



Post-trade made easy

Euroclear Bank SA/NV Governance Charter

May 2019

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INTRODUCTION

This charter outlines the main aspects of the Corporate Governance of Euroclear Bank (“**EB**” or the “**Company**”).

The content of this Charter is updated in line with the Corporate Governance Memorandum as adopted periodically by the Board of Directors.

More detailed information on EB risk management objectives and policies as well as on its remuneration policy and practices can be found in the yearly Pillar III Disclosure. The description of the composition of the Board of Directors and its committees is included every year in a specific section of the Annual Report on governance.

The latest version of the Charter, Pillar III Disclosure and Annual Report can be consulted on the Euroclear group website (www.euroclear.com).

1. CORPORATE STRUCTURE

This section describes the legal and supervisory regime applicable to EB, its shareholder structure as well as its own group structure (subsidiaries).

1.1. LEGAL AND SUPERVISORY STATUS

EB, a Belgian incorporated “*société anonyme/naamloze vennootschap*” (SA/NV), is the International Central Securities Depository (“**(I)CSD**”) of the Euroclear Group. In this role, EB provides securities settlement and related services for transactions involving domestic and international bonds, equities and investment funds and other financial instruments.

EB is a subsidiary of Euroclear SA/NV (“**ESA**”), a Belgian company regulated by the National Bank of Belgium (“**NBB**”) as an institution assimilated to a settlement institution and as a financial holding company. The governance structure of ESA is described in the Governance Memorandum of ESA.

From a prudential viewpoint, EB is supervised by the NBB as a credit institution pursuant to the Law of 25 April 2014 on the legal status and supervision of credit institutions (the “**Banking Law**”) and the Law of 22 February 1998 establishing the organic status of the NBB (the “**Organic Law**”). EB also has the status of settlement institution under Royal Decree n°62 on the deposit of fungible financial instruments and the settlement of transactions involving such instruments, and recognised as a ‘central depository for financial instruments’ (Royal Decree of 22 August 2002 fixing the date of entry into force of the Law of 2 August 2002 on the surveillance of the financial market).

For purposes of prudential supervision, EB has been designated by the NBB as a “Systemically important financial institution” (“**SIFI**”).

In addition, the NBB has designated EB as a domestic systemically important institution (referred to in the Capital Requirements Directive (“**CRD IV**”) as “other systemically important institution” or “**O-SII**”) under the Banking Law and the CRD IV.

The “**Euroclear System**”, operated by EB, is also overseen by the NBB in accordance with Article 8 of its Organic Law.

Pursuant to article 45 of the Law of 2 August 2002, EB is also subject to supervision by the Financial Services and Market Authority (“**FSMA**”) for matters which fall within the competences of the FSMA.

EB has applied for a license under EU regulation number 909/2014 of the European Parliament and Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories (“**CSDR**”).

1.2. SHAREHOLDER STRUCTURE

1.2.1. Shareholders

EB's issued share capital is held by ESA except one share which is held by Euroclear Investments S.A. ("EI"). All ESA's share capital is itself held by EI except one share held by Euroclear AG ("AG"), which is wholly owned by Euroclear Holding SA/NV ("EH"), the new ultimate top holding of the Euroclear Group replacing Euroclear Plc ("Epic") following the restructuring of the Group in 2018. The precise number of issued shares in EB is outlined in the Company's financial statements each year.

ESA, EI, AG and EH are all financially sound companies. The consolidated and stand-alone financial statements and annual accounts of Epic and its replacement by EH as from end 2018 demonstrate the financial soundness of Epic/EH and its subsidiaries and are published on the Group website (www.euroclear.com).

As direct or indirect EB shareholders, ESA, EI, AG and Epic/EH create the conditions necessary to ensure a sound, objective and prudent management of EB and treat the holding of their interest in EB in accordance with these conditions. ESA, EI, AG and Epic/EH have undertaken to adopt all measures necessary to promote EB's stability and autonomous management of its business towards its long term development.

As the majority shareholder, ESA Board participates in the definition of EB's general strategy and policy including its risk tolerance and risk framework, the supervision of its activities and its management, the appointment of the members of the Management Committee and the performance of the powers entrusted by law to the Board of Directors.

1.2.2. General Meeting of Shareholders

All EB shareholders may attend the General Meeting, either themselves or through proxies, subject to compliance with applicable law and the Articles of Association of EB (the "**Articles**"). 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 or when shareholders representing one fifth of the capital request it. Annual and Extraordinary General Meetings are held at the place indicated in the notice of meeting, but usually at the registered office of the Company.

The quorum for General Meetings of the Company 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 in writing. Shareholders' resolutions that do not need to be enacted in a notarial deed can be adopted by unanimous written consent of the EB shareholders. Decisions taken at General Meetings are binding on all shareholders, including absent or dissenting shareholders.

2. GOVERNANCE BODIES AND STRUCTURE

The Board of Directors of EB (the "**Board**") is the ultimate decision making body of the Company and is charged with setting the policies and strategy for the Company within the framework of and taking into consideration the overarching strategy, policies and risk tolerance defined by the Group.

