



Post-trade made easy

Euroclear Bank SA/NV Governance Charter

March 2020

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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 shareholders structure as well as its own group structure (subsidiaries).

1.1. LEGAL AND SUPERVISORY STATUS

EB, a Belgian incorporated "*société anonyme/naamloze vennootschap*", is a Central Securities Depository ("**CSD**") authorised under article 16 and 54 of the CSDR, which operates a designated securities settlement system, the "Euroclear System", pursuant to Directive 98/26/EC on settlement finality in payment and securities settlement systems, as implemented in Belgian law. In this role, EB provides settlement and related securities services for transactions involving domestic and international bonds, equities and investment funds and other financial instruments.

Pursuant to the Law of 22 February 1998 establishing the organic status of the NBB (the "**Organic Law**"), the NBB ensures the prudential supervision of CSDs established in Belgium. It monitors compliance with the provisions of the CSDR, including those of Title II thereof, unless the CSDR provides otherwise and without prejudice to the powers conferred on the Financial Services and Market Authority ("**FSMA**").

Pursuant to the Law of 2 August 2002 on the supervision of the financial sector and on financial services (the "**Law of 2 August 2002**"), the FSMA ensures the supervision of conduct-of-business rules applicable to CSDs established in Belgium. More particularly, the FSMA monitors compliance with the rules referred to in Article 45, § 1, 1° of the Law of 2 August 2002, and with the rules for ensuring honest, fair and professional treatment of participants and their customers. In this respect, the FSMA monitors compliance by EB with Articles 26(3), 29, 32 to 35, 38, 49 and 53 of the CSDR.

In addition to the foresaid supervision of EB, the efficiency and soundness of the Euroclear System as such is overseen by the NBB in accordance with Article 8 of the Organic Law.

EB is also authorised and supervised by the NBB as a credit institution pursuant to the Banking Law and the Organic Law.

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 Belgian banking law and the CRD IV.

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 with one share held by its owner, Euroclear AG ("**AG**"), itself wholly owned by Euroclear Holding SA/NV ("**EH**"), the ultimate top holding of the Euroclear Group. 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 EH as from end 2019 demonstrate the financial soundness of EH and its subsidiaries and are published on the Group website (www.euroclear.com).

As direct or indirect shareholders in EB, ESA, EI, AG and 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.

As 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/Board 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 tenth 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. Without prejudice to mandatory provisions providing otherwise, 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 unanimously agree to deliberate on the issue. 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.

1.3. SUBSIDIARIES

1.3.1. Nominee companies

EB has established five nominee companies in the United Kingdom, the purpose of which is to hold legal title to registered securities governed by the laws of certain jurisdictions in which EB operates. The reason therefore is that securities held within the EB system are split between the legal ownership (held by the nominee company) and the equitable ownership (held by the underlying beneficial owner of the securities). This split spares the registrar administering the securities held in the EB system from effectuating each transfer of shares between EB's clients and their underlying customers, as the legal interest always remains with the EB nominee. Consequently, the use of these nominee companies enhances the certainty of transactions within the Euroclear System. EB's nominee companies are the following:

- EC Nominees Ltd;
- Euroclear Nominees Ltd;
- EOC Equity Ltd;
- FundSettle EOC Nominees Ltd; and
- Euroclear Treasury Nominee Ltd.

2. GOVERNANCE BODIES AND STRUCTURE

This section describes EB policy as regards composition and functioning as well as governance structure of the following EB governance bodies: Board of Directors (see section 2.1), Board advisory committees (see section 2.2), Management Committee ("**MC**") (see section 2.3).

According to Article 28 of CSDR, a User Committee ("**UC**") has been established for the securities settlement system EB operates. Its role and composition are described under the section 2.4.

EB 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 defines and supervises the general policy and strategy of EB and has the power to carry out all acts that are explicitly reserved by law to the Board.

In addition, the EB Board is responsible for supervising the EB MC.

EB is a regulated entity forming part of Euroclear group which is a financial group and as such it is subject to regulatory and supervisory requirements that apply both on a stand-alone basis and on a group wide basis. The Board takes the group dimension into account when exercising its management powers. More particularly pursuant to the Standard Operating Procedure with respect to Reserved and Consultation Matters subject to referral to ESA (“**ESA Referral SOP**”) (and as defined in the Board Terms of Reference) EB:

- exercises its powers in accordance with the Euroclear group strategy, governance and risk management frameworks and financial policy objectives as applicable from time to time and with due respect for all applicable laws and regulations;
- adopts policies and frameworks consistent with the minimum standards contained in the Euroclear group policies and frameworks; and
- adheres to the referral procedure set forth in the ESA Referral SOP.

In carrying out this role, each Board member acts in good faith in the way s/he considers would be most likely to promote the success of the Company for the benefit of its shareholders as a whole while having due regard to the interests of other stakeholders (such as customers, employees and suppliers, public interest, supervisory authorities). The EB Board also has regard to the interests of the 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 EB Board are to define and oversee the implementation of the strategy and objectives of EB, its risk framework (including risk appetite and policies) and to supervise the Company's management.

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

The control and oversight of EB's management is carried out by the Board in various ways. The EB Board has access to the minutes of EB MC meetings upon request.

In addition, EB MC members reports to the EB Board on the implementation of the agreed strategy, risk profile and financial position of EB and all other matters delegated from the Board to the MC, 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 of Association and its own Terms of Reference both amended with effect as from 1 January 2020 to comply with the new Belgian Company & Associations Code.

2.1.2. Composition

The Board must collectively have the appropriate balance of skills, experience, independence, knowledge, and diversity to fulfil its duties.

The Board comprises at least six members. All Board members are natural persons. There is no maximum number of members prescribed by the Articles. The list of Board members is published in the annual report and accounts of the Company and also available 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.

The Board comprises at least one third, but no less than two independent members. EB strives to have at least four independent directors on the Board to be able to reinforce the breadth and depth of expertise, build upon the Board effectiveness and governance and

adequately constitute the Board Committees. Independence is defined in accordance with the criteria defined under article 7:87 the Belgian Code of Companies and Associations and applicable regulatory requirements.

Some of the EB non-executive and executive Directors on the 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.

Being qualified as a public interest enterprise, EB, in accordance with article 7:106 of the Belgian Code of Companies and Associations, has set a minimum of one third representation of the under-represented gender in 2019 as decided by the non-executive directors of the Board. Out of the 11 Board members, 4 are of the under-represented gender. The Board reviews 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; and
- the Board should include directors with relevant experience in both generic and company specific areas (a.o., general management, strategic planning/business strategy; risk management/internal controls matters, finance/accounting, and EB business).

