for upcoming ESG trends and opportunities; and
- To develop a broad network of external alliances and contacts.

3.1.2.4. Group Technology Divisions

Group Business Solutions Division ("GBS")

The GBS division ensures Euroclear's competitiveness by delivering reliable and sustainable IT solutions for the financial securities markets. It provides a quality service to its external and internal clients while ensuring discipline in cost and in execution.

The GBS division:

- Delivers new IT solutions and improves existing applications to enable the business to seize new opportunities;
- Supports the implementation of changes in the production environment in a controlled and structured way that doesn't compromise production stability;
- Increases the maturity of IT project delivery, further strengthening controls in line with the group's risk appetite and reducing development and running costs.

Group Technology Services Division ("GTS")

The GTS division manages the IT environment on a day-to-day basis and ensures that the IT services delivered to the CSDs operate as expected to support the Euroclear business strategy. The division is the guardian of production stability at Euroclear and operates the IT systems in an efficient and reliable way and with the required security.

The GTS division:

- Plans, designs, builds, operates and maintains the IT infrastructure, networks and connectivity of the Euroclear Group, ensuring that the capacity of IT systems matches the evolving demand;
- Owns full end-to-end responsibility for end-user services and the digital office environment;
- Runs the Euroclear IT production for both normal business operations and during disaster recovery, ensuring that the IT services are delivered to the CSDs according to the agreed service-levels;
- Coordinates any changes to the IT environment that are necessary to support new or changed IT services, applications and infrastructure.

Group Security and Business Resilience Division ("GSBR")

Given the respective importance of Cyber security on the one hand and of business resilience on the other hand, it has been decided to split the Group Security and Business Resilience Division into two distinct Divisions:

- Chief Information Security Officer (CISO) Division; and
- The Business Resilience Division (see. 3.1.2.11).

Chief Information Security Office Division ("CISO")

The Chief Information Security Office division centralises the ownership of logical and technical security domains.

The Chief Information Security Office division:

- Ensures transparency and consistency for policies, projects, controls and reporting on information security and cyber defence within the Group and with regulators;
- Strengthens Euroclear's cyber risk-driven approach by developing a risk-based methodology for prioritisation of investments consistent with our risk appetite;
- Ensures independence vis-a-vis the various entities of the Group and IT functions whilst delivering the security services catalogue and strategic remediation program;

- Increases customer centricity in the way Euroclear thinks about and implements security;
- Aligns cyber security with business resilience and crisis management.

*Enterprise Architecture Division ("**EA**")*

The Enterprise Architecture division is responsible to define a consistent Group Technology Strategy whilst ensuring a strong alignment with the business strategies of each Group entity:

- EA links the strategic business objectives of the organization to the needed evolutions of the IT Enterprise Architecture landscape;
- EA does this on a yearly basis through a standardize strategic process that brings together expertise i.e. business architecture, application architecture, technology architecture and security architecture;
- EA advises the entities on the needed investments and priority sequencing needed to achieve the desired outcomes. The outcome of this activity in the basis for the programs and projects that make up the individual portfolios that are part of the portfolio management process.
- EA plays an advisor role within portfolio governance and works closely with the other IT divisions at the program and project governance levels to support implementations.

*Group Digital Capabilities Division ("**GDC**")*

Group Digital Capabilities (GDC) division initiates, delivers, and supports the digital and data evolutions of our external and internal Ecosystems. The Division aims to create value with robust, resilient, digital and data solutions while we support the overall Transformation of Euroclear Business and Technology operations.

Group Digital capabilities :

- Delivers and supports cost-effective solutions for the domain of client facing digital communication channels. The domain covers the various areas of the customer journeys of user-interactive and STP communication flows creating new group capabilities and assets to maximize value;
- Supports the needs for advanced analytics and reporting from all the entities of the Euroclear Group working closely with GBS to combine Robotics and AI. We ensure we transform data into insights using techniques such as descriptive analysis, text mining, machine learning, process mining, network analytics, predictive modelling;
- Working hand in hand with Business for the delivery of new, innovative products and services to generate new revenue streams. We support the organization's efforts to deliver (build/buy/partner) these new products and services;
- Drives and supports the evolution towards an agile organization.

*Technology Management Services ("**TMS**")*

This division acts as a trusted advisor for the other IT Divisions, playing a key role to deliver and sustain the IT transformation relying on the 5 main layers:

- Technology Business Management (IT Budget & costs);
- IT Sourcing Strategy (vendors management & IT sourcing);
- People & Communication (IT Human resources, IT communication & IT knowledge);
- Partners relationship management (Service Dialog & Service Delivering Plan);
- Portfolio management in charge of the IT investments portfolio governance to ensure that IT investments decisions and their implementation are aligned with IT Strategy/ TMS is the secretary of the Group Technology Strategy Committee.

3.1.2.5. Finance

The Financial Division provides its internal and external stakeholders with adequate information on the basis of a financial control framework encompassing all activities and units of the Group. It provides Board and Audit and Compliance Committees, both at Group and operating subsidiary levels, with the necessary assurance on financial matters and data. This also includes financial management of the Group (capital management & dividends, treasury, tax, accounting, procurement, corporate performance, facilities and central services); and business support in decision making (pricing, valuation...). Some activities have been outsourced to external parties:

- Tax compliance and reporting, in order to have a harmonized model across entities;
- Insurance and pension fund accounting and reporting.

Within the Finance Division, a supply chain department has been set up with the following roles:

- Implement strategic sourcing and purchasing;
- Determine the next year's procurement needs;
- Analyse and specify buying need, select supplier, contracting;
- Manage contract lifecycle such as renewals, termination, contract information;
- Manage vendor relationship including the Suppliers' risks;
- Manage the relationship between ESA and the CSDs.

Corporate Facilities and Services is integrated within the Financial Division with following responsibilities:

- Managing the offices and the data centres facilities whilst ensuring the service levels are in line with the business needs of the company and its role and reputation in the financial industry vendor relationship including the Suppliers' risks;
- Maintain a real estate strategy in line with the needs of the group and ensuring the office space available is in line with real usage and headcount forecasts;
- Organising and managing the quality of outsourced services and processes in compliance with regulation;
- Implementing and maintaining a dedicated and secure facilities management network;
- Maintain and manage the appropriate physical security level for offices and data centres based on the needs of the company and adjusted to the evolving external context.

3.1.2.6. Operational Excellence

Operational Excellence is integrated in the Group Chief Administration Officer's scope with following responsibilities:

- The mission of Operational Excellence (OpEx) division is to drive change and develop corporate capabilities enabling the Euroclear Group and its people to become an increasingly effective, innovative, risk-aware and performing organization;
- To deliver the benefits of this mission, OpEx Division is composed of 6 teams made of professional team members specialized in each of the domains with the objective to embed the disciplines or/ and approach within the organization by providing expert support and/ or by helping development within other divisions. For each of the disciplines OpEx is ensuring effective implementation by leveraging market methodology and being the anchor of each of the respective community.

Those teams are:

- Group Programme Management;
- Change Management Center of Excellence and FlexE;
- CI Services, Design Thinking and Facilitation Center of Excellence;
- Process Center Of Excellence design and Optimization;
- E2E value discovery and delivery;
- In addition we are supporting specific needs from divisions by **offering internal consultancy** to help defining divisional strategy & execution and providing Service and organizational design.

3.1.2.7. Legal Division

The legal division is responsible for the management of all legal matters for the Euroclear group and regroup experts in all legal and regulatory domains relevant to the Euroclear group. It also is the trusted adviser to the business to assist Euroclear to delivery its corporate objectives. The legal division's role is both externally and internally focused.

Externally, Legal:

- Monitors developments in legal and regulatory provisions which may impact the Euroclear group and advises the business accordingly;
- Assess and monitor the legal risks which may impact the Euroclear entities and identifies opportunities in new laws and regulations;
- Provides advice to Public Affairs for international and global regulatory and policy initiatives;
- Maintains relationships with domestic legislators to positively influence developments; and
- Defends and initiates claims.