The Board has put in place several advisory committees to assist it in carrying out its role efficiently.

The Board has also established a Management Committee (the "**MC**") pursuant to the Belgian legal requirements and has delegated to it the general management of the Company in accordance with the strategy and policies set by the Board.

According to article 28 of CSDR a User Committee (“UC”) has been established for the securities settlement system the Company operates.

The Board has defined its own Terms of Reference as well as those of the committees it has set up.

The Company has in place a full set of reference documents on the role, composition and operation of all of its committees.

2.1. BOARD OF DIRECTORS

2.1.1. Role and Responsibilities

The Board has the powers to carry out all acts that are useful to achieve the objective of the Company as defined in its Articles, except those that are explicitly reserved by law or the Articles to the shareholders.

In carrying out this role, each Board member acts in good faith in the way he/she considers would be most likely to promote the success of the Company for the benefit of its shareholders as a whole. This while affording due regard to the interests of other stakeholders (such as customers, employees, suppliers, supervisory authorities and wider society). The Board also has regard to the interests of the Euroclear group, provided the proper balance is struck between the burden imposed on the Company and the eventual benefit to the Company.

The primary responsibilities of the Board are to define and oversee the implementation of the strategy and objectives of the Company, its risk framework (including risk appetite and policies) and to supervise the Company’s management.

In defining the strategy of the Company, the Board handles any individual strategic matters as and when they arise.

The control and oversight of the Company’s management is carried out by the Board in various ways. The Board has access to the minutes of all MC meetings upon request. In addition management reports to the Board on the implementation of the agreed strategy, risk profile and financial position of the Company and all other matters delegated from the Board to the Management Committee, including amongst others regular reporting on risk control policies, risk tolerance, metrics and critical residual risk and any change thereto.

The level of control over management is assessed regularly by the Board as a whole as part of the Board self-assessment process which covers specifically management’s relationship with the Board.

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

2.1.2. Composition

The Board comprises at least three individual members. All Board members are natural persons. There is no maximum number of members prescribed by the Articles. The list of Board members is available in the annual report and accounts of the Company and on the Group website (www.euroclear.com).

In accordance with the Banking Law, the Board includes all the members of the MC.

The majority of the Board members are non-executive Directors.

At least one third, but no less than two of the non-executive Board members are independent Directors. The Company strives to have at least four independent directors on the Board. This is to be able to reinforce the breadth and depth of expertise, as well as build upon the Board effectiveness and governance and adequately constitute the Board committees. Independence is defined in accordance with the criteria defined under Article 526ter of the Belgian Companies Code and takes into account the ESMA Q&A considerations on the Implementation of CSDR as well.

A number of the non-executive Directors on the EB Board are also members of the Group management. This promotes a coherence in strategy and policies as between Group entities and ensures the sensitivities of EB are well understood by ESA, and vice versa. All non-executive directors have a fiduciary duty to act objectively and independently in that function to ensure that the corporate interests of EB and the general interest of the infrastructure are preserved.

In order to ensure that the Board shall be composed of suitable members of sufficiently good repute with an appropriate mix of skills, experience and knowledge of the Company and of the market, EB has adopted the Board and Board Committee Composition Policy. All nominations to the Board are made, based on the particular need of the Board at the time of appointment:

- against merit, based on objective criteria defined by the Board;
- on the basis of a Director's potential contribution in terms of knowledge, experience and skills;
- with a view to ensuring a balanced Board; and
- actively taking all aspects of diversity into account.

With a particular focus on gender diversity, a target of achieving (and maintaining) a minimum of one third representation of the under-represented gender in 2019 has been set. The Board will review each year, as part of the annual review of Board and Board Committee composition, and agree, as necessary, on measurable objectives for achieving and maintaining diversity on the Board.

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 that the Board composition would comply globally with following considerations:

- Directors shall have the highest degree of personal integrity and ethics, leadership qualities and a proven ability to exercise sound business judgement.
- Directors should provide assurance that they are able to commit sufficient time to the work of the Board and its Committees.
- Directors should have sufficient seniority and experience so as to be able to take a strategic view.
- The Board should include Directors with relevant experience in both generic and company specific areas (amongst others. general management, strategic planning/business strategy; risk management/internal controls, Finance/Accounting, knowledge of the EB business).

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

EB plans to reassess and further fine tune where appropriate its suitability policy and internal appointment process for Board, Management Committee and key function holders to adhere to the principles laid down in the latest joint ESMA and EBA guidelines on the assessment of the suitability of the management body and key function holders under Directive 2013/36/EU and Directive 2014/65/EU to the extent applicable.

2.1.3. Appointment, Renewal and Resignation of Board Members

In line with Belgian legal requirements, Board members are appointed by the shareholders. The appointment of the Directors is for an initial term of three years. 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 upwards age limit for Board members.

Appointments of individual Board members are subject to a prior assessment of their expertise and professional integrity (referred to as 'fit and proper', in accordance with applicable 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 he/she is fit and proper to sit on the EB 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.