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

EB is updating its suitability policy and internal appointment process for Board, MC and key function holders to continue 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

Board members are appointed by the shareholders for an initial three year term (renewable)¹, in accordance with the Articles and the Board and Board Committee Composition Policy. Should a Board member leave the Board before the end of his/her term, the Board may appoint a new Board member to fill the vacancy. Such an appointment is to be confirmed by the shareholders at the next General Meeting and is made for the remaining duration of the predecessor's mandate unless the general meeting of

¹ The Board member will not be deemed independent any more in the sense of article 3.5 of the Corporate Governance Code 2020 after having served for more than 12 years as a non-executive director.

shareholders opts for a different term of office.

In order not to create any discrimination based on age, there is no age limit of Board members.

The appointment of a Board member is subject to a prior assessment of his/her expertise and professional integrity (referred to as 'fit and proper', in accordance with applicable regulatory guidance), and to prior regulatory approval by the NBB. The NBB is provided with all the necessary information and documents to be able to assess the experience and skills of the candidate and ensure s/he is fit and proper to be a Board member. A Board member must permanently comply with the 'fit and proper' requirements during his/her term of office.

EB will also inform the NBB of any proposed mandate renewal, as well as non-renewal or removal.

Once a Board member is appointed, information 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 approval of 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 meets at least on a quarterly basis. Additional meetings may be called whenever the interest of EB requires it, or whenever one Board member asks for it. Board members are expected to attend each Board meeting and in person.

The Board 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. All resolutions are adopted by a simple majority of the votes cast provided (i) the Board has been validly convened, (ii) Management Committee members do not form a majority of Board members present or represented, and (iii) the required quorum is satisfied. In case of equality of votes, the Chair has a casting vote. Board resolutions may be approved by unanimous written consent of all directors.

The Chair, in consultation with the Chief Executive Officer ("**CEO**"), establishes the agenda for the Board meetings with the assistance of the Company Secretary. All Board members can place items on the agenda. Decisions on issues not appearing on the agenda can only be taken if all members are present or represented and agree to deliberate on the issue.

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 Company Secretary in fulfilling this responsibility.

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. Board members 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. Minutes will be signed by the Chair and the Board members willing to do so. Copies or extracts of the minutes are validly authenticated if signed by a Director or the Company Secretary.

The Board has appointed a Company Secretary to assist and advise the Board and its Chair. The Company Secretary or the Executive Secretary advise the Chairs of each Board Committee in the performance of his/her role and responsibilities.

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 Board 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 Board members, 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 Board members 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 Board members' 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 minuted.

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 Chair takes steps to ensure that any areas of weak performance in the assessment are taken up with the relevant individual Board member as necessary.

On a periodic basis, the evaluation of the Board is externally facilitated.

2.1.7. Training

Upon being appointed to the Board, all new Board members 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 Board members a global view of the Group, its strategy and policies and the major challenges it is facing. It also develops the Board members' understanding of their role and responsibilities under Belgian law, and the legal and regulatory regime applicable to EB.

Board members 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.

Training needs for Board members are addressed and evaluated at each Management Committee, Board and Committee meeting.

2.1.8. Remuneration

The remuneration package of Board members is decided by the shareholders' meeting. The "non-independent" non-executive and executive directors are not remunerated for their mandate as members of the board of directors. The individual fixed remuneration levels depend on the general role fulfilment of an individual, his/her development in the job and his/her role responsibilities and is determined in line with EB Compensation Policy.

2.1.9. External directorship and managerial functions

All members of the Board are required to commit sufficient time to perform their functions in EB. 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 an external function, the Board member informs the Company Secretary, who will ensure the appropriate authorisation/information/publication procedure is followed, as described in the Policy on External Mandates for Board and Senior Management pursuant to article 62 §3 of the Banking Law.

2.2. BOARD ADVISORY COMMITTEES

In order to perform its responsibilities more efficiently, the Board has set up several advisory committees with defined responsibilities and powers: the Audit Committee ("**AC**"), the Risk Committee ("**RC**"), the Remuneration Committee ("**RemCo**") and, the Nominations and Governance Committee ("**NGC**").

2.2.1. Composition and appointment

Each advisory Committee is composed of at least three members all of whom are non-executive Board members, the majority being independent within the meaning of article 7:87 of the Belgian Code on Companies and Associations and applicable regulatory requirements. The majority of members by Committee is different. The Chair of a committee should, as best practice, not be the chair of the Board.

The Chair of each Committee is independent. The Chair of the Audit, Risk and Remuneration Committees are different.

Each non-executive Board member may sit on no more than three advisory Committees.

Board Committee members are appointed by the Board upon recommendation of the NGC (except for the Chair of the AC being appointed by the AC 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 ("**ToR**") 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 committee material (to enable Board decisions as required) and minutes of Committee meetings are made available to the Board.

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

The quorum for Committee meetings 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 regularly evaluates its own performance against a benchmark that reflects regulatory requirements, guidance and best practices.

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, recorded in the meeting minutes and reported to the Board.

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

2.2.4. Trainings

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 AC is an advisory committee of the Board established to assist the Board in fulfilling its financial reporting, audit, technology, and compliance and ethics oversight responsibilities. In discharging its responsibilities, the AC also reviews the controls over all outsourced services on which EB is dependent. Its responsibilities are detailed in its own ToR.

The members of the AC should have collective expertise regarding the credit institution's operations as well as in the area of accounting and audit. At least one member of the AC should be an expert in either auditing and/or accounting matters.

The AC meets at least on a quarterly basis 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 CEO, the Chief Financial Officer ("CFO"), the Company's Head of Audit ("HOA"), Chief Compliance Officer ("CCO"), Chief Technology Officer ("CTO"), the External Auditor, observers/advisers appointed by the AC and additional invitees, as deemed necessary or appropriate by the Chair, may attend AC meetings.

The AC meets at least once a year with each of the HOA, the CCO, the CTO and the External Auditor without executive management being present. The HOA, the CCO and the CTO (alongside other reporting lines set out in the section on their respective status) report to the AC Chair and have direct access to the AC.

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

The AC is also informed about the major risk issues reported to the RC.

The AC has adequate interaction with the RC to ensure consistency and avoid any gaps in their respective roles. To this end, the Chair of the RC has an open invitation to attend the AC meetings where desired. The AC and RC regularly meet in joint session to review issues relevant to both Committees including, but not limited to, ICAAP, cyber security (including the CISO report), IT projects, internal control system reports and regulatory matters.

The AC keeps ESA's audit committee informed about:

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

The parent audit committee keeps the AC informed about any material group level issues under its review having an impact on EB.

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

2.2.6. Risk Committee

The RC is an advisory Committee of the Board established to assist the Board in fulfilling its risk oversight responsibilities. Its responsibilities are detailed in its own ToR.

The RC members individually have the skills and experience to be able to understand the Company's business and to oversee the risk strategy, risk appetite (i.e. risk tolerance), risk capacity and risk profile of the Company.

The RC meets at least on a quarterly basis with additional ad-hoc meetings as deemed appropriate by the Chair.