Internally, Legal:

- Helps the Euroclear group understands legislative and regulatory changes that may impact its business model and operations;
- Manages the legal risks of the Euroclear group;
- Ensure that the business is suitably informed about the level of legal risks when taking decisions;
- Provides support and legal advice to the business in all relevant legal and regulatory domains and particularly help the Euroclear group understand the legal and regulatory implications of new projects, products, services and expansion plans;
- Provide transaction and contract negotiation support;
- Manages external legal resources and control costs;
- Manages intellectual property work; and
- Contributes to effective governance for the Euroclear group companies.

3.1.2.8. Human Resources, Communications and Corporate Responsibility

Human Resources, Communication and CR division is responsible for:

- Managing Euroclear group's human resources. Its mission is to act and be recognised as a trusted and reliable business partner to all Euroclear business to enable each of us to make "post trade easy";
- Corporate Communication and Corporate Responsibility at group level.

Its main domains of activity are:

- Resource Management, including recruitment and internal/international mobility;
- Talent Management, including talent review and succession planning, leadership development, learning & development, engagement, diversity and well-being;

- Total Reward, including performance management, function framework, compensation and insured (e.g. Pension plans) and non-insured (e.g. cars) benefits;
- HR Business Partners and Advisors ensuring an optimal link between the different divisions and HR;
- HR Employee Services, including HR operations, people interaction services, payroll, administration, budgeting, planning and forecasting and content and knowledge management;
- HR Legal and Social Relations: legal watch and counsel in labour and social law, handling of individual and collective litigation, management of the social bodies on local and European level;
- PMO and Analytics (including HR Project Management);
- reputation management, crisis communications to the group's stakeholders, media relations, internal communications, change management, communication, internal events, maintaining and continuously developing Euroclear's website and intranet, moderating the group's digital and social channels and Corporate Responsibility (CR) helping to strengthen the culture, values and *raison d'être* of the Euroclear reputation.

3.1.2.9. Regulatory, Compliance and Public Affairs

The roles and responsibilities of the Compliance function are described under section 3.2. Control divisions.

Regulatory Relationship Management has the following responsibilities:

- Serves as a privileged point of contact for requests and information received from (supervisory) authorities;
- Makes sure the requests are assessed and dispatched to the management of the relevant entity and to the internal business owners (BOs) for further handling, in the relevant entity and/or ESA (for outsourced services);
- Supports the management of the relevant entity and BOs in understanding the expectations of the supervisory authorities and in meeting those expectations (both in terms of timing and quality of deliverables) and;
- Centrally keeps records of information flows from and to the (supervisory) authorities.

Government Relationships and Public Affairs' mission is:

- To advocate, and help deliver, a regulatory environment which supports the development of the Euroclear business model globally and the roles of the CSDs within that model;
- To understand how legislative initiatives might also affect the behaviour of our main stakeholders and the markets in which they operate;
- To give regular, trusted and informed guidance and advice internally and externally on EU and global policy initiatives.

3.1.2.10. Corporate Secretariat

Corporate Secretariat is the trusted point of contact on corporate governance for senior management and board members in carrying out their duties.

Corporate Secretariat's mission is to ensure a good governance framework and practice for the Euroclear group by:

- Ensuring board and senior management bodies are properly composed with clear roles and responsibilities, in line with legal and regulatory requirements;
- Ensuring that the board receives the necessary support to identify conflicts of interest and ensure that those identified conflicts of interest are documented and managed appropriately;
- Ensuring that the board and senior management disclose external mandates in a timely manner and that such external mandates are exercised in line with legal and regulatory requirements and recorded appropriately;

- Facilitating induction and regular training for Board and senior management;
- Providing necessary support to ensure awareness among board and senior management members on relevant governance matters and keeping them updated on developments;
- Communicating with shareholders;
- Implementing efficient and compliant decision-making processes i.e. organising boards/committee meetings, preparing agendas, reviewing and improving quality of papers, taking minutes, ensuring follow up ;
- Managing the Group Governance Memorandum/Manual and its yearly review; and
- Handling all filing and other legal/regulatory formalities within the remit of the role (e.g. board/senior management member registration, corporate documents registration, etc.).

3.1.2.11. Business Resilience Division

- Ensures that Euroclear Group has a solid Business Resilience framework to support its mission as a leading and trusted FMI, with strong collaboration with Clients and Ecosystem Partners; and
- Delivers on a risk-based approach - including entities specifics - the necessary detection, protection and recovery mechanisms to ensure business “weathers the storm” and the heartbeat of capital markets.

3.2. CONTROL DIVISIONS

3.2.1. Set up of Internal Control Functions

The following principles apply in respect of each of the Control Functions:

- The staff of the control function does not perform any operational tasks for, and are organisationally separate from, the activities they monitor and control;
- None of the control functions may be combined with any other;
- Compliance and Ethics (C&E) and Risk Management functions are subject to separate independent review by Internal Audit (IA);
- Remuneration of staff within each of the control functions, including the relevant Head of the Control Function, is not linked to the performance of the activities the function oversees;
- These functions have the necessary authority, resources expertise and access to all relevant information to perform their mission;
- At CSD level, the function may be outsourced (or co-sourced) either intra-group or externally at CSD’s discretion according to its own operating model, subject to CSDR and local requirements. Under the same conditions, functions may be shared between Euroclear CSDs. Regardless of how the CSD control function is sourced, it must meet the minimum standards of operation and risk and control set by the ESA MC.

3.2.2. Heads of Internal Control Functions (Key Function Holders)

Reporting lines

(i) Group Chief Compliance and Risk Officers

- Has a reporting line to the Group CEO;
- Also has a reporting line to the Chair of the competent ESA Board Committee (Audit or Risk as relevant and as outlined in the Committee terms of Reference) ; and
- Has unmediated access to Chair of the Board, the Board itself and members of the relevant board committee (i.e. without requiring advance notice to, or approval by, ESA management). May also directly contact the statutory auditor or the supervisory authority when deemed necessary.

(ii) Group Chief Auditor

- Has a functional reporting line to the Chair of the Audit and Compliance Committee, to ensure that Internal Audit is fully independent and free from interference by any element of the Company;
- Has an administrative reporting line to the Group CEO of the Company, to ensure unrestricted access to records, personnel and physical properties relevant to the performance of the audit assignments, to gather intelligence as well as to share audit planning and reports.

Appointment and removal

- Appointment and removal is approved by the Board upon the recommendation of the relevant Board Committee. An internal fit and proper assessment is performed subject to review by the NGC in accordance with applicable regulatory guidance;
- The Group CEO may be consulted to provide input in the selection process to the relevant Board Committee;
- Appointment is subject to prior approval by the NBB as to the suitability of the proposed candidate with regard to the fitness and propriety criteria required for the role. Those criteria should be met at all times. Removal is subject to prior information of the NBB.

Objective setting, performance evaluation and remuneration

- Objective setting
 - The Group CEO proposes annual objectives for the Group Chief Compliance and Risk Officers. The proposed objectives are reviewed with the relevant Board Committee Chair and approved by the relevant Board Committee;
 - The Chair of the Audit and Compliance Committee oversees the setting of objectives for the Group Chief Auditor and consults with the Group CEO as part of this process. The proposed objectives are approved by the Audit and Compliance Committee;
 - For the avoidance of doubt, the relevant Board Committee has the final say on objectives in the event of disagreement.
- Performance Evaluation and Remuneration
 - The Group CEO proposes annual performance evaluation and remuneration for the Group Chief Compliance and Risk Officers;
 - The Chair of the Audit and Compliance Committee oversees the performance evaluation and remuneration for the Group Chief Auditor and consults with the Group CEO as part of this process;
 - The proposed evaluation and remuneration are reviewed with the relevant Board Committee. Quantum and appropriateness of the proposed remuneration are also subject to review and advice by the Remuneration Committee;
 - The relevant Board Committee and Remuneration Committee make a recommendation to the Board for the remuneration, which is approved by the Board. For the avoidance of doubt, the Board has the final say on the evaluation and remuneration decision.

3.2.3. Group oversight for the Control Functions

With the objective of ensuring oversight by ESA as parent company of the risks existing at local level, the governance principles with respect to the internal control function are further described in the respective group internal control charters issued from time to time by ESA, always respecting the independence of the local internal control function and final decision authority of the local Board.