Once a Board member is appointed, information on the Board members, and on his/her directorship and managerial functions exercised outside EB are communicated to the NBB through the eManex system.

2.1.4. Chair

The Board appoints a Chair from among its independent non-executive members, subject to prior regulatory approval from the NBB, and may at any time remove him/her from office.

The profile and role of the Chair are defined by the Board upon recommendation of the NGC. 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 strong corporate governance and process integrity within the 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 and putting in place a strong line of communication with the parent entity.

2.1.5. Operating Rules

The Board normally has five 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 the Board meetings regularly and in person.

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 provided that Management Committee members do not form a majority of Board members present or represented. In the event of a tie in the voting, the Chair has a casting vote. In exceptional circumstances, duly justified by the urgency of the matter and the corporate interest, decisions of the Board may be taken by the unanimous written consent of the Directors. However, this procedure cannot be used for the approval of the annual accounts or the authorised capital procedure.

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 attending 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 Chairmen of each of the Board Committees in the performance of their roles and responsibilities. The Board Secretary convenes the meetings of the Board and the Board Committees and acts as Secretary to those meetings.

2.1.6. Assessment 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 Chair and the individual members. This review endeavours to ensure that the Board has the necessary framework in place within which to make decisions, focusing on the optimum mix of skills and knowledge amongst the Directors, clarity of goals and processes, a culture of frankness that encourages constructive evaluation, full disclosure of procedures and an effective relationship with management.

This self-assessment review is carried out by completion of a questionnaire or by conducting interviews with Board members, as decided by the Board depending on the specific needs of the Board in the year assessed.

Are part of the assessment process:

- the composition of the Board and the Board Committees, including gender diversity and independence as defined above.
- the functioning of the Board (including the training of the Directors and the relationships of the Board with the Board Committees and with Management);
- the role of the Board (including the way the strategic matters are treated by the Board and the control exercised by the Board over Management); as well as
- the Directors involvement and attendance at meetings.

The consolidated results of the assessment are reviewed by the NGC, and the results are reported to the Board for discussion. Concerns raised are followed up appropriately. The outcomes of the NGC and Board discussions as well as any agreed follow-up actions are also subject to minute taking.

The Board assessment process covers the individual performance of each non-executive Director, including the Chairman. 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. The Chairman takes steps to ensure that any areas of sub-optimal performance in the assessment are taken up with the relevant individual Director as necessary.

Periodically, the Board is subject to external evaluation.

2.1.7. 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 Group, its strategy and policies and the major challenges it is facing. It also develops the Directors' understanding of their role and responsibilities under Belgian Law, and the legal and regulatory regime applicable to EB.

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.

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

Board training needs are part of the Board self-assessment process. Each year, the Board, assisted by the Company Secretary, sets a general training plan based on the results of the Board self-assessment and the assessment of the Chair.

2.1.8. Remuneration

The independent non-executive Directors are the only members of the Board of Directors who are remunerated for their mandate as Board member. The remuneration of the independent non-executive Directors shall not be linked to the business performance of EB. The amount of remuneration takes account of the level of responsibility and time required in fulfilment of their Board role and is determined in line with EB Compensation Policy.

The shareholders set the collective amount of remuneration of directors who are remunerated for their Board positions, for division among the directors in such a manner as the Board of Directors may decide.

2.1.9. External directorship and managerial functions

All members of the Board are required to commit sufficient time to perform their functions in the Company. There are some restrictions and limits on the number of directorship mandates or managerial functions that Board members can exercise outside the Group. 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 Board Policy on External Mandates for Board and Senior Management pursuant to article 62 §3 of the Banking Law, is followed.

2.2. BOARD ADVISORY COMMITTEES

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

2.2.1. Composition and appointment

Each Committee is composed of at least three members per committee and consists exclusively of non-executive board members. The majority of the members of the committees are independent within the meaning of Article 526ter of the Belgian Companies Code and taking into account the considerations of ESMA Q&A as well. The majority of members in each committee differs.

The Chair of each Committee is independent and cannot be Chair of the Board simultaneously. The Chair of the Audit, Risk and Remuneration Committees are different.

Each non-executive director sits in no more than three Committees.

Board Committee members are appointed by the Board upon recommendation of the NGC (except for the Chair of the Audit Committee being appointed by the Audit Committee members). The NGC regularly reviews the composition of each committee in order to make sure each committee remains 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 the relevant legal and corporate governance requirements applicable to EB.

The appointment of the Chair of each of the committees is made after having obtained 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. The membership and expertise of those Committees is disclosed in the annual report.

2.2.2. 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 properly discharging its responsibilities and covering all matters within its purview.

The quorum consists of a simple majority of Committee members 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.

2.2.3. Evaluation

Each Committee evaluates its own performance against a documented benchmark that reflects the objective of the Committee as well as relevant good practice and guidance completed by each Committee member.

An analysis of such assessment is reviewed by each Committee and follow-up actions to further improve the Committee effectiveness where appropriate as well as a plan on general training needs identified in the self-assessment process are agreed by the relevant Committee and recorded in the meeting minutes and reported to the Board.