Only the RC members are entitled to be present at RC meetings as well as a member of the RemCo (in the event both committees do not have one member in common). However, to facilitate the effective conduct of its business, Board members, the Chief Risk Officer ("CRO"), the CEO, observers/advisers appointed by the Committee and any additional invitees as deemed necessary or appropriate by the Chair may attend RC meetings.

The RC meets at least once a year with the CRO without executive management present. The CRO (alongside other reporting lines set out in the section on the CRO status) shall report to the RC Chair and has direct access to the RC.

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

The RC 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 RC of any material group level issues under its review having an impact on EB.

The RC will similarly keep the parent risk committee informed about any material issues at EB 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 information and informal contact between members.

The RC has adequate interaction with the AC to ensure consistency and avoid gaps in their respective roles. To this end, the Chair of the AC has an open invitation to attend the RC meetings. The AC and RC regularly meet in joint session to review issues relevant to both Committees including, but not limited to, ICAAP, cyber security (including the CISO report), IT projects, internal control system reports and regulatory matters.

2.2.7. Remuneration Committee

The RemCo is an advisory committee of the Board established to assist and advise the Board in:

- defining a compensation policy for EB within the global compensation philosophy of the Group;
- ensuring that the non-executive EB Board and Board Committee members, the members of the EB MC as well as identified staff (also called material risk-takers) are compensated as per the principles described in the Eurocler compensation policy; and
- overseeing management's implementation of the compensation policy.

Its responsibilities are detailed in its own ToR.

The RemCo 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 EB's risk and capital profiles. The RemCo members collectively also have an understanding of the EB's business and shall have competence relevant to the sectors in which EB operates.

The RemCo meets at least twice a year with additional ad-hoc meetings as deemed necessary 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 RC (in the event both committees do not have one member in common), the Head of Human Resources Division or his delegate, external advisors appointed by the RemCo if any and any additional invitees as deemed necessary or appropriate may attend the RemCo meetings.

The Chair of the RemCo may be a member of, but not chair the AC or RC.

The RemCo works closely with the RC in evaluating the incentives created by the compensation policy. The RC shall advise 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 in accordance with the regulation; and
- the way the risk strategy and risk tolerance is reflected in the overall annual performance review so as to ensure that the RemCo 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 MC and other identified staff.

2.2.8. Nominations and Governance Committee

The NGC assists and advises the Board in all matters in relation to the suitability assessment of Board, MC members and key function holders; Board and Committee composition; succession planning; and corporate governance matters as they apply to EB.

Its responsibilities are detailed in its own ToR.

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

The NGC meets at least on a quarterly basis with additional ad-hoc meetings as deemed necessary by the NGC Chair.

Only the NGC members are entitled to be present at NGC meetings. Other invitees such as external advisors appointed by the Committee, if any, and any additional invitees, as deemed necessary or appropriate by the NGC Chair, may attend.

The NGC Chair may be a member of, but not chair the AC or RC.

The NGC will maintain effective working relationships with the Board and management of EB.

2.3. MANAGEMENT COMMITTEE

2.3.1. Role and Responsibilities & delegation of powers

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 Management Committee may delegate the day-to-day management of the Company as defined in the Code of Companies and Associations, as well as the representation of the Company in connection with this management, to one or several delegates, whether a Director or not but may not delegate such day-to-day management of the Company to a non-executive Director.

Within the limits of its authority, the EB_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 EB branches and 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 ToR;
- 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, material financial, or material legal risk to EB.

EB MC's responsibilities are detailed in its own ToR, which have been reviewed to comply with the Code of Companies & Association.

2.3.2. Composition

The MC is composed of at least two members, and as many members as the Board may decide from time to time to appoint, who form a college. The size of the MC may be adapted to the complexity of the Company to enhance the efficiency of plural supervision and of collegial decision-making on the conduct of the Company's activities. The list of MC members is available on the Euroclear website (www.euroclear.com).

All voting members of the MC (and only them) are executive members of the Board.

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

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; and
- 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.

2.3.3. Appointment and Resignation of MC members

With respect to future potential members of the MC, the Chair of the MC (i.e. the CEO), 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 MC. Management members must permanently comply with the 'fit and proper' requirements during their term of office.

Once 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 ToR, 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.

The MC meets as and when required, generally once a week. The Chair of the MC or his/her replacement 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 MC member unable to attend a meeting may authorise in writing, one of his fellow MC

members to attend and vote for him/her. Members who, pursuant to the law, may not participate in the deliberations and the vote, will not be counted when determining whether the relevant quorum exists.

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 case of equality of votes, the Chair will have the deciding vote. The resolutions of the MC may be passed by unanimous written consent of its members.

The Chair sets the agenda. Individual members of the MC can 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 to deliberate on the matter.

The EB MC may invite individuals from EB, ESA, other entities of the group 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 EB MC has appointed a Management Committee Secretary ("MC Secretary") who provides administrative support. The EB MC 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 MC Secretary is not present at a particular meeting, then the MC members present appoint an acting secretary for the purpose of the meeting.

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

2.3.5. Division of tasks

a) Chief Executive Officer

The EB CEO is the Chair of the EB MC and is appointed by the Board on the proposal of, and after consultation with, the MC and is subject to regulatory approval by the NBB.

The CEO is not the same person as the Chair of the Board.

The CEO reports to the Chair of the Board. The Chair of the Board is responsible, amongst others, for setting the CEO's objectives and proposing his/her remuneration to the Board in line with the EB compensation policy.

The CEO has a functional reporting line to the Group Chief Executive Officer (ESA Management Committee Chair) to make sure there is a harmonised view of key management issues across the Group and that ultimately ESA can fulfil its shareholder regulatory obligations in accordance with the consolidated supervisory regime it is subject to under Belgian law.

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 as defined in article 7:121 of the Code of Companies and Associations.

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.

b) Chief Financial Officer

The CFO is a member of the EB MC responsible for a variety of financial activities, including accounting, financial control, asset and liability management, cost management and tax to meet EB's business requirements, taking into consideration the Euroclear Group 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 organised on the same database and set of data as those used for the monthly reporting.

c) Chief Operating Officer

The EB COO is a member of the EB MC responsible for fulfilling 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 CRO is a member of the MC and has overall accountability for ensuring there is robust independent oversight of risk-taking activities in EB. The EB CRO is therefore responsible for the EB risk management function activities and deliverables. In order to preserve his/her independence, the CRO has the duty to escalate appropriate matters to the level of the Board and this shall take precedence over his/her general duties and responsibilities as a member of the MC. The CRO reports to the EB RC Chair and has direct access to the EB RC.

e) Head of Banking and Network

The Head of Banking and Network is a member of the EB Management Committee.