3.2.4. Internal Audit Function

The mission of the Internal Audit ("IA") Division is to provide the Board and senior management with reasonable assurance and insight, in an independent and objective way, on governance, risk management and internal control to add value to and support Euroclear in achieving its objectives.

Organisation and functioning

The Board approved the Internal Audit Charter, which:

- Describes IA's mission, scope of work, structure, authority, accountability, responsibility, independence & objectivity, as well as confidentiality requirements;
- Stipulates that the Chief Audit Executive has the necessary stature in the organisation with proper independence in determining the Internal Audit Universe, Internal Audit Plan and scope of internal audits, performing work (through an unlimited access right to all personnel, records and data of the company), and communicating results.

In order to carry out its mission, Internal Audit has set up a comprehensive universe that reflects Euroclear's corporate structure and business lines, outsourced activities as well projects/programmes carried out by the Group.

The three-year Medium-Term Audit Plan covers the full universe and is the result of a risk-based approach, considering as well risks or control concerns identified by the Audit Committee, senior management, the external auditor and/or regulators. In particular, the Plan consists of:

- Cyclical engagements, for which the frequency is derived from the (inherent) risk assessment of the audit universe as well as outsourced activities, taking into account mandatory frequencies;
- Non-cyclical engagements, derived from the risk assessment of projects/programmes or based on management request or non-recurring events;
- Mandatory audits deriving from regulatory obligations or contractual obligations.

An annual comprehensive audit planning process ensures that the Medium-Term Audit Plan remains commensurate to the risk profile and focuses on the areas presenting the highest risks or being heavily control dependent.

Issues identified by IA are entered into the risk database used at Group level. In line with the Institute of Internal Auditors (IIA) standards, IA performs the follow-up and closure verification of the issues it raises, but also issues raised by external audit, or from regulator.

The planning process includes an analysis of the resources needed to achieve the Medium-Term Audit Plan. A skills matrix describes the set of skills required to meet the needs of IA, and the evaluation of each auditor against this set of skills allows identifying training or co-sourcing needs. Auditors are encouraged to take professional exams and certifications. If certified, auditors are obliged to participate in Continuous Permanent Education.

The IA Charter refers to the IIA definition of Internal Auditing, Code of Ethics and Standards. IA has designed its audit methodology in order to ensure compliance with the IIA's International Professional Practices Framework (IPPF). The on-going Quality Assurance and Improvement Program (QAIP) ensures continued compliance to the IPPF. It includes ongoing internal assessments (such as self-assessments and audit supervision), periodic internal assessments (such as peer reviews, Stakeholder Satisfaction Questionnaire), and periodic external assessments by a qualified, independent reviewer (at least every five years). The results of the QAIP are reported bi-yearly to the MC and AC through a Performance Report. The 2020 External Quality Assessment performed by FSV Advisory and IIA Belgium confirmed IA's compliance with IIA Standards.

Audit Reporting

The Audit Reporting to the MC and Board level includes the following:

- Medium Term Audit Plan and related Resources Plan: this report provides explanations on the drivers supporting the plan and gives an overview of the audit planning envisaged over a three-year horizon. The MC is consulted on it and it is reviewed by the AC, and recommended by the AC to the Board for approval;

- Quarterly Report: this report covers (i) an executive summary including the Chief Auditor's message and trends, (ii) a status on IA deliverables, (iii) Control Matters for Audit Committee Attention (CMAA) related to the control environment that IA considers to be of high risk to the organisation, and matters that should be a priority for Management's close oversight, (iv) issue and action plan follow-up: follow-up monitoring information for all pending Critical, High and Medium-risk audit issues;
- Bi-yearly Performance Report: this report covers performance metrics, to inform all stakeholders and to facilitate the Audit Committee's oversight and review of the IA function.

IA also has regular meetings with regulators and external auditors. Audit reports are communicated to these stakeholders upon request.

3.2.5. Compliance & Ethics Department

Mission

Compliance & Ethics Department ("C&E") supports and challenges the business in its management of Compliance Risks⁴. This includes:

- Monitoring each Euroclear Company's compliance with the applicable legal and regulatory requirements;
- Proactively identifying, assessing and monitoring Compliance Risks faced by the Euroclear Group;
- Designing, implementing and overseeing the Compliance Risk Management Framework which comprises a set of processes and tools which shall be used by the Business, Senior Management and Compliance;
- Providing objective and independent advice, guidance and challenge on the first line's identification, assessment and management of Compliance Risks;
- Assisting Senior Management in educating and enhancing the awareness of staff members on compliance matters and promoting a culture of compliance throughout the company;
- Providing assurance to Senior Management, Boards and regulators on the effective management of Compliance Risks.

To perform some of its responsibilities, C&E may agree to rely on the framework and activities performed by departments or divisions within the Group which hold specific subject matter expertise. Any allocation of responsibilities must be appropriately documented and must include mechanisms of co-operation amongst the relevant departments and C&E to ensure that there is adequate exchange of relevant advice and information so that the Group CCO continues to discharge his/her responsibilities (as set out in paragraph 6 below).

Organisation and functioning

The Board approved the Group C&E Charter which describes the assignments, governance and operating model of the Group Compliance & Ethics function, and sets out the core principles of the Compliance function that must be adhered to a Group and Entity level (including ESA stand-alone) by the appointed Group and Entity Chief Compliance Officers.

The Euroclear Compliance & Ethics organisation is composed of:

- 1) Entity Chief Compliance Officers (and their teams) who are overall accountable and operationally responsible for the Compliance and Ethics function of their entity;

⁴ The monitoring, identification, interpretation, assessment and communication to impacted internal stakeholders of applicable legal developments ('Legal Watch') is the responsibility of the Legal Division.

2) One ESA C&E Delivery Team who provides resources and expertise under the terms of a formal shared services agreement with the entities, covering among others:

- Compliance Risk Advisory Teams
- Transversal Services Teams (policies, trainings, projects...), supporting the C&E Division
- A second line assurance team

3) A Group CCO Office whose mission is to oversee how compliance risks are being managed across the group.

Reporting

The C&E reporting to the MC and Board includes the following:

- Annual Plan: setting out and updating a risk-based action plan detailing the assignments to be carried out and the resources required;
- C&E activity reports: reporting notably on material problems, shortcomings and/or breaches and serious incidents as well as important recommendations, specifying which ones have not been observed by the business.

In addition, C&E reports to, and is in regular contact with the NBB and the FSMA.

3.2.6. Risk Management Division

Mission

Risk Management's ("**RM**") mission is to provide robust independent oversight of risk-taking activities across the Euroclear Group, to help it achieve its goals and deliver its strategy.

In support of this mission, RM has defined the following objectives:

- Establish, maintain, facilitate and assess the effective operation of Euroclear's Enterprise Risk Management framework (ERM);
- Help foster a healthy risk culture throughout the organisation; including risk education and training where helpful or necessary; and
- Provide the Board and senior management with high quality, independent risk advice and guidance.

Organisation and functioning

The Board approved the RM Charter which details how the Risk Management division achieves its mission and objectives through setting out the authority, remit and responsibilities of Euroclear's Group Chief Risk Officer (Group CRO), the CSD Chief Risk Officers (local CROs) and the Risk Management division.

The Risk Management Charter also establish how the Group CSD CRO discharge their respective responsibilities whilst balancing the need to address conflicts of interests concerns in an appropriate way.

The Group CRO has a regulatory obligation to ensure there is robust independent oversight of risk-taking across the Euroclear Group, including the CSDs. The CSD CRO has overall accountability for ensuring there is robust independent oversight of risk-taking activities in his/her CSD. Consequently, the Group Risk Management division working in conjunction with the CSD Risk Management function provide robust, independent oversight of management's risk-taking activities at Group and CSD level.