The Committee Chair, with the assistance of the Board Secretary, ensures all follow-up items are properly addressed and reported to the relevant Committee.

2.2.4. Training

As explained above Board Committee members receive ongoing training on matters relevant to their Committee mandates, as necessary or requested on an ad hoc basis.

2.2.5. Audit Committee

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

In discharging its responsibilities, the Committee also reviews the controls over all outsourced services on which the Company is dependent.

The members of the AC collectively have an understanding of the Company's business, accounting and audit matters and at least one member is competent in either audit and/or accounting matters.

The AC meets at least five times a year with additional ad hoc meetings as deemed appropriate by the Chair.

Only the AC members are entitled to be present at a meeting of the AC. However, to facilitate the effective conduct of its business, the Chief Executive Officer, the Company's Head of Internal Audit, the Company Chief Compliance Officer, the Chief Technology Officer, the external auditor and additional invitees as deemed necessary or appropriate by the Chair may attend the Committee meetings. The AC meets at least once a year with each of the Company Head of Internal Audit, the Company Chief Compliance Officer, the Chief Technology Officer and the external auditor without management being present. The Company Head of Internal Audit, the Company Chief Compliance Officer and the Chief Technology Officer have direct access to the Audit Committee Chair and members.

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

The Committee is informed about the major risk issues reported to the Company's Risk Committee.

The Committee has adequate interaction with the Risk Committee to ensure consistency and avoid any gaps in their respective roles. To this end, the Chair of the Risk Committee has an open invitation to attend the Audit Committee meetings where desired. At times the Audit 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 Committee keeps the parent audit committee informed about:

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

The parent audit committee keeps the Company's Audit Committee informed about any material group level issues under its review having an impact on the Company.

With a view to ensuring abovementioned information flow as well as consistency of EB financial reporting, risk & compliance practices with those of the parent and to support the latter in its oversight function, a structural interaction exists between the EB AC and ESA AC which is ensured via quarterly conference calls between ESA and subsidiary AC chairs, a cross-attendance programme at Committee meetings, sharing of relevant minutes and informal and open contact between members.

2.2.6. Risk Committee

The Risk Committee ("**RC**") assists the Board in fulfilling its oversight responsibilities for EB in respect of the following: risk tolerance and profile, risk exposures, risk management framework and critical risk policies, risk management function, chief risk officer, strategic matters, remuneration policy 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 the Company's business and to oversee the risk strategy, risk tolerance, risk capacity and risk profile of the Company.

The RC meets at least five times a year 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 Company's 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 Company's Chief Risk Officer without management being present. The Company's Chief Risk Officer has direct access to the Risk Committee Chair and members.

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 risk profile.

To ensure consistency across the group on risk practices and material risk issues, the parent risk committee will inform the subsidiary risk committee of any material group level issues under its review having an impact on the Company.

The Committee will similarly keep the risk committees at parent level informed about any material issues at Company level.

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

The Committee has adequate interaction with the Audit Committee to ensure consistency and avoid gaps in their respective roles. To this end, the chair of the Audit Committee has an open invitation to attend the Risk Committee meetings where desired. The Audit and Risk Committees may meet together from time to time to discuss areas of common interest and significant matters of relevant to both Committees including, but not limited to, ICAAP, cyber security and internal control system reports.

2.2.7. Remuneration Committee

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

- defining a global compensation policy for the Company;
- ensuring that the members of the Management Committee, identified staff and the non-executive Board members of the Company are compensated as per the principles described in the Euroclear compensation policy; and
- overseeing management’s implementation of the compensation 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 also have an understanding of the Company’s business and shall have competence relevant to the sector in which the Company operates.

The RemCo meets at least two times a year with additional ad-hoc meetings as deemed appropriate by the Chair.

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

The Chair of the RemCo may be a member of, but not chair the Audit or Risk Committee.

The Committee works closely with the Risk Committee in evaluating the incentives created by the compensation policy. The Risk Committee shall advise the Remuneration Committee 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 in accordance with the regulation;
- the way the risk strategy and risk tolerance is reflected in the overall annual performance review so as to ensure that the Remuneration Committee takes into account all 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.

2.2.8. Nominations and Governance Committee

The Nominations and Governance Committee (“**NGC**”) assists and advises the Board of Directors in all matters in relation to the nomination of Board, Management Committee members and key function holders, Board and Committee composition, succession planning as well as corporate governance matters, including the suitability policy, as applicable to the Company.

Its responsibilities are detailed in its own terms of reference.

Committee members should possess individual and collective appropriate knowledge, skills, expertise and professional experience regarding governance, selection process, suitability and control practices.

The Committee meets at least three times a year with additional ad hoc meetings as deemed appropriate by the Chair.

Only the NGC members are entitled to be present at NGC meetings. Other invitees as deemed necessary or appropriate by the Chair may attend.

The Chair of the NGC may be a member of, but not chair the Audit Committee or Risk Committee.