The primary mission of the Head of Banking and Network is to support EB services and business ambitions by delivering:

- banking solutions within compliance with the requirements of CRD/CRR/CPMI-IOSCO/CSDR and the Bank's risk appetite mainly with respect to market liquidity and credit risk; and
- an international network of CSDs and cash correspondents relationships.

The Head of Banking and Network leads the Banking Division comprising departments of Network, Treasury, Credit Management, Banking Solutions & Data Management, Banking Operations & Enabling Services and Financial Risk Control & Business Analytics.

2.3.6. Assessment of the MC

The EB 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 or by any other ways to collect feedback as decided by the MC depending on its specific needs in the year assessed. 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 EB MC which agrees on action points arising out of the results of this assessment. The outcome of this assessment is minuted.

In addition to this self-assessment, the EB NGC assesses the performance of the EB MC as part of the Board self-assessment. The Chair of the EB 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 or the Executive 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).

2.3.9. Advisory Group

The MC of EB has set up an Advisory Group composed of key senior roles who can contribute specific expertise to the Management Committee to assist it in carrying out its role. The Advisory Group is subdivided into a Permanent Advisory Group (composed of the CCO and the CTO) and a Business Advisory Group (composed of the Head of Commercial or his/her deputy and the Head of Strategy). The members of the Advisory Group are invited to the MC meetings in order to ensure the necessary broader view on topics under MC consideration. The MC retains full decision making power and responsibility on all matters within their role as delegated by the Board.

The members of the Advisory Group are determined by the MC depending on their potential contribution in terms of knowledge, experience and skills, and in accordance with the needs of the MC at the time of the nomination. The individual members' existing reporting lines within EB will not be affected by their membership to the Advisory Group.

The set-up and composition of the Advisory Group can be changed at any time.

2.4. USER COMMITTEE

2.4.1. Role and Responsibilities

The User Committee (UC) provides independent advice to the Board, on key arrangements impacting the EB's members on the following matters:

- criteria for accepting issuers and participants;
- service level, 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; and
- review and/or testing of the default procedures of EB (excluding any banking related aspects).

The UC may submit a non-binding opinion to the Board containing detailed reasons regarding the pricing structures of EB.

The UC may also submit a request for implementation of *delivery versus payment* settlement for any link maintained by EB that would not be a *delivery versus payment* link yet.

The UC is informed by EB Head of Internal Audit 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 UC members.

It is also regularly informed of the performance of the EB's Securities Settlement System.

2.4.2. Composition

The UC is composed of representatives of participants and issuers in the Securities Settlement System.

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

Nominees for UC Chair are proposed based on data available in EB's records (e.g. list of participants, segments of activities). The independent non-executive directors of EB are consulted before the User Committee approves the appointment of the preferred candidate as Chair. The appointment of the Chair is approved by the UC as a whole and ratified by an independent non-executive director of EB.

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

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

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

2.4.3. Operating rules

Four meetings are scheduled per year. Additional ad-hoc meetings can be organised, as deemed necessary by the UC Chair.

At the beginning of each meeting, the UC 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 UC shall be determined by a simple majority of members present. Each UC member has one vote and all votes are equal. A UC member may not appoint a proxy to vote at a meeting in their place. The UC Chair has the casting vote in case of equality of votes.

The UC will be informed by EB of any decision in which the Board decides not to follow its advice. The UC may inform the competent EB supervisory authority of any areas in which it considers that the advice of the UC has not been followed.

The UC will provide the minutes of their meetings to the Board.

3. INTERNAL CONTROL FRAMEWORK

3.1. RISK MANAGEMENT FRAMEWORK

The Board is committed to maintaining a risk profile in line with the Company's role as a leading FMI with a closely guarded reputation for safety and resilience.

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 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 EB'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 EB's risk profile at the desired level.

The Board has established a risk strategy framework, supported by an appropriate risk appetite framework, that preserves EB's long-term strength and the trust of its key stakeholders.

Euroclear's Enterprise Risk Management framework is applicable to all risk types and is documented in various policies.

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 fostering behaviours and values for a robust risk culture.

3.1.1. Three lines of defence

In line with best market practice, EB has adopted a three lines of defence model to facilitate the effective operation of the ERM framework. Each line plays a distinct role providing Management and the Board with confidence that EB is likely to achieve its key goals through the effective management of risks.

- **1st line of defence – Line Management:**

Line management:

- ✓ ensures that the right risk culture is embedded in the different business units;
- ✓ owns the risks linked to the activities it undertakes to reach its business objectives;
- ✓ identifies, measures, controls and manages these risks; and
- ✓ defines and operates a control system to ensure EB 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 of defence – Risk Management and Compliance & Ethics:**

The Risk Management (“**RM**”) function provides robust, independent oversight of 1st line’s risk-taking activities. EB 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 (“**C&E**”) as the responsible control function for compliance risks within the second line, supports and challenges the business in its management of those risks. This includes:

- ✓ monitoring compliance with the applicable legal and regulatory requirements;
- ✓ proactively identifying, assessing and monitoring Compliance Risks faced by EB;
- ✓ designing, implementing and overseeing the Compliance Risks Management Framework which comprises the 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; and
- ✓ providing assurance to Senior Management, Board and regulators on the effective management of Compliance Risks.

- **3rd line of defence – Internal Audit:**

Internal Audit (“**IA**”) provides:

- ✓ comprehensive assurance based on the highest level of independence and objectivity within the organisation, in order to support the Board and Senior Management in reaching their objectives.

IA’s scope is unrestricted, and provides assurance on the adequacy and effectiveness of EB’s governance, risk management and internal controls.

3.1.2. IT oversight

The EB IT Framework defines the scope and guiding principles for managing and controlling end-to end IT, irrespective of whether IT is internal to EB or outsourced (within or outside the Group).

The EB IT Framework demonstrates how EB Board and Senior Management oversee IT services in accordance with their risk appetite for operational risk. It also articulates how EB meets external IT requirements from regulations and associated guidelines (including CSDR, CPMI-IOSCO Principles for Financial Market Infrastructures and General Data Protection Regulation and related guidelines as appropriate).

The CTO monitors and controls IT to ensure its adherence to this framework. EB so ensures that it retains sufficient IT expertise to challenge and oversee the broad range of IT deliverables supporting the critical IT functions of an FMI.

3.2. INDEPENDENT CONTROL FUNCTIONS

The Compliance & Ethics, Risk Management and Internal Audit divisions are independent control functions, each with a dedicated Board-approved Charter.

EB has in place independent second line functions; i.e. Risk Management and Compliance & Ethics, as well as an independent 3rd line of defence function, Internal Audit function. These independent control functions are set in line with CSDR requirements with the highest applicable standards in ensuring a robust and transparent management structure and control environment.

These functions fit within the Three Lines of Defence model which EB has adopted pursuant to best industry practices. Business Management forms the 1st line of defence.

EB maintains the system of internal controls to ensure 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.

