

# **Euroclear SA/NV (the “Company”)**

## **Board Audit Committee**

### **Terms of Reference**

Purpose	<p>Assist the Board in fulfilling its oversight responsibilities for:</p> <ul style="list-style-type: none"><li>• the quality and integrity of the accounting, auditing and reporting practices of the Company (stand-alone basis) and the Group (consolidated basis);</li><li>• the effectiveness of internal controls and risk management systems;</li><li>• the adequacy and performance of the Group’s Internal Audit function;</li><li>• the adequacy and performance of the Group’s Compliance function;</li><li>• the independence, accountability and effectiveness of the External Auditor; and</li><li>• such other duties as directed by the Board of Directors.</li></ul>
Members and Chair	<ul style="list-style-type: none"><li>• At least three non-executive directors of the Company.</li><li>• The Committee members must collectively have an understanding of the Company’s business, accounting and audit matters.</li><li>• The Chair shall be an independent non-executive director, appointed by the Board as Committee Chair.</li></ul>
Attendees	<ul style="list-style-type: none"><li>• Committee members.</li><li>• Group Chief Auditor.</li><li>• Chief Compliance Officer.</li><li>• Chief Financial Officer.</li><li>• External Auditor.</li><li>• Secretary to the Committee.</li><li>• Any additional invitees as deemed necessary or appropriate by the Chair.</li></ul>
Frequency of meetings	<ul style="list-style-type: none"><li>• At least four times per year.</li><li>• One closed session per year (without executive management present) with each of the:<ul style="list-style-type: none"><li>✓ Group Chief Auditor;</li><li>✓ Company Compliance Officer; and</li><li>✓ External Auditor.</li></ul></li><li>• Ad-hoc meetings as deemed necessary by the Chair.</li></ul>
Quorum	<ul style="list-style-type: none"><li>• Two members (a member that has effectively resigned as Board member does not count in the quorum).</li><li>• Meeting attendance in person. However possible by video conference or conference call with prior agreement.</li></ul>

- Voting
- A simple majority of voting members present or represented.
  - Chair has the casting vote in case of equality of votes.
- Meeting agenda and notice
- Agenda shall be set by the Chair.
  - 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 provided all members present agree to this addition.
  - Agenda should allow sufficient time to undertake as full a discussion as may be required.
  - Notice of meetings shall be sent by electronic means.
- Committee support and resources
- The Group Chief Auditor and the Chief Compliance Officer have direct access to the Committee Chair.
  - The Committee Chair has direct access to the Chairman of the Board.
  - The chairs of the subsidiary audit committees also have direct access to the Committee Chair.
  - Each Committee member will:
    - ✓ obtain an understanding of the detailed responsibilities of the Committee and the Company's business, financial and accounting practices, operations and risks;
    - ✓ receive induction training on all topics considered necessary for their membership; and
    - ✓ receive ongoing training to ensure that their knowledge is kept up to date.
  - The Committee may:
    - ✓ obtain such information and reports from Management of the Company, and where relevant, from any subsidiary company, as deemed necessary to prepare the issues to be discussed;
    - ✓ invite experts to advise the Committee or seek external professional advice, at the Company's expense, necessary for the fulfilment of its duties;
    - ✓ investigate any matters within its Terms of Reference and shall have unlimited access to any documents or records associated with such investigation; and
    - ✓ be in contact on a continuing basis with the key people associated with the Group's governance.
  - Meeting minutes shall be drafted by the Committee Secretary and be submitted to the Committee for approval.
  - Written materials are made available to Committee members in a timely manner ahead of its meetings.
- Responsibilities Advisory role:
- The Committee shall carry out the responsibilities listed below and advise the Board in relation to the same:
    - ✓ monitor the financial reporting process and the integrity of the financial statements of the Group (including its annual and half-yearly reports, interim management statements and any other formal announcement relating to its financial performance);

- ✓ review and recommend to the Board changes to accounting policies that have a potential material impact;
- ✓ monitor and review the effectiveness of the Group's internal controls and risk management systems;
- ✓ oversee the Group's Internal Audit function; monitor its independence and that it has adequate resources and appropriate access to information;
- ✓ oversee the Group's Compliance function, monitor its independence and that it has adequate resources and appropriate access to information;
- ✓ review the arrangements in place to prevent bribery, corruption and fraud (incl. arrangements for its employees to raise concerns, in confidence, about possible wrongdoings);
- ✓ review the Group's process for monitoring compliance with laws and regulations;
- ✓ review and recommend to the Remuneration Committee the remuneration of the Chief Internal Auditor;
- ✓ consider and make recommendations to the Board, for it to put to the shareholders for approval in general meeting, in relation to the appointment, re-appointment, removal and remuneration of the External Auditor; and
- ✓ oversee the relationship with the External Auditor, taking into consideration relevant professional and regulatory requirements, including:
  - review the External Auditor's Audit Plan;
  - assessing annually the External Auditor's independence and objectivity and the effectiveness of the audit process; and
  - reviewing the Group's policy on the engagement of the External Auditor.

#### Delegated decision making powers

- The Board delegates the following powers to the Committee approval of:
    - ✓ the Internal Audit Plan and the Internal Audit Charter;
    - ✓ the appointment and removal of the Group Chief Auditor;
    - ✓ the External Auditor annual engagement letter and fees in relation to core audit services (for recommendation to the shareholders) and non-core audit services;
    - ✓ the adequacy of the Compliance function, the Compliance and Ethics plan and the Compliance and Ethics Division Charter; and
    - ✓ non-material changes to accounting policies.
  - The Committee shall put in place a reporting calendar to ensure it has the reporting and tools and information necessary to fulfil its role as described.
- Relationship with other corporate bodies
- The Committee will be informed about the major risks issues reported to the ESA Risk Committee to enable it to assess the acceptability on the control environment.
  - To ensure that the financial reporting, risk and compliance practices are consistent across the Group, the Committee will ensure that the subsidiary ARCs are kept informed of any group material issues under its

review having an impact on any of the Group subsidiaries.

- The interaction between parent and subsidiary audit committees will be organised via a cross-attendance programme, sharing of relevant minutes and informal contact between members.

Committee evaluation

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

Reporting to the Board

- The Committee will report as follows to the Board:
  - ✓ the Committee's activities and proceedings on all matters within its duties and responsibilities (by the Chair, in a timely manner);
  - ✓ all decisions taken by the Committee in the areas of delegated authority (where necessary, supporting documentation will be provided);
  - ✓ 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.

Review of Terms of Reference

- Annual review by the Committee for recommendation to the Board.
- Last approved by the Committee on 16 December 2014.
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