In order to facilitate the efficient flow of timely, relevant and reliable risk information to the appropriate risk governance body, as well as providing robust, but constructive, challenge to Senior Management and the Board Risk Committees when discussing risk matters. the Risk Management division has adopted a matrix operating model: The RM Centre of Excellence ("**CoE**"). The CSD CRO is able to draw on RM CoE resources as needed, including amongst others:

- Risk Regulation, Framework & IRM

- Operational & IT Risk
- ICLAAP, Scenarios & Stress Tests
- Business Risk, ESG, Strategic & Financial Risk
- Recovery & Resolution
- Model Validation

Additionally, since RM seeks to hire the best talent and subject matter experts irrespective of location, CoE resources are based in all Euroclear CSD locations, thereby increasing local RM presence and general succession opportunities.

The RM arrangements between CSDs and the RM CoE are governed by a comprehensive Shared Services Agreement (“SSA”) between the CSD and the Company. The SSA details RM service descriptions, agreed performance levels and key performance indicators.

CROs can use their own resources if necessary as per RM charter.

CROs periodically review RM “CoE” performance with the Group CRO. The Group CRO is responsible for ensuring that any CSD CRO’s service delivery/performance concerns are investigated timely and addressed as appropriate. In the unlikely event that the Group CRO fails to adequately address the CSD CRO’s concerns, then the CSD CRO is able to escalate the issue through the CSD’s established outsourced service provider governance arrangements.

Risk Monitoring

Risk monitoring and escalation processes ensure that risks are considered by the relevant management or governance body at the appropriate point in time.

Euroclear operates a three lines of defence model, whereby the first line (management) is responsible for taking acceptable risks in line with Euroclear’s risk appetite to meet our key goals. Euroclear’s Positive Assurance Reporting (PAR) process enables first line management to provide senior management and the boards with direct assurance on the effectiveness of Euroclear’s risk management and internal control arrangements.

Broadly speaking, the PAR equips management with a tool to monitor the achievement of the key business objectives taking into account the risk dimension (in line with risk appetite). The PAR thus provides a view of the key inherent risks, the related controls and the residual risks that results from them. The PAR also feeds into the yearly Internal Controls Systems (ICS) report, which includes management’s assessment of the key risks and the control environment. Management’s assessment is complemented by Risk Management’s and Internal Audit’s assessment. RM and IA independent assessments may confirm, nuance or disagree with first line management’s views. This process supports an active dialogue between the three lines of defense, aiming to align on priorities for further maturing the control environment.

Risk Management reporting

In its independent risk oversight role of management’s risk taking, Risk Management:

- Provides comprehensive risk analysis and reporting through the quarterly CRO report which goes to both the MC and Risk Committee;
- Produces risk reports to help the organisation understand and manage its risks; and
- Escalates to the appropriate level material risk issues when, in its opinion, either a new risk emerges or mitigating actions for an existing risk have been insufficient in scope and/or time.

3.3. BRANCHES AND REPRESENTATIVE OFFICES

ESA has its headquarters in Brussels and operates a branch office in each of London, Paris and Amsterdam. These branch offices have been active since 1 January 2005 and each has a Head of a Branch and a Deputy Head of a Branch (with the exception of Euroclear SA/NV Amsterdam only having a Head of a Branch) who are approved for the function by the NBB.

Each of the Amsterdam, London and Paris branch office provides shared services (as further described in Section 4) to the Operating Entities in those jurisdictions.

The ESA Management Committee has delegated appropriate decision-making powers to the branches in line with their specific activities enabling the branch management to exercise full responsibility for the proper functioning of the branch in accordance with local legal and regulatory requirements.

ESA has also established a small representative office in Luxembourg to provide support to local clients in their language and deliver more personalised and dedicated client service, which is as such is integrated within the ESA Commercial Division.

ESA does not have activities in any other jurisdiction.

3.4. OUTSOURCING

ESA has contractually undertaken to provide all the outsourced services to the CSDs in a standard written services arrangement, the "Shared Services Agreement" ("SSA"). It is consistent with regulatory requirements for each of these (I)CSDs, which monitors and manages the performance of the services provided by ESA, within policies and frameworks approved by them.

ESA Board has approved in January 2022 the Outsourcing and Critical Service Providers Group Policy. The Outsourcing and Critical Service Providers Group Policy sets out the Minimum Requirements of the ESA Board towards EB, CSDs and their branches and representative offices as applicable, for the effective management and independent oversight of outsourcing related risks in accordance with the Group's Risk Appetite.

In line with the agreed Policy Framework, Euroclear Companies will transpose the Minimum Requirements in local policies, in accordance with entity and its own set of particularities (e.g. local legislation, nature and complexity of activities). The entities are deemed to locally transpose the Group Policy into local policies (Board Policies and/or Policy Handbooks) within a period of 12 months. The framework for OSPs is further outlined in the Outsourcing and Critical Service Providers Policy Handbook. Euroclear's outsourcing framework follows the three lines of defence model, central to Euroclear's ERM Framework. This framework is embedded in and supported by Euroclear's internal control system through a number of specific control objectives and control activities.

The same outsourcing framework apply to both intra-group and external outsourcing, including amongst others risk assessments, governance, monitoring and controls, risk re-certifications, performance reviews, escalation paths, unobstructed oversight and exit measures (to the extent that they are required).

The Outsourcing framework encompasses a life cycle of three key steps with a strong governance model to adequately identify, assess, implement, monitor and control the outsourced services/activities. Those steps are further detailed in the underlying Outsourcing Operating Procedures.

The standard outsourcing arrangements are designed and implemented in a way that is driven by compliance with applicable regulatory requirements (such as CSDR, EBA Guidelines on Outsourcing, ESMA Guidelines on Cloud outsourcing);

3.4.1. Outsourcing life cycle

The outsourcing life cycles are subject to the Outsourcing and Critical Service Providers Policy Handbook and underlying operating procedures and internal controls describing the sequence of activities to be undertaken by the Euroclear CSD in each step and the various Committees - both decision-making and advisory - involved.

They cover five scenarios':

- CSD outsourcing to ESA
- CSD outsourcing to ESA on its turn outsourcing to an external party
- CSD outsourcing to another CSD
- CSD outsourcing to an external party
- ESA outsourcing to an external party

The life cycles are composed of the following three main steps:

- Identification of potential outsourcing opportunities, due diligence and assessment of the appropriateness of such opportunities (e.g. cost and benefit impact analysis) and evaluation of the inherent risks using templates and tools developed for this purpose. These are based on the Euroclear Risk Management Framework, international standards such as CPMI-IOSCO Annex F or other similar local standards, as relevant. The approval to proceed with the Outsourcing proposal should be obtained from the relevant committees (where applicable): For the CSD, the ROC/MC/Board, and for ESA, the ESA Outsourcing Committee and Group Risk Committee (projects of strategic importance); notification to the relevant regulator(s) and approval or non-objection by them when required;
- Implementation of the outsourcing through a clearly defined and controlled project. A phased project methodology and governance rules apply. The identification and selection of third-party providers follow the "sourcing and contracting" procedures set out in the Purchasing of Goods and Services Policy Handbook. A thorough risk assessment is performed (i) to assess whether the proposed solution answers the business objectives, the residual risk the solution may create for the entity and (ii) to evaluate the capability of the provider to comply with Euroclear standards defined in the applicable policies. This phase also consists of integrating the solution in Business Continuity Plans (where relevant) and Audit Plans (on a risk-based approach), and logging in the Outsourcing Register.
- The final phase consists in the monitoring and controlling of outsourcing. The process allows the Euroclear Company to monitor the risk profile, performance and any changes thereto (e.g. financial stability, compliance with Euroclear ethical standards, etc.), and take appropriate remediation measures such as additional controls, agreed action plans with the service provider and in the worst case the termination of the contract.