The Three Lines of Defence model ensures that adequate assurance is provided on the adequacy and effectiveness of EB's internal controls systems.

3.2.1. Set up of Control Functions

The following conditions apply in respect of each Control Function:

- the staff of the Control Function do not perform any operational tasks for and are organisationally separate from the activities they monitor and control. However Local Compliance Officers in EB foreign offices can have responsibilities outside C&E, in limited cases (and provided that those cases do not create unmanageable conflict of interest) and after authorisation by the Board;
- none of the Control Functions may be combined with any other;
- C&E and RM functions are subject to separate independent review by IA; and
- remuneration of staff within each of the Control Functions, including the relevant Control Function Head, is not linked to the performance of the activities the Control Function it oversees;

These functions have the necessary authority, resources expertise and access to all relevant information to perform their mission; and staff supporting the Control Functions in achieving their objectives 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, some Control Functions may be shared between EB and other Euroclear CSDs. Currently the EB Internal Audit function is carried out by the group internal audit function. A shared service agreement is in place between ESA and EB governing the provision of these services to EB and the resources to support the local control functions of EB.

3.2.2. Control Function Heads

3.2.2.1. Reporting lines

(i) Chief Compliance Officer:

- has a direct reporting line (plain) from the CCO to the Chair of the EB Audit Committee to ensure that the Compliance function is fully independent, free from interference by any element of the organisation.
- has a direct reporting line (plain) from the CCO to the Chief Executive Officer (CEO) to ensure adequate positioning, resourcing and organisation of C&E within EB as well as to ensure unrestricted access to records, personnel and physical properties relevant to the delivery of its activities.
- when required, the CCO has unmediated access (dotted) to the Chair of the Board, the Board itself and the Audit Committee. The CCO may also directly contact the statutory auditor or the competent authorities when deemed necessary.

(ii) Chief Risk Officer:

- is a member of the Management Committee;
- has a direct reporting line to the EB CEO and to the EB RC Chair;
- has unmediated access to the Board Chair, the Board itself and members of the relevant Board Committee (i.e. without requiring advance notice to, or approval by, EB management). The EB CRO may also directly contact the statutory auditor or the supervisory authority where deemed necessary; and
- has a functional reporting line to the Euroclear Group Chief Risk Officer (ESA CRO).

This dotted line ensures that processes are in place so that the ESA CRO is made aware of risk and control issues emerging in EB and is empowered to request any information to the EB CRO in order for him/her to meet its obligations to provide ESA Management and the ESA Board with a consolidated view of the Group risks. This reporting line ensures alignment, consistency, smooth delivery and operational

effectiveness of risk management services across the Group- including adherence to ESA Board Reserved/Consultation Matters. The dotted line does not give any power to the ESA CRO to decide on/intervene in the EB CRO's annual objectives setting, annual performance evaluation or annual remuneration.

(iii) Head of Audit:

The EB Head of Audit has a dual role, as he/she is also an Audit Management Team (AMT) member. Given the need to safeguard both his/her independence from the EB's activities and the conformance with local regulatory and statutory requirements, the Head of Audit has:

- functional reporting lines into the Chair of the EB Audit Committee and the Chief Audit Executive (CAE). The reporting line to the Chair of the Audit Committee is to ensure that Internal Audit is fully independent. The reporting line of the Head of Audit to the CAE is required for the CAE's effectively managing the Group Audit via the AMT; and
- an administrative reporting line into the CEO, to facilitate Internal Audit's unrestricted access to records, personnel and physical properties relevant to the performance of the audit assignments.

3.2.2.2. Appointment and removal

- the 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. The Board Committee can decide to take this opinion into account or not. For The recruitment of the Head of Internal Audit, The CAE and the Chair of the Audit Committee jointly set the Head of Audit job profile, interview candidates for the role and propose the final candidate to the Audit Committee, who recommends him/her to the Board for approval of appointment;
- 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; and
- appointment is subject to prior regulatory 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.

3.2.3. Internal Audit

3.2.3.1. Mission

Internal Audit ("IA") provides the Board of EB, via the EB Audit Committee in its quality of advisor to the EB Board, with independent reasonable assurance and insight on governance, risk management and internal controls, to add value to and support EB in achieving its objectives.

3.2.3.2. Audit Reporting

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

- Audit Plan: this report provides explanations on the drivers supporting the plan and gives an overview of the audit planning envisaged over a 3-year horizon, as well as the resources required. It is reviewed by the EB MC and the EB AC and recommended by the AC to the Board for approval;
- IA activity report: this report covers the results of audit work, as well as:
 - ✓ the Control Matters for EB AC Attention: this report highlights matters related to the internal control environment that Internal Audit considers to be of high risk to the organisation, either now or in the near future, and that should be a priority for management to have strong and close oversight over.
 - ✓ the follow-up of issues: Issues identified by IA are entered into the issues tracking database at Group level. In line with the Institute of Internal Auditors (IIA) Standards, IA performs the follow-up and closure of the issues it raises, including concerns regarding the effectiveness or timeliness of Management's actions to address audit issues.
 - ✓ In addition to this, IA sends any communication, audit memos and reports it

deems necessary, directly to EB MC members.

- IA Performance report: this report covers the progress on and changes in the Internal Audit Plan, as well as the results of the quality assurance and improvement programme (QAIP).

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

3.2.4. Compliance & Ethics

3.2.4.1. Mission

EB C&E discharges its responsibilities as the advisory and control function for compliance risks within the 2nd line of defense by:

- designing, implementing and maintaining the Compliance Risk Management Framework, reporting on the adequacy and effectiveness of its implementation by EB, and ensuring it is aligned with the Enterprise Risk Management (ERM) framework;
- setting the standards EB must achieve when managing Compliance Risks in relevant policy documents and providing assistance to management in ensuring all staff understand their compliance responsibilities and the compliance risks that might arise in their respective business areas through generic awareness campaigns, e-learning and targeted training sessions;
- supporting EB in implementing changes to procedures, processes and controls stemming from new/updated laws and regulations or changes in business circumstances. This covers supporting the business in ensuring sufficient traceability from applicable regulatory requirements to Compliance Risk assessments and control activities;
- performing regular risk-based testing of EB compliance controls and making independent recommendations to management on the countermeasures necessary to mitigate the gaps identified;
- reporting to Senior Management and/or to the Board on the activities carried out by the Compliance function, the recommendations that were not observed by the business (based on the 'Comply or Explain' principle) and the material residual risks;
- carrying out investigation of alleged compliance violations, alleged breaches of internal rules or standards and follow-up on corrective actions; and
- drawing up an annual risk-based activity plan and submitting it to the Board for approval (the plan should detail amongst other things the assignments to be carried out and the resources required).

3.2.4.2. Reporting

The C&E reporting to the MC and/or 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;
- Adequacy assessment of the C&E function;
- C&E quarterly activity report: reporting 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; and
- testing carried out by C&E and the important findings and/or developments which pose a significant risk of a legal, administrative or regulatory sanction.