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

2.3. MANAGEMENT COMMITTEE

2.3.1. Role and Responsibilities

The MC has been established by the Board in accordance with Article 24 of the Banking Law and Article 524*bis* of the Belgian Companies Code. The MC has been entrusted with the general management of the Company 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 law or the Articles. The MC acts in accordance with applicable law and the rules set out in the Articles and under the supervision of the Board.

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 on the same 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 EB; and
- specific powers to senior management, in all areas necessary or useful to the management of EB 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 EB; and
- decisions that involve a material reputational, financial or legal risk to EB.

2.3.2. Composition

The MC is composed of at least two members, and as many members as the Board may decide to appoint. This group constitutes the college. The list of EB MC members is available on www.euroclear.com

In accordance with Article 24 of the Banking Law, all members of the MC are members of the Board of Directors.

Members shall be of sufficiently good repute and experience so as to ensure the sound and prudent management of the Company.

All nominations to the MC are made against merit and on the basis of the knowledge, experience and skills of the candidate, regardless of his/her 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 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 the vision and strategic direction; take decisions and actions for optimal 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.

2.3.3. 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 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 recruitment process 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 & proper character for the role in accordance with applicable regulatory guidance.

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. The NBB is provided with all the necessary information and documents to assess the experience and skills of the candidate and ensure s/he is fit and proper to sit on the EB MC. Management members must permanently comply with the 'fit and proper' requirements during their term of office.

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

2.3.4. Operating Rules

The MC acts as a college adopting decisions collectively. In accordance with its Terms of Reference, the MC has defined areas of competence as between MC members, which may change from time to time. This is without prejudice to the fact that the MC acts as a collegial body and has joint responsibility for its acts.

The MC meets as and when required, generally once a week. 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 either physically present at the location of the meeting or participating by telephone/video conference. Any Management Committee member unable to attend a meeting may authorise in

writing, one of his fellow Management Committee members to attend and vote for him/her

To the extent that voting may be required at a meeting, a simple majority of all the MC members will be required for approval of a motion. In the event of a tie, the Chair will have the casting vote. In exceptional circumstances, duly justified by the urgency of the matter and the corporate interest, the decisions of the Management Committee may be taken by unanimous written consent of all members, including electronic voting through the Board portal.

The Chair sets the agenda. 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 present agree.

The MC may invite individuals from within EB, from ESA or external consultants or advisors with relevant experience to attend its meetings, in order to assist the MC by way of presentations, 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 items reviewed, recommendations made, decisions taken and any challenge by management committee members. If the Executive Secretary is not present at a particular meeting, then the MC members present appoint an acting secretary for the purpose of the meeting.

The Executive Secretary endeavours to ensure that each member receives written material in a timely manner ahead of meetings so that the meetings can function effectively.

The MC also receives regularly reports from the internal committees.

The MC reports and makes recommendations to the Board of Directors.

The MC meetings minutes are posted on a dedicated internal website available to appropriate senior managers.

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

2.3.5. Internal Division of tasks

a) Chief Executive Officer

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

The CEO must be 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 EB compensation policy. There is also a functional reporting line to the group CEO (ESA MC Chair) to make sure there is a harmonised view of key management issues across the Group and that ultimately ESA can fulfil its regulatory obligations in accordance with the consolidated supervisory regime it is subject to under Belgian law.

The MC has delegated to the CEO (in accordance with article 525 of the Companies Code relating to the delegation of powers) the day-to-day management and the representation of the Company with regard to such day-to-day management, consistently with the individual areas of competence of the MC members decided by the MC from time to time.

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

The CEO may sub-delegate any powers related to the day-to-day management to the persons s/he designates.

In addition, the role of the CEO consists of:

- leading the Company's staff in implementing the Company's vision, philosophy, and mission;
- ensuring a strong relationship of senior management with the Board and supporting the Board in its activities;
- maintaining the Company's focus on innovation, identifying world economic and industry events and trends that impact the strategic vision for the Company; and
- ensuring effective crisis management.

Internal Audit, Strategy, Legal, Regulatory Relationship Management, Corporate Secretariat, Human Resources Communications and CSR, as well as Branch Managers report to the CEO.

b) Chief Financial Officer

The CFO is responsible for a variety of financial activities, including accounting, financial control, asset and liability management, cost management and taxation matters to meet Euroclear Bank's business requirements, in accordance with Euroclear's financial strategy.

One of the key missions of the Financial Division consist in 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.

The monthly closing of the books is structured in sequential steps monitored daily by the closing office. The yearly preparation of the statutory financial statements is essentially organized on the same database and set of data as those used for the monthly reporting.

c) Chief Operating Officer

A Chief Operating Officer ("**COO**") has been appointed to fulfil the operations management role. The COO is mainly responsible for monitoring the risk exposures related to the EB operational activities, the service delivery's quality and the client satisfaction and for reviewing the overall service delivery cost.

d) Chief Risk Officer

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

EB's Chief Risk Officer (CRO) is responsible for the RM function activities and deliverables at EB.

The CRO role which was previously combined between ESA and EB will be split by the appointment of a new CRO to EB.

e) Head of Banking

The mission of the Head of Banking is to deliver banking solutions to support EB services and business ambitions within compliance with the requirements of CPMI-IOSCO/CSDR and the Bank's risk appetite.