This final phase consists of the following activities:

- Operational (ongoing) monitoring activity of performance of the outsourcing service provider and the risks posed to the entity and its clients. The Euroclear Company contracting with the OSP is responsible for monitoring on an ongoing basis the provider and their performance to ensure they meet the agreed performance criteria set in the Service Level Agreement or other supporting contractual agreement;
- (periodic) strategic review discussions with the targeted service providers to be structurally evaluated in key areas such as global customer satisfaction, future evolution, and collaboration;
- Periodic risk re-assessments (re-certification of the risks) related to the outsourcing solution and provider. The Euroclear Company contracting with the OSP is responsible for re-assessing the risks faced by Euroclear to remain in the relationship with the supplier and the effectiveness of the mitigation actions, to ensure that there is no increase in risk exposure or any emerging risks (regarding areas including Business Continuity Process, disaster recovery, cyber security, data protection, financial stability, sub-

outsourcing, etc.). Re-certification of the outsourcing will also be undertaken in a risk based approach and in the event of material change, resulting in a potential significant change of risk profile. The Euroclear Company shall give positive assurance to its MC and/or Board that the process has been duly executed and inform such MC and/or Board of any material risks and issues, including those impacting the Euroclear Company when acting in its capacity as a service provider. Information flows to the Outsourcing Committee are also organised; and

- Periodic testing of business continuity plans and disaster recovery plans (critical OSPs), the security of critical applications through penetration testing, and the exit plan (critical OSPs).

3.4.2. Governance

The CSDs, i.e. depending on the scenario and as per the relevant terms of reference of their Risk & Operating Committee and/or Management Committee and/or Board, have ultimate decision-making authority, both in relation to direct outsourcing by the CSD but also to any outsourcing indirectly contracted at an ESA level and relating to the CSD (i.e. where ESA procures services to the CSD). The decisions falling in their remit cover all steps of the outsourcing life cycle: decision on i) any outsourcing opportunity, ii) on the choice of the service provider (external, internal with or without further outsourcing) and iii) on the provider's performance management. The CSD, according to its own governance, will rely for the prior risk assessment on the expert advice of its own Risk & Operating Committee. Any issues may be escalated to the relevant MC and/or Board for discussion and resolution.

4. CONTROL FRAMEWORK

This section of the Memorandum describes Euroclear's risk and internal control framework, including IT security and business continuity guiding principles and governance.

4.1. THE RISK AND INTERNAL CONTROL FRAMEWORK

The Board is committed to maintaining a low risk profile in line with Euroclear's role as a leading financial market infrastructure with a closely guarded reputation for safety and resilience. Reflecting this, the ESA Board has established a risk strategy (translated into a Corporate Risk Management Policy and Operational Risk Management Group Policy), supported by an appropriate risk appetite framework, that ensures and preserves Euroclear's long-term strength and the trust of its key stakeholders.

The Board has put in place a risk governance framework in which roles and responsibilities for managing risk are clearly defined. The Board oversees Senior Management implementation of risk appetite through a set of diverse, approved limits that are based on risk reward analysis and are related to our strategic objectives. Senior Management and Risk Management report to the Board on the Group's current risk position by reference to a suite of financial and non-financial risk appetite measures, allowing the Board to determine what actions are needed to maintain the Group's risk profile at the desired level.

Euroclear's Enterprise Risk Management ("**ERM**") framework is documented in the ERM Framework Policy and is applicable to all risk types. The ERM Framework acts as an umbrella reference document for all other risk specific frameworks operated by Euroclear, including but not limited to:

- A dedicated Operational Risk Management Group Policy in line with the risk appetite set by the Board. Euroclear's operational risk framework details how Management is managing operational risk;
- Information security risk, being the protection of critical assets, by preserving their confidentiality, integrity, availability to authorised users and compliance to relevant regulatory requirements. The Information Security Management System Group Policy sets the guidelines on how ESA

maintains adequate level of information security and how it safeguards its information assets, the interest of its key stakeholders as well as its reputation and brand;

- Business disruption frameworks (see 4.3).

Other policy handbooks contain topic specific information and cross-reference the ERM Framework Policy Handbook as necessary.

The risk strategy and frameworks guide the Board in its responsibility to devote the appropriate time and attention to risk issues, and oversee the implementation of the Group corporate strategy, in a way that preserves Euroclear's reputation through risk awareness and the exercise of behaviours and values that foster a robust culture.

Euroclear's ERM framework covers, amongst other things:

- **Risk governance** – including the role of the Board, the Risk Committee and the Management Committee. Effective risk governance is critical to the overall effectiveness of Euroclear's risk management.
- **Risk strategy** - In order to ensure effective and prudent management of risk taking activities, Euroclear Companies must have an appropriate Risk Strategy that is commensurate to their role as financial market infrastructures and is aligned with the Group's and the entity's Risk Strategy, mission, values and vision.
- **Risk culture** - Euroclear's risk culture refers to, amongst other things, its attitude towards risk and opportunity, its level of risk awareness, how decisions are taken and how responsibility and accountability are defined.
- **Risk appetite** - in achieving its strategic objectives, the risk-reward balance is crucial. Risk appetite should be viewed as a guide to help senior management teams understand how much risk the Board is willing to accept in aiming to meet its objectives. In contrast, risk capacity is the total risk burden that Euroclear can bear without entering a recovery situation. Euroclear's risk appetite framework facilitates these decisions.
- **Risks in execution** - underpinning the effectiveness of its risk governance framework is the need for open and transparent identification, analysis, sharing of risk information and management of those risks – including root causes, potential impacts and incidents - from across the organisation.
- **Three lines model** – in line with best market practice, the three lines model within ESA facilitates the effective operation of the ERM framework. Each line plays a distinct role providing senior management teams and the Board with confidence that ESA is likely to achieve its key goals through the effective management of risks.

- **1st line – everybody in Euroclear:**

Line management ensures that the right risk culture is embedded in the different business units. It owns the risks linked to the activities it undertakes to reach its business objectives. It must identify, measure, control and manage these risks, and define and operate a control system to ensure Euroclear reaches its business objectives within its risk appetite. Line management is the primary source of assurance on the adequacy and effectiveness of the control environment to Senior Management and the Board.

- **2nd line – Risk Management and Compliance & Ethics:**

The Risk Management function provides robust, independent oversight of 1st line's risk-taking activities. Euroclear achieves its goals and delivers its strategy within the Board's risk appetite. The Risk Management function aims to deliver and maintain an effective ERM framework; provides the Board and Senior Management with high quality, independent advice and guidance; and helps foster a healthy risk culture throughout the organisation.

Compliance & Ethics monitors, tests and reports to management on controls relating to laws and regulations falling within its remit and advises on

remedial actions. As an independent control Second Line function, C&E is accountable to support, provide advice, challenge and oversee the 1st Line in its management of Conduct & Culture Risk, Compliance Risk and Fraud Risk.

2nd Line functions provides regular trainings across the organisation to increase awareness of risks.

○ **3rd line – Internal Audit:**

Internal Audit provides reasonable assurance on the adequacy and effectiveness of Euroclear's governance, risk management and internal controls. Internal Audit's scope is unrestricted, so that IA can operate at the highest level of independence and objectivity within the organisation, in order to support the Board and Senior Management in reaching their objectives.

These control functions are designed to comply with the highest standards in ensuring a robust and transparent management and control environment. The Group system of internal controls is fully integrated, covering the whole organisation to ensure:

- Prudent conduct of business;
- The right balance between risks, service quality and costs for financial market infrastructures;
- The protection of Euroclear and client assets;
- The quality and integrity of the financial information;
- Timely compliance with regulatory requirements across all the entities of the Group.

The MC is responsible, under the supervision of the Board, for taking all necessary measures in view of the implementation of these control functions and for reporting, at least once a year, to the Board of Directors, to the NBB and to the External Auditor, on the compliance with these requirements and on the adequate measures adopted.

4.2. IT OVERSIGHT (SEE ALSO 4.1 AND 4.3)

The ERM Framework sets out the principles for the governance and management of the end-to-end IT environment irrespective of whether IT is internal to CSDs or outsourced (within or outside the Euroclear group) to ensure:

- Alignment with the business strategy, objectives and needs;
- IT risks are managed in line with risk appetite to safeguard the confidentiality, integrity and availability of Euroclear IT assets, data and systems used;
- CSDs maintains IT expertise and full accountability of outsourced IT functions;
- IT complies with all legal and regulatory requirements applicable to ESA.

4.3 BUSINESS RESILIENCE MANAGEMENT

As a systemically important Financial Market Infrastructure (FMI), Euroclear has in place a Business Resilience Management ("BRM") to ensure its recovery and continuity in case of a disaster, major incidents or any form of business disruption.