3.2.5. Risk Management

(i) Mission

RM's mission is to provide robust independent oversight of risk-taking activities of EB including intragroup outsourcing arrangements, to help it achieve its goals and deliver its strategy. The EB Risk Management function may use both its own resources and

leverages Group Risk Management's resources via a Shared Service Agreement.

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

- establish, maintain, facilitate and assess the effective operation of Euroclear's ERM framework;
- 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.

(ii) RM reporting

In its independent risk oversight role of management's risk taking, RM:

- provides comprehensive risk analysis and reporting through the quarterly Corporate Risk Report which goes to both the MC and RC;
- produces a range of other risk dashboards and reporting to help the organisation understand and manage its risks such as ICAAP/ILAAP/RRWP, Pilar 3 report, Model Validation report, risk appetite update;
- 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, and
- facilitates and coordinates the by-yearly Internal Control Systems report for the Management and Board Committees.

3.3. OTHER KEY FUNCTIONS

3.3.1. Chief Technology Officer

In line with CSDR Requirement (Article 48 Risk monitoring tools of CSDs referred to in Article 26(1) of Regulation (EU) No 909/2014), EB has established a Chief Technology Officer function.

The CTO oversees the implementation of the IT Framework that sets out the principles for the governance and management of the end-to-end IT environment. The CTO is in more particular responsible for:

- advising on an effective IT strategy, investment budget and risk assessment;
- setting direction of the IT governance through prioritization and decision- making;
- monitoring, reporting and escalating to the MC and the AC, the performance and compliance of all IT processes and activities, including activities outsourced under a Shared Services Agreement, against agreed-on directions and control objectives laid down in the IT Framework as well as applicable regulations.

The CTO maintains a view on IT's readiness to comply with the IT Framework and reviews the IT Framework on a yearly basis and reports its findings to the MC along with recommendations to update the outsourcing arrangements. He also organises monthly meetings with ESA IT to review the service performance against the expectations set out in the Service Delivery Plan attached to the Shared Services Agreement and to agree on the approach to tackle identified issues, which are also discussed at the quarterly service dialogue meetings between EB and ESA IT Senior Management (pursuant to the outsourcing oversight structure as described in section 4.4).

The CTO:

- has the necessary authority, resources, expertise and access to all relevant functions and information to perform his/her mission;
- has the possibility to call upon additional resources to support his function;
- does not perform any operational tasks for, and is organizationally separate from the activities monitored and controlled; and
- the function is not combined with the CRO nor the CCO, but the CTO meets on a monthly basis with the 2nd line of defence.

3.3.1.1. Reporting lines

- has a direct reporting line to the CEO;
- also has a direct reporting line to the AC Chair; and
- has unmediated access to the Board Chair, the Board itself and members of the AC (i.e. without requiring advance notice to, or approval by, EB Management). May also

directly contact the statutory auditor or the supervisory authority when deemed necessary.

3.3.1.2. Appointment and removal

- the CEO is consulted to provide input, in the selection process, to the Audit Committee; and
- appointment and removal is approved by the Board upon the recommendation of the AC. An internal fit and proper assessment is performed subject to review by the NGC in accordance with applicable regulatory guidance.

3.3.2. 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.

ESA delivers the Finance, Corporate Secretariat, Human Resources, Legal and Communication services to EB.

4. BUSINESS ORGANISATION

This section of the Charter describes the business activities of EB and how EB is structured organisationally, including its branches and representative offices, to fulfil its business objectives within a robust control environment. It provides a description of EB's operating services and sets out the range of products and services offered by EB. It also provides a detailed explanation on the Euroclear outsourcing rules given EB specific operating model whereby ESA provides a range of business, framework/support and control function services.

4.1. OPERATING DIVISIONS

EB is organised into the divisions described below, respectively headed by the COO (supported by two deputy COO) and by the Head of Banking and Network.

4.1.1. Operations

EB Operations are responsible for the provision of all EB operational services.

EB Operations are organised into several departments across the Brussels, Hong Kong and Krakow offices.

Asset Servicing and New Issues & Reconciliation

Ensures effective service delivery to support issuance of financial instruments eligible in the EB system. Guarantees proper reconciliation of assets and services EB clients' assets during the securities life-cycle.

These services are:

- acceptance and distribution of new issues;
- income payment, corporate actions and tax services; and
- cash and securities reconciliation.

Funds and Collateral & Transactions Processing

Ensures effective service delivery for Funds and facilitates collateral management and transaction processing for EB clients.

These services are:

- investment funds services;
- cash and securities settlement processing;
- securities lending and borrowing services, and
- collateral management services.

Client Services

Ensures specialised and dedicated first line client support for all operational services listed above. Also provides pro-active support and handles eventual escalations.

People, Projects and Performance

Supports EB management on the following transversal domains focusing on :

- risks & controls - Providing assurance to management on the adequate functioning of the control system. This is achieved through regular tests of controls and facilitation of control environment assessments (Quality Control Assurance);
- managing our cost. That is achieved through budgeting, management reporting and advising (Budget team);
- people strategy - Developing talent, employee training and self-directed coaching along with strategic initiatives on people experience, talent & engagement (People team);
- enabling technology to mitigate risks, adopt best practices and enhance the tooling we use (Enabling Technology team); and
- ensuring contribution to the definition, delivery and the operational readiness of the delivery of the IT initiatives that impact EB (IT Project teams).

4.1.2. Banking & Network Management

Banking

Banking, principally covering the Treasury and Credit Management teams combine the treasury, liquidity and credit functions of EB. It supports the core business of EB by granting primarily intraday credit to clients and managing the resulting liquidity and balance sheet risk of the Bank.

Banking encompasses the following departments:

- Treasury

The ALM and Liquidity Management department implements the investment management strategy and the market and liquidity risk strategy defined by the MC and within the framework set by the Board. The ALM and Liquidity Management department is also responsible for developing and improving EB's cash management services. Treasury management includes debt issuance, liquidity investment, market and liquidity risk management.

- Credit

The Credit department implements the credit risk management policy principles set by the MC and Board in granting credit to EB clients in order to support their settlement and asset safekeeping activities in Euroclear. Credit also monitors and manages other credit exposures e.g.: on treasury counterparts, cash correspondents or settlement banks.

- Financial Risk Control and Business Analytics

The Financial Risk Control and Business Analytics ("**FRCBA**") ensures adequate financial controls are in place for the Banking business to be run within the limits set by regulators and internal policies. FRCBA also provides the EB Management and regulators with regular reporting on treasury and credit activities.

- Banking Solution and Data Management

Banking solutions aims to develop solutions to manage the trade-off of risk and regulatory constraints with settlement efficiency and client service. In doing this they work closely with other divisions in the Company (notably Product and Commercial) and directly with EB clients.

