

**Euroclear Belgium (the "Company")**  
**Risk Committee (the "Committee")**  
**Terms of Reference**  
**(incorporating Internal Governance Practices & Procedures)**

- 1 Purpose** The Committee is an advisory Committee of the Board established to assist the Board in fulfilling its risk oversight responsibilities.
- 2 Members**
- The Committee shall comprise at least three members
  - Committee should be composed of non-executive directors, a majority of whom are independent.
  - The Committee members individually have the skills and experience to be able to understand the Company's business and to oversee the risk strategy, risk appetite (i.e. risk tolerance), risk capacity and risk profile of the Company.
  - The Chairman of the Company may be a member of, but not chair, the Committee.
  - A member may not sit on more than three Board Committees of the Company.
  - The Committee shall not be composed of the same group of members that forms another Committee.
  - The majority of its members should be different from members of the Audit and Compliance Committee and Remuneration Committee.
  - All members shall be appointed by the Board on the recommendation of the Nominations and Governance Committee.
  - Appointments to the Committee should be for a period of up to three years, renewable at the Board's discretion.
  - The Committee shall strive to have one member in common with the Remuneration Committee; if not, a member of the Remuneration Committee shall attend the meetings of the Committee.
- 3 Chair** The Committee Chair:
- shall be appointed by the Board from among the independent non-executive directors;
  - may be a member of but not chair any other Board Committee; and
  - shall have appropriate recent risk experience.
- 4 Meeting attendees** Entitled to be present:
- Committee members;
  - A member of the Remuneration Committee (if applicable)
  - Secretary to the Committee.
- Other attendees by invite:

- Board members;
  - Chief Executive Officer;
  - Chief Risk Officer;
  - Observers/advisers appointed by the Committee; and
  - Any additional invitees as deemed necessary or appropriate by the Committee Chair.
- 5 Frequency of meetings**
- At least four times per year.
  - At least one closed session per year (without executive management present) with the Company's Chief Risk Officer.
  - Additional ad-hoc meetings as deemed necessary by the Committee Chair.
- 6 Quorum**
- A simple majority of Committee members either physically present at the location of the meeting or by telephone/video conference.
- 7 Voting**
- A simple majority of Committee members present or represented.
  - The Committee Chair has the casting vote in case of equality of votes.
- 8 Meeting agenda and notice**
- The Committee Chair sets the agenda for the meetings.
  - Individual Committee members can place items on the agenda.
  - Items to be discussed must be included on the agenda. Exceptionally, an item not on the agenda may be addressed at the meeting and added to the agenda provided all members agree to this addition.
  - The agenda should allow sufficient time to undertake as full a discussion as may be required.
  - Notice of meetings shall be sent to Committee members by electronic means.
- 9 Committee support and resources**
- The Company's Chief Risk Officer shall report to the committee Chairman and have direct access to the Committee.
  - The Committee Chair shall have direct access to the Chair of the Board and shall also have a direct access to the risk committee chair of the parent company.
  - Each Committee member will:
    - ✓ obtain an understanding of the detailed responsibilities of the Committee and the Company's business, operations and risks;
    - ✓ dedicate sufficient time to the fulfilment of their role as Committee member;
    - ✓ carry out their duty with the necessary objectivity and independence from management;
    - ✓ receive induction training on all topics considered necessary for their membership; and
    - ✓ receive ongoing training, as appropriate.

- The Committee:
  - ✓ shall determine the nature, scale, form and frequency of the risk information and reports it must be sent by Management and the Company's Chief Risk Officer as they deem necessary to prepare the issues to be discussed. Management and the Company's Chief Risk Officer shall provide the Committee with the appropriate information on all significant risks and on all policies relating to the management and control of the Company's significant risks and any changes thereto. This includes the Company's Chief Risk Officer quarterly reports.
  - ✓ may invite experts to advise the Committee or seek external professional advice at the Company's expense, necessary for the fulfilment of its duties;
  - ✓ may investigate any matters within its terms of reference and shall have unlimited access to any documents or Company records associated with such investigation; and
  - ✓ may be in contact on a continuing basis with the key people associated with the Company's governance.
- The Committee shall appoint a Secretary to the Committee with the relevant skills and expertise.
- The Secretary to the Committee will minute all meetings and submit these to the Committee for approval. The minutes shall evidence the discussions that took place in the Committee meeting and shall include:
  - ✓ summaries of all matters reviewed;
  - ✓ details of the recommendations made;
  - ✓ details of the decisions taken by the Committee
  - ✓ a record of any challenge and dissention by Committee members.
- The minutes will be kept in accordance with applicable legal requirements and internal procedures.
- Written material is made available to Committee members in a timely manner ahead of its meetings.

## **10 Responsibilities**

- The Committee has the following responsibilities and advises the Board in relation to the each of these matters:
  1. Risk capacity, appetite and strategy
    - advise on the current and future appropriateness of the Company's risk capacity, appetite (i.e., tolerance) and strategy as well as desired risk culture; making recommendations on necessary adjustments to the risk strategy (resulting a.o. from changes in business model, market developments, recommendations by risk stakeholders);
    - oversee the implementation of the risk strategy and corresponding limits sets; monitor the risk profile and that the implementation of the business strategy is in line with these agreed parameters.