Euroclear put in place a comprehensive BRM framework, describing roles and responsibilities, the approach and objectives supporting the business targets for the timely resumption of critical operations. BRM is in line with the risk appetite set by the board.

Euroclear's BRM framework aligns with a number of industry standards, including the international standard ISO 22031, and meets the legal

requirements of CSDR and the CPMI-IOSCO Principles for Financial Market Infrastructures.

4.3.1. Guiding Principles

The BRM framework has its foundations in the following main documents:

- The Operational Risk Management Board Policy;
- The Business Resilience Management Policy Handbook includes the scope and guiding principles of BRM over the different BRM domains and the Extreme but Plausible Scenarios covered. The BCM strategies support the resumption of critical services with the set Recovery Time Objective ("RTO") of 2 hours and the completion of the settlement day on the scheduled date. It also describes the governance across the three lines of defence and for the escalation process and incident response structure;
- The Business Continuity and Disaster Recovery Plan is the overarching document designed to help the organisation respond to incidents. It sets operational priorities and includes checklists and supporting information for different scenarios.

Departmental Business Continuity Plans and playbooks aiming to guide the different crisis teams response to impact based scenarios, including cyber scenarios.

4.3.2. Governance

The three lines of defence operated by Euroclear facilitates the effective operation of the business continuity framework:

- As part of line management being the first line of defence, the Euroclear Management Committee takes the overall strategic lead in discharging the ESA Board's overall responsibility for Business Continuity and Disaster Recovery (i.e. approves the continuity objectives and plans). The first line is responsible for the coordination of the BRM framework across the group. Every component of the BCP is tested regularly according for requirements set in the policy. The BRM is designed to foresee that IT systems can resume operations within two hours and includes all reasonable steps to ensure that settlement is completed by the end of the business day even in case of a disruption. The first line of defence ensures that adequate business continuity and disaster recovery plans are in place to ensure continued effectiveness including performance of regular tests;
- As second line of defence, Risk Management reviews and challenges the adequacy of Business Continuity capabilities, plans and crisis management controls operated by the first line;
- As third line of defence, Internal Audit provides independent assurance on Euroclear's business continuity and crisis management controls' effectiveness.

In order to ensure a systematic and coordinated response to unexpected events, Euroclear established a three-tiered Bronze-Silver-Gold crisis management structure. These three levels deal with operational - tactical - strategic issues respectively. Communication to internal and external parties during and after an incident forms an essential part of the incident response. The Crisis Management teams are required to assess the need for communication and if so, to communicate to clients, clients facing staff, other staff, and, from Silver on, also to supervisory authorities. More specifically, the structure is as follows:

- A Silver team set up to respond to local CSD incidents;
- CSDs are represented on the Euroclear Cross-Silver crisis team that is activated for all incidents impacting several Euroclear entities;
- A Gold team is formed of the ESA Management Committee and supported, if required, by the HR, Legal and IT Division's heads and by representatives of the Euroclear CSDs.

The roles, responsibilities and composition of Gold, X-Silver, Silver and Bronze crisis management teams are outlined in the BCM Policy Handbook.

5. PURPOSE, LONG-TERM VISION, VALUES AND POLICY FRAMEWORK

5.1. GROUP PURPOSE

The Group's Purpose is:

We innovate, to bring safety, efficiency and connections to financial markets for sustainable economic growth.

5.2. LONG TERM VISION

We aspire to be the change agent to facilitate the evolution of the current market model.

- From a sequential value chain, where data is duplicated across multiple layers, with risks and inefficiencies arising from multiple reconciliations, redundancies, and delays;
- Towards an open shared platform providing data-enabled services available to all market players and complemented by third parties.

This will expand our wholesale 'self-reinforcing' ecosystem, where everybody benefits from the presence of the other.

5.3. GROUP VALUES

Euroclear attaches the utmost importance to its reputation for integrity, honesty and fairness. This is reflected in the Group values under REACH (Respect-Effective-Accountable-Client First-Helpful).

The Group has established high standards of professional conduct that direct the ongoing activities of the Group. ESA and CSD management ensure that these standards are widely communicated within the Group.

These standards are formalised in various policies and procedures applicable to employees, senior management and directors across the Group.

As further explained in Section 4.3., those policies and procedures address issues such as corruption, self-dealing and other illegal or unethical behaviour in the Group's internal and external activities.

5.4. POLICY FRAMEWORK AND INTEGRITY POLICIES

The Group has in place a comprehensive policy framework which covers all C&E, RM and Legal policies and is supported by the Policy Office within the C&E team. The policy framework formalises the standards of professional conduct expected of all individuals working at Euroclear.

The Group Policy Framework is based on a two-tiered structure, as follows:

Group Policies

- Are high-level, principle based and articulated into Minimum Requirements;
- Are approved by the ESA Board/MC ;
- Are drafted in consultation with all Operational Entities of the Group;
- Leave room for Operational Entities to decide how to implement and adapt them to the local context and specificities.

Local Policies

Local Policies transpose the Group Minimum Requirements via Board Policies and/or Policy Handbooks approved by the local Board/MCs.

Board Policies

- Are approved by the Board and are principles-based;
- Address high level control objectives in order to manage Euroclear risks effectively;

- Address specific requirements (e.g. regulatory, legal) subject to Board's approval;
- Describe the relevant governance and decision-making processes; and
- Provide clear Board statements from which management can then derive, when relevant, underlying policy handbooks.

Policy Handbooks

- Are approved by Local Management Committee (e.g. ESA policy handbooks are approved by the GRC upon delegation from the ESA MC);
- Are practical-based documents defining how to ensure compliance with the requirements set at the Group (and Board) level (if and as relevant);
- Describe the relevant governance and decision-making processes; and
- Provide clear management statements from which division heads, department heads and team leads can further cascade, where applicable, into more practical guidelines (Implementing Procedures) and relevant Standard Operating Procedures.

5.4.1. Ethical, Legal & Compliance risks

Code of Conduct

- Consists of a Group code of ethics setting out the list of minimum standards to which management, employees, and as appropriate contractors must conform;
- Sets out Euroclear's commitment to protect its reputation for integrity, fairness and honesty;
- Establishes the basic principles governing legal and compliance risk, including a compliance program to detect and prevent money laundering and terrorist financing;
- Details the actions to be taken in the event of non-compliance.

The Board has adopted a specific Board Code of Ethics setting forth values to which Board members shall adhere in carrying out their duties and promoting honest ethical conduct by establishing standards to which Board members should conform and outlining the actions that should be taken in the event that a Board member wishes to raise a concern.

Legal Risk Group Policy

- Sets out the expectations of the ESA Board for the effective identification, assessment and management of Legal Risks across the Group ;
- Establishes the basic principles governing legal risk across the Group in line with Group's Legal Risk Appetite ;
- Details the principles and processes to be documented and made readily available to all internal stakeholders.

Pursuant to the abovementioned Group Policy separate handbooks have been issued including:

- Contract Management; and
- Competition law

Group Compliance Risks Policy

- Compliance Risk is the risk of financial loss or reputational damage as a result of the failure to comply with laws, regulations and regulatory standards;
- Sets out Minimum Requirements of the ESA Board towards the Euroclear Companies for effective management and independent oversight of Compliance Risks in accordance with the Group's Risk Appetite;
- Defines the standards pertaining to roles and responsibilities and activities of the compliance function.

Pursuant to the abovementioned Policies, separate handbooks have been issued including:

- Corporate Responsibility;
- Speak Up (whistleblowing);
- Anti-Money Laundering & Counter Terrorist Financing;
- Sanctions;
- Personal Data Protection;
- Retention, retrieval and disposal of data;
- Special tax mechanisms;
- Signatory Authorisation;
- Contract Management;
- Conflicts of Interest and External Mandates;
- Market Abuse Prevention;
- Complaints handling;
- Data Monitoring;
- Fraud Prevention; and
- Competition law.

Those company objectives, values and codes are communicated and promoted throughout the Company and the Group a.o. by postings and comments on Euroclear's internal website. Practical awareness tools include e-Learning modules and targeted training organized by C&E.

ESA MC is responsible for overseeing the implementation of the appropriate processes.