Banking Data Management provides tools to Credit, Treasury and FRCBA, as well as complex data sets (reporting) covering credit, market and liquidity risks.

- Banking Operations and Enabling Services

This department oversees the regulatory compliance and the Banking Division's processes, as well as facilitate operational efficiencies. The Treasury Process and Control is included within this team to ensure appropriate segregation of duties, whilst the Banking Administration team aims at ensuring adequate operational controls on EB's cash accounts.

Network Management

As the expert of the markets and links covered by EB, Network Management is responsible for:

- the development and maintenance of market links;
- the selection of domestic and international depositories/ agents and securities agents, settlement banks, cash correspondents; and
- the management of funds transfer agents relationships.

Network management monitors service quality, cost effectiveness with a strong focus on risk.

4.2. BRANCHES & REPRESENTATIVE OFFICES

EB has its headquarters in Brussels and operates branches in Hong Kong, Krakow and Tokyo.

The Branch Manager of each EB branch has a direct reporting line to the CEO. The Japan Branch Manager also has a functional reporting line to the Chief Commercial Officer Asia Pacific. The appointment of the branch managers is submitted for fit and proper approval to the NBB.

The Local Management Teams ("**LMT**") of the EB Branches have been entrusted by the EB Management Committee with the general management of the Branch with the exception of:

- the determination of the strategy and general policy of the Branch;
- the powers not delegated by the MC to the Branch LMT; and
- the responsibilities individually delegated by the MC to the Branch Manager and its Deputy by virtue of applicable laws and regulations.

Composition, functioning and duties and responsibilities of the branches LMT are documented in the LMT's Terms of Reference.

4.2.1. Hong Kong branch

The Hong Kong branch handles the following operational functions: income services, settlement support, new issue services, cash correspondent investigation, FundSettle services, collateral management and money transfer reconciliations, tax, as well as corporate actions services. The Hong Kong branch also has a treasury activity. Moreover, it ensures the co-ordination and priority alignment, in the Asia region, of Strategy and Product Management, Commercial and Network Management to ensure the delivery and development of the Euroclear Group services to the Asian client base. The branch also has a Local Risk Officer, a Local Compliance Officer functionally reporting to the EB CCO, and a Human Resources local support.

4.2.2. Krakow branch

The Krakow branch provides operational services to EB clients, with similar activities as in Belgium. The Krakow branch handles the following operational functions: income services, collateral management, new issue services, corporate actions services, settlement and money transfer, FundSettle services, tax operations, investigation and reconciliations as well as client services.

The Krakow Branch also disposes of Finance, C&E, RM, Facilities, IT and Human Resources staff. The Local Compliance Officer functionally reports to the EB CCO.

EB has agreed with the NBB a list of matters reserved to the EB Head Office in Brussels that cannot be transferred to the branches, in line with the legal and regulatory requirements for holding a Belgian banking license.

4.2.3. Japan branch

The Japan Branch performs relationship management on behalf of the EB Head Office in Belgium, client support, organises training sessions, seminars, conferences and workshops promoting EB services and products, acts as local liaison for EB Head Office and towards agents (depositories/cash correspondents) or local CSDs, regulatory bodies, etc., and acts as liaison for credit line related matters between local clients and EB Head Office. Credit decisions as well as execution of agreements are always handled by EB Head Office.

Clients have their accounts exclusively opened with EB Head Office in Belgium. The Branch does not perform any client transactions/operations. Operational services continue to be provided by EB Head Office, as well as the operations teams in the Hong Kong and Krakow branches. A Local Compliance Officer, functionally reporting to the CCO, has been assigned.

4.2.4. Representative offices

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 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 Division.

In the New York representative office, pursuant to local regulatory requirements, a Local Compliance Officer, functionally reporting to the EB CCO, has been assigned.

The function of the representative offices includes:

- relationship management (including maintenance of the local client relationship, update for new services and improvements, activity reviews and description of new products and services);
- client support (including response to day-to-day phone and written enquiries, operational training); and
- technical support (including assistance for the installation of new software versions and for the prompt resolution of communication problems).

4.3. SERVICES & PRODUCTS

The following sub-sections provide a more in-depth description of the services offered by EB and qualified under CSDR as core services, banking-type ancillary services and non-banking type ancillary services.

4.3.1. Core CSD activities

EB provides core CSD activities, namely securities settlement, notary services, central maintenance and new issues.

- **Securities settlement services**

EB offers settlement services on a full range of internationally traded securities, including debt instruments, equities, convertibles, warrants, investment funds units/shares, exchange-traded funds ("**ETFs**"), money market instruments ("**MMIs**") and depositary receipts, eligible for transfer and settlement against payment ("**DvP**") in various currencies (over 50 currencies accepted) or free of payment ("**FoP**"). The Euroclear System is a Model 1 DvP system.

- **Notary services**

Notary services are defined as the initial admission and/or establishment of certificated or dematerialised securities in book entry form. The definition refers to the initial representation and subsequent maintenance of securities in book-entry form through initial credit and subsequent credits or debits to securities accounts.

Securities issuances (or a portion thereof) are usually deposited into a CSD that is responsible for ensuring that the number of securities initially created equals the total number of securities in circulation (booked in investors' accounts) at any time. This activity is referred to as Issuer CSD activity.

- **Central maintenance**

Central maintenance services consist in providing and maintaining securities accounts at the top-tier level, including for example the processing of corporate actions such as dividend and interest payments or voting rights in the case of shares. This activity is also referred to as Issuer CSD activity (it is typically the case when another type of entity, e.g. a registrar, ensures the notary function).

- **New issues**

EB offers services to the issuers through their agents, lead managers as well as issuing and paying agents. These services include the initial recording of the issue in the EB's book-entry system, the allocation of a code for the issue and the processes to facilitate the distribution of the new issues. These services support the notary and central maintenance services provided by the institution.

- **Asset servicing**

Asset servicing encompasses a range of services relating to the safekeeping of securities (bonds, equities and funds), the processing of corporate events, proxy voting, the payment of interests, dividends and redemptions, market claims and the administration of related tax services.

- **Collateral management services**

Euroclear Bank offers Triparty collateral management services to participants of the Euroclear System in support of their bilateral repurchase agreements, securities loans, secured loan facilities, derivative transactions and margining for central counterparties to further optimise their liquidity across covered markets.

Collateral management services include deal matching, collateral eligibility verification and selection, delivery against or free of payment of collateral transfer, daily mark-to-market functions, collateral substitution, margin maintenance, custody event management and reporting.

4.3.2. Banking-type ancillary activities

EB, as a credit institution, provides banking services in multi-currency environment to support the core and ancillary services offered in the Euroclear System.

- **Money transfer services**

Money transfer services aim at supporting participants' cash management activities in relation to securities settlement and asset servicing. Money settlement in any of the 50 currencies accepted by the Euroclear System is carried out in the books of EB itself in commercial bank money and central bank money.