The Head of Banking leads the Banking Division comprising departments of Treasury (including asset and liability management), Credit Management and related first line control functions (e.g. Middle Office).

Specifically the Head of Banking is required to lead the profound transformation of the Banking Division to enhance the management of the liquidity and credit risks in a multi-currency environment.

2.3.6. Assessment of the MC

The MC performs a yearly self-assessment designed to identify ways to potentially further develop its effectiveness and leverage its strengths.

This review is carried out by completion of a questionnaire by each MC member and/or through other methods as decided by the MC depending on its specific needs. The self-assessment process addresses the role and responsibilities, the composition as well as the organisation of the MC.

The consolidated responses of the self-assessment are reviewed and discussed by the MC which agrees on action points arising out of the results of this assessment. The outcomes of this assessment are minuted.

In addition to this self-assessment, the NGC assesses the performance of the MC as part of the Board self-assessment. The Chair of the Board ensures follow-up of any points requiring action.

2.3.7. 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 and long-term fixed and variable compensation, as well as any executive perquisites, pension and other benefits. Fixed and variable compensation of MC members is set out on the basis of the EB Compensation Policy.

2.3.8. External directorships and managerial functions

All members of the 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 Group. Prior to accepting any external function (in or outside the Group), the MC member must inform the Company 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 pursuant to article 62 §3 of the Banking Law. Directorships functions exercised outside the Group are published on the Group website (www.euroclear.com).

2.4. USER COMMITTEE

2.4.1. Role and Responsibilities

- The User Committee provides independent advice to the Board, on key arrangements that impact EB users:
 - ✓ criteria for accepting issuers and participants
 - ✓ service level evaluation, including relevant significant developments needed to adapt to legal, regulatory, tax or other market changes impacting the way participants and/or issuers interact with EB
 - ✓ review and/or testing of the default procedures of EB (excluding any banking related aspects)
- The User Committee may submit a non-binding opinion to the Board containing detailed reasons regarding the pricing structures.
- The User Committee may submit a request for implementation of DvP settlement for any link maintained by EB that would not be a DVP link yet.
- The User Committee is informed by EB and acts as appropriate on audit findings relating to the topics covered in its mandate, ensuring that the provision of the

information does not give a competitive advantage to any of the User Committee members.

- The User Committee is regularly informed of the performance of the EB securities settlement system.

2.4.2. Composition

The User Committee is composed of representatives of participants and issuers in the securities settlement system.

The User Committee Chair and members should have appropriate knowledge of the post-trade industry, have sufficient seniority and experience

Nominees for User Committee Chair are proposed based on data available in the EB records (e.g. list of participants, segments of activities). The non-executive independent directors of EB use the nominee shortlist to choose the preferred candidate(s). The independent non-executive directors recommend that the User Committee approve the appointment of (one of) the preferred candidate(s) as Chair. The appointment of the User Committee Chair is approved by the User Committee as a whole and ratified by an independent non-executive director.

The User Committee Chair must be subject to re-election as User Committee Chair, at least every three years.

The User Committee Chair will identify potential candidates for User Committee membership based on data available in the EB records (list of participants, segments of activities, etc.). The User Committee Chair will recommend that the User Committee as a whole approve each User Committee appointment.

The User Committee Chair is independent from any direct influence by EB Board/Management.

2.4.3. Operating rules

A minimum of three meetings are scheduled per year. Additional ad hoc meetings as deemed necessary by the User Committee Chair.

At the beginning of each User Committee meeting, the User Committee Chair determines whether there is sufficient and balanced representation of participants and issuers in order to proceed with the meeting.

Any advice, non-binding opinion or request of the User Committee shall be determined by a simple majority of User Committee members present. Each User Committee member has one vote and all votes are equal. A User Committee member may not appoint a proxy to vote at a User Committee meeting in their place. The User Committee Chair has the casting vote in case of equality of votes.

The User Committee will be informed by EB of any decision in which the Board decides not to follow the advice of the User Committee.

The User Committee may inform the competent EB supervisory authority of any areas in which it considers that the advice of the User Committee has not been followed.

The User Committee will provide the minutes of their meetings to the Board.

3. INTERNAL CONTROL FRAMEWORK

3.1. RISK MANAGEMENT FRAMEWORK

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

The Board has put in place a robust risk governance framework in which roles and responsibilities for managing risk are clearly defined. The Board oversees Senior Management implement 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 bank'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 our risk profile at the desired level.

With the Board established risk appetite framework as its foundation, Senior Management is currently further enhancing EB's enterprise risk management framework (see below) which ensures the systematic and disciplined identification, evaluation, management, monitoring and reporting of all types of risk across all aspects of our business – including operational risk.

EB's ERM framework is documented in the ERM Framework Policy Handbook and is applicable to all risk types. The ERM Framework Policy Handbook acts as an umbrella reference document for all other risk specific frameworks operated by EB, including operational risk and business continuity risk frameworks. Other policy handbooks contain topic specific information and cross-reference the ERM Framework Policy Handbook as necessary.