5.4.2. Conflicts of Interest

Similar to other groups, the management of the Euroclear Group gives rise to a range of situations that (could) amount to a conflict of interest. The corporate structure as well as contractual arrangements (including outsourcing arrangements) in place in the Group creates the potential for intra-group conflicts of interest.

Besides applicable legal provisions on Conflicts of Interests, ESA and its CSDs have therefore adopted comprehensive policies that Euroclear Board members, management and staff (including contractors), must follow in order to identify, notify, assess, properly manage and control potential and actual Conflicts of Interest ("**CoI**"):

- Group Policy on Conflicts of Interest;
- The conflict of interest and external mandates procedure for ESA/EH Board members;
- Guidelines for categorisation, assessment and determination of management measures and controls for Conflict of Interest in Euroclear.

CoI Policy Documents require all board, management and staff not only to consider and disclose the conflicts of interest they may have both personally (including via persons directly or indirectly linked to them) and *qualitate qua* (i.e. when they act upon a mandate) but also to take reasonable steps to avoid engagement in activities which could create a perception of impropriety or jeopardise Euroclear integrity or reputation. A number of procedures have been designed to identify (potential) CoI.

Guidelines and Standard Operating Procedures detail how to:

- Categorise and assess the materiality of conflicts of interest identified or disclosed under the CoI Board Policy or the CoI Policy Handbook;
- Assess the effectiveness of available management measures and controls in respect of any conflicts of interest; and
- Implement effective management measures and controls for identified and disclosed CoI.

All Euroclear Group entities seek to limit the occurrence of material (permanent) CoI situations. Euroclear Board (Committees) composition rules form integral part of this objective.

In case of an actual permanent conflict of interest, the Company will automatically apply the measures foreseen in relevant regulation, i.e. involved individuals will be excluded from the decision-making process and from the receipt of any relevant information concerning the matters affected by the permanent Conflict of Interest.

All potential or actual conflicts identified or disclosed in line with the CoI Board Policy and the CoI Policy Handbook must be recorded either in the Conflicts of Interest Inventory or Register along with the outcome of the categorisation and materiality and manageability assessments which are required by the Guidelines.

Intragroup outsourcing (by a CSD to both ESA or another CSD) is one of the categories of possible conflicts of interest considered in the CoI inventory. The inventory includes a specific sub-category relating to the services that Euroclear entities provide to other group undertakings. For each of the identified potential CoI, specific control measures are described to manage those potential conflicts.

The intragroup standard contractual arrangements (either SSA or ICOA) evidence the arms' length nature of the relationship and detail the process steps to hold ESA or any other group undertaking to account for due performance of its obligations.

In the event of consistent failure by the intragroup service provider or should a dispute arise that cannot be resolved at the level of the regular service management meetings, the intragroup standard contractual arrangements (either SSA or ICOA) include a two-level internal escalation procedure involving the respective parties' management and decision bodies on an equal footing. For the unlikely eventuality of an issue that cannot be resolved through the ordinary contractual or governance channels an internal escalation body (composed of Independent Directors from the Group) will be empowered to deal with unresolved disputes in an objective manner (including those relating to the outsourcing arrangements).

To prevent any conflict of interest specifically resulting from the exercise of external functions ESA has dedicated policies on the matter (see above).

5.4.3. Speak up (Whistleblowing)

Euroclear encourages everyone, regardless of their role in the organisation, to report (internally or via an external reporting mechanism) known or suspected violations if they genuinely and in good faith believe that a suspected or known violation of laws, regulations or internal policy is occurring or has occurred within any Euroclear company.

The Operational Entities have therefore a Speak Up Policy Handbook or Board Policy which:

- Provides a framework which ensures that speaking up is possible at all levels and through various channels;
- Provides guidance on the reporting arrangements explaining:
 - What can be reported;
 - What is the process for reporting, including the available internal and external channels;
 - How a report is handled.
- Ensures that all reports will be treated in confidence, in a timely manner and with due regard for the rights of all individuals concerned, in accordance with local laws.

6. PUBLICITY OF GOVERNANCE PRINCIPLES

As public disclosure and transparency are key principles of sound governance, Euroclear makes public relevant information to its stakeholders via different channels.

In addition to the annual report and publications in the Belgian State Gazette pursuant to Belgian law requirements, Euroclear also makes its key governance arrangements available on its website www.euroclear.com (see dedicated governance pages including the Company's governance charter, Board (Committees) and Management composition, Terms of Reference and external mandates).

7. APPROVAL AND ANNEXES

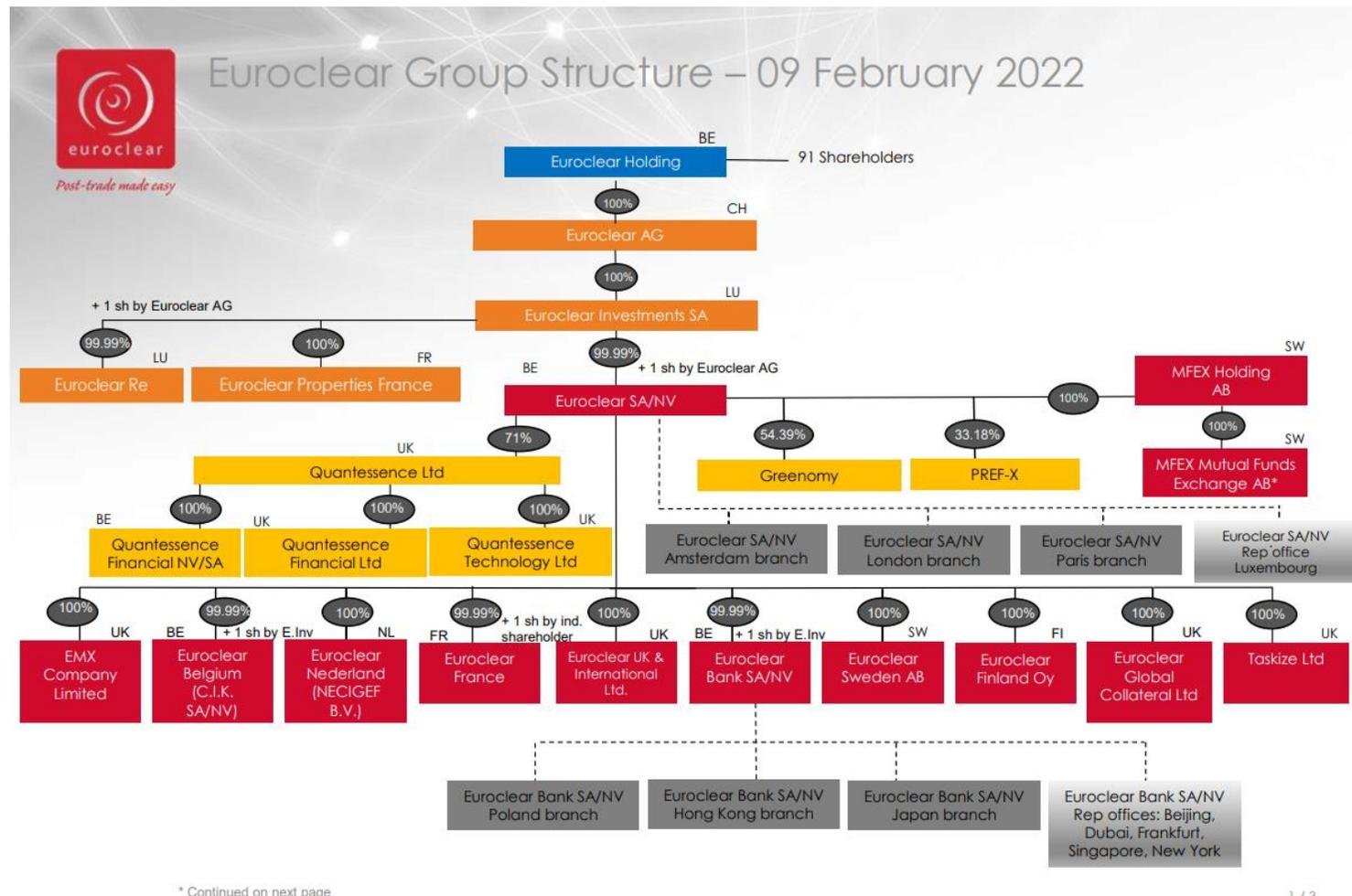
This Memorandum was first approved by the ESA MC on 28 March 2008 and ESA Board on 28 March 2008 and agreed by the CBFA on 16 December 2008. It is reviewed annually, and material changes are submitted for approval to the MC and Board. Last updated version of the Memorandum was approved by the ESA Board on 26 April 2022.

