

Euroclear SA/NV
Governance Charter

March 2021

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INTRODUCTION

This charter outlines the main aspects of the Corporate Governance of Euroclear SA/NV ("**ESA**" or the "**Company**"), including an overview of the relevant governance matters at the level of Euroclear group of Central Securities Depositories (the "**Regulated Group**").

The content of this Charter is updated in line with the Corporate Governance Memorandum as adopted periodically by the Board of Directors (version March 2021).

More detailed information on ESA 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 website (www.euroclear.com).

1. LEGAL AND CORPORATE STRUCTURE

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

1.1. REGULATORY SUPERVISION

ESA is regulated as an *institution supporting a central securities depository* within the meaning of article 36/26 of the Law of 22 February 1998 establishing the organic status of the NBB. The prudential framework (licensing requirements, operating requirements and prudential controls) applicable to ESA is set out in the Royal Decree of 26 September 2005 relating to the status of settlement institutions and institutions assimilated to settlement institutions.

For purposes of prudential supervision, ESA has been designated by the Belgian regulator as a "Systemically Important Financial Institution" (SIFI). It is therefore subject to reinforced supervisory rules under the law of 22 February 1998. In particular, this means that the NBB has a right of non-objection to strategic decisions taken by ESA if they create a material risk for the stability of the financial sector and that it may impose specific measures on ESA in areas such as liquidity, solvability, and concentration of risks if necessary to ensure the stability of the financial system.

In addition, the NBB has designated ESA 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 and as such is subject to a capital ratio surcharge as of 2016.

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

In addition, as parent entity of a Belgian credit institution (EB) and of a central securities depository (EBE), ESA also qualifies as a *financial holding company* and a *parent undertaking* within the meaning of the Law of 25 April 2014 on the

status and control of credit institutions ("**Banking Law**") and of the above-mentioned Royal Decree of 26 September 2005. It is therefore subject to specific requirements and consolidated supervision by the NBB in accordance with the provisions of those two pieces of legislation.

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

1.2. SHAREHOLDERS

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

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

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

As (in)direct ESA shareholders EH, AG and EI create the conditions necessary to ensure a sound, objective and prudent management of ESA and treat the holding of their interest in ESA in accordance with these conditions. EH, AG and EI have undertaken to adopt all measures necessary to promote ESA's stability and autonomous management of its business in support of its long-term development. Given the dual governance group structure (i.e. EH as top holding company of the Euroclear Group and ESA as top holding company of the Regulated Group) and taking into account the systemic risk profile of the Regulated Group, the respective Boards adopt or adhere to a Protocol setting out certain principles in regard of the decision-making and information flows on strategic and important matters affecting the Regulated Group. The Protocol outlines a governance process to ensure ESA has a predominant power in such matters in line with the regulatory expectations towards ESA and in conformity with the prudential derogations granted to EH. This Protocol is being reviewed in light of new CRD V requirements and subject to NBB non objection.

1.2.1 General Meeting of Shareholders.

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

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

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

1.3. SUBSIDIARIES

ESA is the parent company of several national or international Central Securities Depositories (the "**CSDs**" or "**Operating Entities**" or "**Euroclear Company**").

The Company has also made investments in a number of other entities in view of furthering its overall strategic objectives.

1.3.1. Euroclear Bank SA/NV

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

1.3.2. Euroclear Belgium

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

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

1.3.3. Euroclear France SA

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

1.3.4. Euroclear Nederland

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

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

1.3.5. Euroclear UK & Ireland Limited

Euroclear UK & Ireland Limited (“**EUI**”), an English incorporated limited company, owns and operates the CREST system, which is the CSD of the United Kingdom and the Republic of Ireland. The CREST system provides real-time settlement for a range of corporate and government securities and money market instruments traded on the London Stock Exchange, the Irish Stock Exchange and various Multilateral Trading Facilities and holds them in dematerialised electronic form, recorded as balances in the CREST system. Following Brexit, the Irish market will be serviced by EB after a short transition period.

EUI also owns and operates the EMX Funds Order Routing Service that provides the electronic messaging for automating the purchase, sale, valuation, reconciliation and registration of funds.