EB's risk strategy and framework guides the Board in its responsibility to devote the appropriate time and attention to risk issues, and oversee the implementation of the Company's corporate strategy, in a way that preserves its reputation through risk awareness and the exercise of behaviours and values that foster a robust culture.

EB's ERM framework covers, amongst other things:

- **Risk governance** – including the role of the Board, the Risk Committee, the Management Committee, Risk & Operating Committee (ROC) and Credit, Assets & Liabilities Committee (CALCO). Effective risk governance is critical to the overall effectiveness of Euroclear Bank's risk management.
- **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 EB can bear without entering a recovery situation. EB'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.
- **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.
- **Three lines of defence** - the three lines of defence model within EB (see below) facilitates the effective operation of the ERM framework. Each line plays a distinct role providing senior management teams and the Board with confidence that EB is likely to achieve its key goals through the effective management of risks.

3.2. INDEPENDENT CONTROL FUNCTIONS

EB has in place independent internal audit ("IA"), compliance & ethics ("C&E") and risk ("RM") management functions as well as a Chief Technology Officer ("CTO") function according to CSDR requirements with the highest applicable standards in ensuring a robust and transparent management structure and control environment.

The system of internal controls is fully integrated and ensures a prudent conduct of business, a right balance between risks, service quality and costs, the protection of EB and client assets, the quality of the financial information and compliance with regulatory requirements across all the entities of the Group.

Those functions fit within the Three Lines of Defence model which EB has adopted pursuant to best industry practices. The allocation of responsibilities within EB Three Lines of Defence model is:

- **1st line of defence:** Business implement and operate required controls and report on their effectiveness and involve control functions:

Compliance & Ethics: together with the Legal and Public Affairs divisions/departments, monitors changes in laws and regulations and advises as to what controls are required.

Risk Management: makes available policies, a risk management framework and adequate tools to record and monitor controls.

Chief Technology Officer function: Provides risk oversight and advises to the Board and senior management and maintains a holistic view of the main IT risks and control environment of EB, including cyber resilience, business continuity and IT outsourcing.

- **2nd line of defence:** Risk Management monitor the Risk and Internal Control environment against changing internal and external environment and report, challenge or escalate to management risks or control defects. Risk Management advises on remedial actions.

Compliance & Ethics: monitor, test and report to management on controls relating to laws and regulations and advise on remedial actions.

Chief Technology Officer function: Regularly meets with IT representatives to monitor and control the performance and compliance by IT against agreed-upon directions and control objectives laid down in the IT framework and applicable regulations

Other support functions like Finance or HR: performing controls and escalating to management in case of control defects.

- **3rd line of defence:** Internal Audit provides reasonable assurance, in an independent and objective way, on the adequacy and effectiveness of governance, risk management and internal controls.

The MC is responsible, under the supervision of the Board of Directors, 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, to the NBB and to the external auditor, on the compliance with these requirements and on the adequate measures adopted.

The Board, through the AC, is responsible for controlling the compliance with these requirements at least once a year and is informed of the adequate measures as adopted.

3.2.1. Control Function set up

The following conditions apply in respect of staff in control functions:

- Control function staff do not perform any operational tasks for, and are organisationally detached from, the activities they monitor and control ;
- None of the Functions may be combined with any other;
- C&E, RM and CTO Functions are subject to separate independent review by IA;
- Remuneration of staff within each of the above named Functions, including the relevant Control Function Head, 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; and
- The Function may be outsourced (or co-sourced) either intra-group or externally at EB's discretion according to its own operating model, subject to CSDR and local requirements. Under the same conditions, Functions may be shared between EB and other Euroclear CSDs. Currently the local Head of Internal Audit function is outsourced to ESA.

3.2.2. Control Function Heads

3.2.2.1. Reporting lines

(i) The Head of C&E, the Head of Risk Management and CTO

- May be a member of the Management Committee (with or without voting rights);
- Has a direct reporting line to the EB CEO;
- Also has a direct reporting line to the Chair of the competent EB 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, EB management). These functions may also directly contact the statutory auditor or the supervisory authority when deemed necessary;
- Has a functional reporting line to the Group Chief Function at parent entity level .

(ii) Head of Internal Audit

- Reports directly to the Chair of the Audit Committee, with an administrative reporting line to the CEO (gathering audit intelligence, sharing of audit planning and reports,...);
- Has a functional reporting line to the group Chief Function at parent entity level

3.2.2.2. Appointment and removal

- The EB CEO may be consulted to provide input in the selection process to the relevant Board Committee;
- The relevant Board Committee may consult with the relevant Group Chief Function for an opinion;
- 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;
- 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.

3.3. OTHER KEY FUNCTIONS: FRAMEWORK FUNCTIONS

EB disposes of all the necessary framework functions as well as resources to carry out its mission. The framework functions have access to the information they need for fulfilment of their tasks.

4. BUSINESS ORGANISATION

The tasks and responsibilities of staff and departments are sufficiently delineated with clear reporting lines (as evidenced by job descriptions and detailed organisation charts), supporting an appropriate organisation adapted to the size and activities of the Bank.