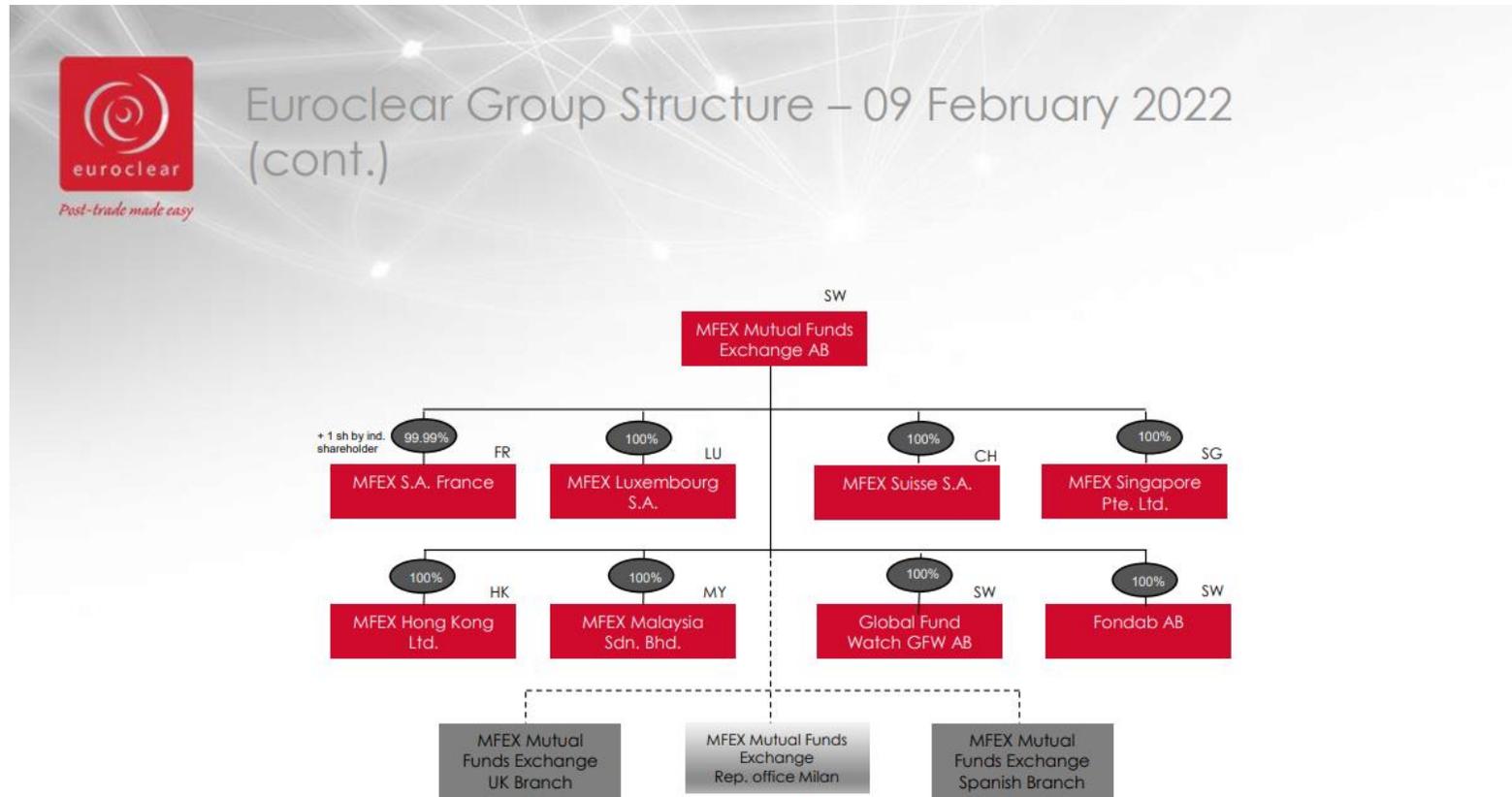
List of documents contained in Annexes:

- Annex I: ESA group structure
- Annex II: ESA business organisational chart
- Annex III : Euroclear Compensation Policy

ANNEXES

ANNEX I ESA group structures



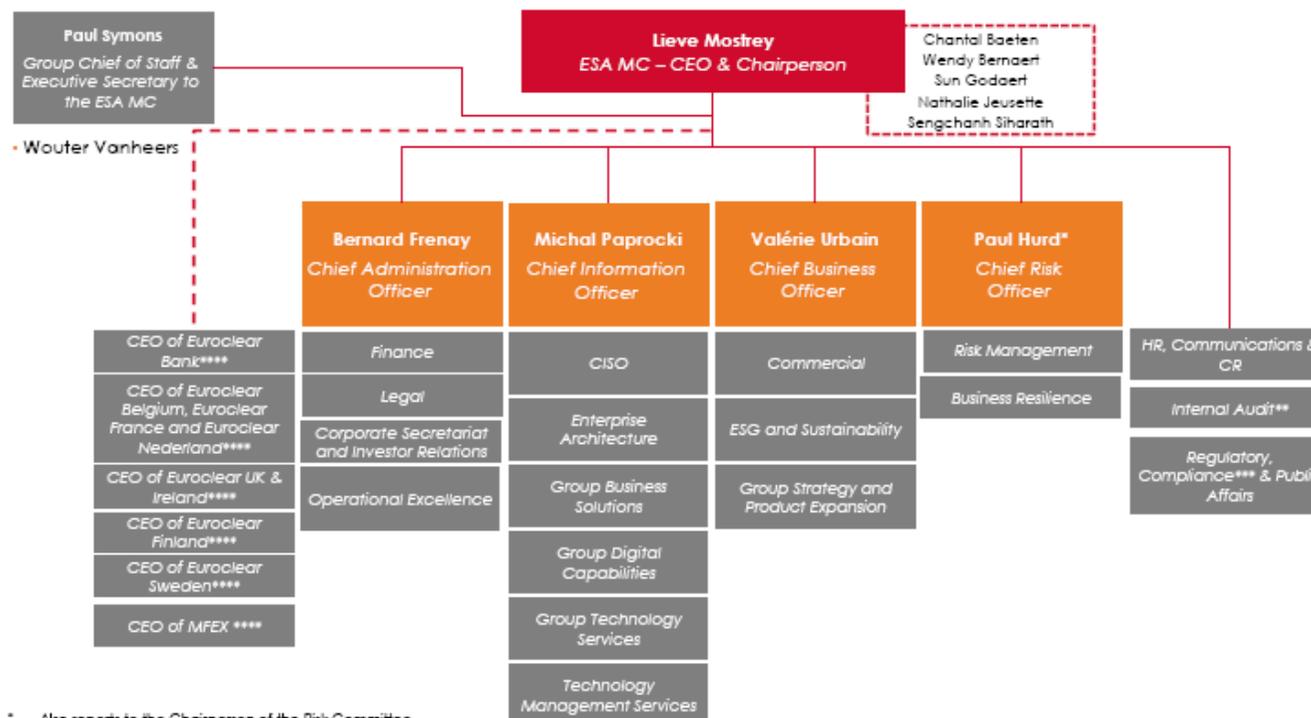


ANNEX II ESA Organisational Chart - April 2022

Restricted to Euroclear Group



Euroclear SA/NV Management Committee



* Also reports to the Chairperson of the Risk Committee
 ** Primary reporting line to the Chairperson of the Audit Committee
 *** Also reports to the Chairperson of the Audit Committee
 **** Primary reporting line to the Chairperson of the Entity Board

ANNEX III Euroclear Compensation Policy

Attached.