1.3.6. Euroclear Sweden

Euroclear Sweden AB (“**ES**”), a private limited liability company (“*Aktiebolag*”) incorporated in Sweden is the CSD of Sweden. ES provides registrar services for

Swedish and foreign securities, clearing and settlement services and a wide range of related back-office services.

1.3.7. Euroclear Finland

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

2. GOVERNANCE BODIES

2.1. GOVERNANCE BODIES AND REGULATED GROUP STRUCTURE

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

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

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

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

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

2.2. BOARD OF DIRECTORS

2.2.1. Role and Responsibilities

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

The Board is responsible for supervising the Management Committee.

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

liquidity planning, IT security, business continuity and recovery framework, and any material change thereto.

The Board sets annually the Company and Management objectives, and reviews the achievement of those as part of the performance review process. In addition, the annual Board self-assessment process covers specifically management's relationship with the Board giving executive and non-executive directors the opportunity to raise any questions or concerns they may have on the level of oversight and control and how it is exercised.

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

2.2.2. Composition

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

Independence is defined within the meaning of the Code of Companies and Associations and/or applicable regulatory requirements at the time of appointment. The list of Board members is available in the annual report of the Company and on the Euroclear website (www.euroclear.com).

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

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

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

- Directors shall have the highest degree of personal integrity and ethics, leadership qualities and a proven ability to exercise sound business judgement.
- Directors should provide assurance that they are able to commit sufficient time to the work of the Board and its Committees.
- Directors should have sufficient seniority and experience so as to be able to take a strategic view.
- The Board should include Directors with relevant experience in both generic and company/group-specific areas (a.o. Capital Markets and securities and operations of FMIs, Operational and Banking risks, IT and program management, Audit/Accounting and financial reporting, Strategy, Legal/Governance/Regulatory and any other type of expertise as determined from time to time and described in a skill matrix))

The process for identifying prospective director nominees is as follows:

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

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

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

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

With a view to further enhance the Euroclear Group's dual governance structure in line with prudential expectations, both ESA and EH Boards are reviewing their composition to achieve full mirroring with a balanced composition (independents, non executive directors proposed by shareholders or users, executive directors) of around 18 members. This governance reform is expected to be completed during 2021 subject to NBB approval.

2.2.3. Appointment, Renewal and Resignation of Board Members

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

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

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

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

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

2.2.4. Chair

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

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

Should the Chair be absent, the oldest serving deputy Chair attending the meeting shall fulfil the role of Chair or, in his/her absence, the oldest serving non-executive Director present. The Deputy Chair's primary role is to act in the place of the Chair should the Chair become incapacitated or otherwise no longer be able to carry out her/his regular Board responsibilities, and to assist the Chair in performing her/his role.

2.2.5. Operating Rules

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

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

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

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

Discussions held during Board meetings are minuted. The Board minutes aim to provide a true and accurate record of proceedings, discussions and decisions of the Board meetings and, where appropriate, to reflect the balance of arguments and challenge by the Board and to serve as guidance for future Board action. Directors are given an opportunity to review and approve draft minutes which are provided to them prior to being tabled for approval at the next Board meeting.

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

2.2.6. Evaluation of the Board

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

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

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

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

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

2.2.7. Induction and Training

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

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

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

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

2.2.8. Remuneration

The remuneration package of the Directors is decided by the shareholders' meeting. The Directors are remunerated for their mandate as Board member and such remuneration is not be linked to the business performance of ESA. The

amount of remuneration takes account of the level of responsibility and time required in fulfilment of their Board role.

2.2.9. External directorship and managerial functions

All members of the Board are required to commit sufficient time to perform their functions in the Company. There may be restrictions on the nature or number of directorship mandates or managerial functions that Board members can exercise outside the Group. Prior to accepting any external function, the Board member informs the Company Secretary, who will ensure the appropriate authorisation/information/publication procedure, as described in the Board Policy on External Mandates for Board and Senior Management, is followed.

2.3. BOARD COMMITTEES

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

2.3.1. Composition and appointment

Each Committee is composed of at least three members (currently four) per committee and consists exclusively of non-executive Board members of whom the majority is independent within the Audit and Compliance Committee and at least one within the meaning of the Belgian Companies Code. The Company strives to achieve a majority of independents in each Committee. The Chairs of the committees are independent.