4.1. OPERATING DIVISIONS

EB is organised into operating divisions each headed by the COO or a division head.

4.2. BRANCHES & REPRESENTATIVE OFFICES

EB has its headquarters in Brussels and an office in Braine l'Alleud and operates branch offices in Hong Kong, Krakow and Tokyo.

The CEO of each branch has a direct reporting line to the EB CEO for the general management aspects of the branch. He/she also has a functional reporting line to the EB MC member for the domains within their remit. The appointment of the branch managers is submitted for fit and proper approval to the NBB.

The EB Management Committee has delegated 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. Composition, functioning and duties of the branch management are documented in their own terms of reference.

Furthermore, in order to better service its worldwide client base, EB has established the following local offices, "representative offices", to provide support to specific client groups or in different time zones:

- Frankfurt Representative Office
- New York Representative Office;
- Singapore Representative Office;
- Beijing Representative Office; and
- Dubai Representative Office.

The range and scope of permitted activities of representative offices is limited compared to subsidiaries or branches. This purpose is to cover the needs of the local clients providing support in their language and getting a more personalised and dedicated service. From an internal and organisational point of view the representative offices are integrated within the Commercial Division¹.

4.3. SERVICES & PRODUCTS

EB provides multi-currency settlement and custody services for domestic and international securities to a wide range of international clients, which are mostly banks, custodians, broker-dealers and central banks. In addition, EB offers related services such as new issues distribution, collateral management and securities lending services, related treasury and credit services and information services.

4.4. OUTSOURCING

The Group has centralised a significant number of business, framework and support functions within ESA in order to create greater organisational efficiency.

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, EB 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.

5. STRATEGIC OBJECTIVES & BUSINESS VALUES

5.1. COMPANY OBJECTIVES

¹ Pursuant to local regulatory requirements, the New York Representative Office has its own compliance officer

Based on its specific product and service offering and through the markets where it operates EB actively contributes to the Group's main objective to be one of the world's pre-eminent providers of post-trade services through reliability, innovation and leadership by (i) building long-term partnerships with clients and (ii) by supporting the stability and developments of the markets, locally or globally.

The Group strategy enables to attract clients based on the logic and efficiency of a gradual convergence of Euroclear services through shared but focused investments with more immediate return on value. EB also benefits from the pooling of investment within a larger group, the ability to develop new services and cover new products leveraging the expertise of the Group with the objective of meeting the needs of the market where they operate.

5.2. COMPANY VALUES

Euroclear attaches the utmost importance to its reputation for integrity, honesty and fairness. This is also 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.

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

5.3. 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 Division. The policy framework formalises the standards of professional conduct expected of all individuals working at Euroclear.

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

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 the MC;
- are practice-based and detail how to exercise the principles set out in board policies;
- 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 and relevant Standard Operating Procedures.

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 of Board member wishes to raise a concern.

5.3.1. Ethical, Legal & Compliance Risk Board Policy

The Ethical Conduct, Legal and Compliance Risk Board Policy:

- consists of a Group code of ethics setting out the list of minimum standards to which senior 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;
- detail the actions to be taken in the event of non-compliance.

In line with the policy framework described above, the ethical standards referred to in the Board Policy are further elaborated and implemented through a number of separate handbooks.

Those company objectives, values and codes are disseminated and promoted throughout Euroclear's amongst other by postings and comments on Euroclear's internal collaboration platform. Practical awareness tools include e-Learning modules and targeted training organised by Compliance & Ethics.

The MC is responsible for overseeing the implementation of the appropriate processes. Compliance & Ethics monitors the adherence by all staff to relevant regulatory and internal provisions through regular 'review and confirm' missions. These consist in a yearly self-certification performed by business owners to provide first line assurance on the adequacy and effectiveness of their controls (review) followed by a risk-based testing program carried out by the Assurance team (confirm).

5.3.2. 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.

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

- Euroclear Bank Board Code of Ethics / Policy for CoI for Board Members and Policy on External Mandates for Board and Senior Management;
- Group Policy Handbook on CoI and External Mandates; and
- Guidelines for categorisation, assessment and determination of management measures and controls for Conflict of Interest in Euroclear.

Those Group policies cover both personal and corporate conflicts, with due consideration of potential intra-group conflicts resulting from the group structure and its operating model entailing multiple outsourcing arrangements. 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 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 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.

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

5.3.3. Speak Up (formerly "Whistleblowing")

Euroclear encourages everyone –regardless of their role in the organisation- to report 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

EB has therefore a *Speak Up Policy Handbook* 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; and
 - 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 according with local laws.

5.3.4. Formal complaints handling

EB has a formal complaints handling process in place. A person (client or third party) seeking recourse from EB (including its branches and representative offices) in relation to the way in which it has provided or has failed to provide its services can file a formal complaint. This process is actionable as a last resort in the event that the issue could not be resolved via usual Euroclear contact points. Formal complaints have to be made in writing. The complaints handling process is a formal escalation process handled by the EB Compliance Officer. Relevant information is published on Euroclear's website.