EB maintains a network of major local correspondent banks chosen for their high quality service and creditworthiness that provide EB with access to the national cash clearing systems.

- **Credit management**

EB offers multi-currency intraday credit facilities to borrowing participants on an uncommitted basis within a predefined credit framework, aiming at ensuring credit granted stays within the available liquidity capacity, to facilitate securities settlement and other services available to participants in the EB system.

These intraday credit extensions are fully secured by collateral (i.e. cash pledged or securities) or other recourse (i.e. Letter of credit for Bridge exposures or other equivalent financial resources like excess capital *vis-à-vis* capital requirements for certain exposures, as prescribed by Regulation (EU) 390/2017).

- **Treasury management**

The Treasury Department combines the treasury and Asset and Liability Management (ALM) functions of Euroclear Bank but also offers Liquidity management, Forex and Collateral Optimisation services to participants. The Treasury Department manages the day-to-day flows and liquidity needs of EB, takes care of the investment of the capital and also monitors and manages the structural interest rate and foreign exchange risks of the Bank.

The Treasury Department is structured around 3 pillars:

- ✓ Liquidity Management;
- ✓ Asset and Liability Management (ALM);
- ✓ Collateral Optimisation, Forex and Liquidity Management Services to participants; and
- ✓ Liquidity Management in contingency in compliance with CSDR.

EB does not have a trading book.

4.3.3. Non-banking type ancillary activities

- **Securities lending and borrowing services ("SLB")**

EB automated securities lending and borrowing services are designed to increase settlement efficiency. The service is an integrated component of the batch and real-time process. Participants must have credit arrangements in place with EB as a prerequisite to borrowing securities through the programme.

- **General Collateral Access ("GCA")**

General Collateral Access allows participants to lend or borrow baskets of high quality securities in exchange for other collateral.

Participants must have credit arrangements in place with EB as a prerequisite to borrowing securities through the programme.

- **Funds-order processing**

Through the tailor-made automated fund order processing platform (FundSettle) allowing a centralised fund distribution on a cross-border basis, EB provides to its clients (i) order routing and processing, (ii) corporate action services and (iii) real-time and customised reporting facilities on funds.

4.4. BUSINESS CONTINUITY MANAGEMENT FRAMEWORK

As a systemically important Financial Market Infrastructure, EB has in place Business Continuity Strategy and Management ("**BCM**") framework to ensure its recovery and continuity in case of a disaster, major incidents or any form of business disruption.

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

EB's BCM framework aligns with a number of industry standards, including the international standard ISO 22031:2012, and meets the legal requirements of CSD- Regulation and the CPMI-IOSCO Principles for Financial Market Infrastructures.

EB is evolving its BCM framework with the objective of continuous improvement on Euroclear Business & Operational Resilience.

Built on existing recovery and continuity, Business resilience aims to prevent, detect, respond and recover from operational disruptions, limiting the impact on our clients and the wider markets. Acknowledging that Extreme but Plausible Events happen, EB aims to recover fully or partially Critical Business Services.

As a systematically important FMI, it is key that EB builds stronger collaboration with its Clients, Market Participants and Ecosystem Partners to understand their challenges and needs in case of Extreme but Plausible Events.

4.5. INFORMATION SECURITY MANAGEMENT FRAMEWORK

EB, as part of Euroclear Group, ensures through the ESA Information Security Management System (ISMS) a holistic approach to address threats to confidentiality, integrity and availability in line with the risk appetite put by the board.

Information Security Management System principles are based on market best practices and recognised industry standards ISO27001:2013, NIST, COBIT and ITIL and designed to address information security legal requirements for financial market infrastructure, amongst which Regulation (EU) No 909/2014 (CSDR), CPMI IOSCO "Principles for Financial Market Infrastructures" and (EU) General Data Protection Regulation (GDPR).

5. STRATEGIC OBJECTIVES & BUSINESS VALUES

5.1. COMPANY OBJECTIVES

EB determines each year specific objectives articulated around the Euroclear Group 4 strategic pillars: 1) Great place to work, 2) Sustainable profit profile, 3) Preferred business partner and 4) Trusted FMI. The objectives are approved by the EB Board. Objectives are closely monitored by EB Management and regular status updates on EB's objectives are given to ESA in its capacity of shareholder and to the EB Board.

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 the world's leading provider of post-trade services.

In addition, each year, EB's shareholder (ESA) outlines a number of expectations EB is expected to reach.

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).

Euroclear 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.

Corporate policies transpose the minimum requirements set in the Group Policies into local requirements and complement them with stricter or further requirements as appropriate.

Board Policies are principle-based documents outlining the expectations of the Board from a risk mitigation perspective and – when applicable - the requirements to be imposed to the members of the Board on the basis of their mandate.

Policy Handbooks are practical-based documents defining how to ensure compliance with the requirements set at group and Board level. They can be further complemented by Implementing Procedures outlining the process followed at divisional level for the implementation of the Corporate Policy and by Standard Operating Procedures (SOP) used by staff when executing day-to-day activities.

Based on local legislation and regulatory requirements, branches and representative offices may foresee further or different provisions. These are addressed in annexes to the relevant policy and approved as the case may be, by the Local Management Team (LMT) or Chief Representative Officer before submission to the Management Committee and when relevant, to the Board.

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; and
- details 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.

In alignment with the corporate risk library, the Ethical Conduct, Legal and Compliance Risks Board Policy is being replaced by standalone policies but still at Board level:

- a Legal Risk Policy (already approved by the EB Board);

- a Compliance Risk Board Policy (already approved by the EB Board) which contains principles and mandatory minimum requirements in respect of the management of Legal and Compliance risks in line with EB's Risk Appetite; and
- a dedicated document to cover Conduct and Culture risks, which is under development.

Those company objectives, values and codes are disseminated 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 such as the biennial Compliance test.

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

Attendance to Risk, Cyber and Compliance training is part of the annual objectives of each individual at Euroclear. Completion scores are closely monitored and reported to Management in order to adopt remediating actions when and if necessary.

C&E also 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) in ESA C&E.

5.3.2. Conflicts of Interest

Similar to other groups, the management of the 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").

These 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 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 Group entities seek to limit the occurrence of material (permanent) CoI situations. Euroclear Board (Committees) composition rules form an 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 in the Conflicts of Interest Inventory and, when materialised, also in the 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.

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

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; and
- 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. Handling of clients' complaints

EB has a formal complaints handling process in place. A third party (client or prospect customer) seeking a remedy 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 with the Company. This process is accessible once the request could not have been resolved via the usual Euroclear contact points. Formal complaints have to be made in writing. The complaints handling process is a formal escalation process handled by C&E. Relevant information is published on Euroclear's website.

6. APPROVAL

This Charter is reviewed annually.