## 2. Risk Management Framework and critical risk policies

- oversee, review and advise on the implementation of the Company's policies for capital and liquidity management as well as for all the other relevant risks, (a.o. market, credit, operational, technology, cyber, legal, fraud and reputation) including the periodic review of the critical Board risk policies and all amendments to those policies that alter the risk profile, in order to assess their adequacy against the approved risk appetite and strategy; oversee management's processes to promote the Company's and staff adherence to the approved risk policies.

## 3. Risk exposures

- advise the Board whether there are sufficiently effective risk-response protocols to rapidly identify, assess and escalate significant new, emerging or crystallising risks to the Board;
- review the Company's current and emerging risk exposures and the steps taken by management to monitor, control and report such exposures;
- review significant reports from the Company's regulators as well as recommendations from internal and external auditors relating to risk management issues and risk exposures, and management's responses and their subsequent implementation.

## 4. Risk Management Function

- oversee the Company's Risk Management function and review its remit, monitor and periodically assess its effectiveness and independence and that it has adequate resources and appropriate access to information;
- review and recommend to the Board for approval the Risk Management Charter.

## 5. Company's Chief Risk Officer

- Receive and review regular (at least quarterly) reports from the Company's Chief Risk Officer of the Company and monitor management's responsiveness to his findings and recommendations;
- review and recommend to the Board, the appointment and removal of the Company's Chief Risk Officer as well as advise on his performance and, together with the Remuneration Committee, on remuneration;

## 6. Strategic matters

- Review the key risk aspects of both the Company's ICAAP and ILAAP, including alternative and stressed scenarios to assess how the risk profile would react to external and internal events;
- ensure alignment of the Company's business model, including products and services, with the agreed risk appetite and strategy; advise the Board on the continued viability of the business model, on its solvency (in a going concern and gone concern situation) and on its liquidity;

- oversee the periodic testing and review of the Company's participant default rules and procedures;
- review the key risk aspects of proposed material strategic transactions;
- provide advice on the appointment of external consultants that the Board may decide to engage for advice or support.

#### 7. Remuneration Policy

- ensure remuneration policies and practices are aligned with the risk culture, appetite and financial situation and long-term interests of the Company ;
- give advice on (i) consistency of the remuneration policy with sound and effective risk management, (ii) identification process of material risk takers, and (iii) the way the risk strategy and risk tolerance is reflected in the overall annual performance review;
- investigate whether the incentives arising from the remuneration system take suitable account of the risk control, own funds requirements and liquidity position of the Company, as well as with the probability and spread over time of profits.

#### 8. Continuity, Recovery and Resolution

- Review the Company's security and business continuity arrangements and its process for monitoring the same.
- Review the Recovery and Resolution Plans of the Company;
- The Committee shall put in place a reporting calendar to ensure it has the reporting, tools and information necessary to fulfil its role.

### **11 Relationship with other corporate bodies**

- To ensure consistency across the group on risk practices and material risk issues, the parent risk committee will inform the subsidiary risk committee of any material group level issues under its review having an impact on the Company.
- The Committee will similarly keep the risk committees at parent level informed about any material issues at Company level.
- The interaction between parent and subsidiary risk committees is organised via quarterly conference calls between parent and subsidiary committee chairs, a cross-attendance programme, sharing of relevant minutes and informal contact between members.
- The Committee 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.
- The Committee should have adequate interaction with the Audit and Compliance Committee to ensure consistency and avoid gaps in their respective roles. To this end, the chair of the Audit and Compliance Committee shall have an open invitation to attend the Risk Committee meetings where desired. The Audit and Compliance Committee and Risk Committee may meet

together from time to time to discuss areas of common interest and significant matters of relevant to both Committees.

- The oversight of the adequacy and effectiveness of the risk management systems is the responsibility of the Audit and Compliance Committee and shall be undertaken based on reporting from Internal Audit and reported to the Risk Committee and Board.
- The Committee should have adequate interaction with the Remuneration Committee to ensure remuneration policies and practices are aligned with the risk culture, appetite and financial situation and long-term interests of the Company.

**12 Committee evaluation**

- The Committee shall regularly evaluate its own performance against regulatory requirements, authoritative guidance and best practices and report to the Board on the outcome of the same.

**13 Reporting to the Board**

The Committee will report as follows to the Board:

- Committee's activities, conclusions, observations and recommendations on all matters within its duties and responsibilities by the Committee Chair at each Board meeting;
- Dissenting views as well as majority views, where appropriate, to support Board understanding or where explicitly requested by a member; and
- Minutes of the Committee meetings will be made available to all members of the Board.

**14 Conflicts of Interest**

- Committee members should notify potential or actual conflicts of interest regarding any matter under consideration by the Committee to the Committee Chair immediately. The Committee Chair will determine how to conclude on the conflict of interest and, where necessary, the steps to be taken to manage such potential conflict in line with the procedure set out in the Board Policy on Conflicts of Interest.
- Where the Committee Chair has an actual or potential conflict of interest, the process to conclude on that conflict of interest shall be the responsibility of the other independent non-executive directors of the Board.

**15 Review of Terms of Reference**

- This document shall be reviewed at least annually by the Committee, who will recommend any changes to the Board.
- Last reviewed by the Committee on 3 July 2019.
- Last approved by the Board on 4 July 2019.

**16 Publication of Terms of Reference**

This document was last published on the Euroclear website on 6 August 2019.