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

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

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

Each Committee can, and does from time to time, appoint observers and/or advisors to the Committee who are professionals with experience relevant to the role and workings of the said Committee. Engagement of cyber and IT advisors might be envisaged in the near future.

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

2.3.2. Operating rules

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

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

Depending on the Committee, the quorum is set at two or 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.

2.3.3. Evaluation

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

2.3.4. Audit and Compliance Committee

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

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

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

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

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

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

The Group entities ACs keep ESA ACC informed about:

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

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

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

2.3.5. Risk Committee

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

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

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

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

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

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

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

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

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

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

2.3.6. Remuneration Committee

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

- defining a global compensation philosophy for the Regulated Group and the remuneration policy of the Company;
- ensuring that the non-executive Board and Board Committee members of the Company, the members of the Management Committee as well as Identified Staff are compensated as per the principles described in the Euroclear remuneration policy;
- overseeing management's implementation of the remuneration policy.

Its responsibilities are detailed in its own Terms of Reference.

The Committee members will exercise relevant and independent judgment on the remuneration policies and practices. They collectively have the knowledge,

expertise and experience concerning remuneration policies and practices, risk management and control activities, namely with regard to the mechanism for aligning the remuneration structure to the Company's risk and capital profiles.

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

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

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

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

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

2.3.7. Nominations and Governance Committee

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

Its responsibilities are detailed in its own Terms of Reference.

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

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

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

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

2.4. MANAGEMENT COMMITTEE

2.4.1. Role and Responsibilities

The Management Committee ("MC") is empowered to perform all acts that are necessary or useful in achieving the company's object, apart from those powers vested in the Board pursuant to the law or the Articles of Association.

The Management Committee is entitled to represent the Company in all matters towards third parties, including legal proceedings.

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

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

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

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

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

2.4.2. Composition

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

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

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

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

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

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

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

2.4.3. Appointment and Resignation of MC Members

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

The 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 and proper character for the role.

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

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

2.4.4. Operating Rules

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

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

A quorum of a simple majority of the members of the MC is required. Members may attend and participate in the meetings and its decisions (and be counted in the quorum and voting) by telephone and video conference call and the meeting will be treated as validly held. If the Chair of the MC is not present at a particular meeting, the members present will appoint an acting chair for the purpose of the meeting.

To the extent that voting may be required at a meeting, a simple majority of all MC members, present or represented, will be required for approval of a motion. A member who is unable to attend the meeting may authorise, in writing, another member to attend and to vote in his/her place. In case of equality of votes, the Chair will have the casting vote. Save for other provisions in the

Company's Articles of Association, decisions may be taken by unanimous written resolution.

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

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

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

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

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

2.4.5. Internal division of tasks

2.4.5.1. Chief Executive Officer

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

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

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

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

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

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

In addition, the role of the CEO consists of:

- leading the Company's staff in implementing the Company's vision, philosophy, and mission;
- ensuring the Company's focus on innovation, and identifying world economic and industry events and trends that impact the strategic vision for the Company;
- ensuring implementation of the strategic goals and objectives of the Company as set by the Board
- Liaising with the Chair of the Board and ensuring a strong relationship of senior management with the Board and support of the Board in its activities;

- leading in establishing the Company values, and setting a cultural tone of honesty, integrity and transparency;
- ensuring the appropriate programs for recruiting and retaining talented staff and developing their capabilities;
- ensuring effective crisis management, which generally requires crisis management planning for financial, political, legal, regulatory, physical and reputational crises.

The CEO has within her remit the sponsorship of: Internal Audit, Regulatory Compliance & Public Affairs, Human Resources Communications and Corporate Social Responsibility. Given the temporary vacancy of a CIO at MC level and the importance of the cyber domain, the CISO currently reports into the CEO as well.

2.4.5.2. Chief Administration Officer

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

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

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

2.4.5.3. Chief Business Officer

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

The CBO is accountable for:

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

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

2.4.5.4. Group Chief Risk Officer

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

The CRO is the sponsor for Business Resilience and Risk Management within the MC and as such has overall responsibility for ensuring there is robust independent oversight of risk-taking activities at Group level. Given that the Business Resilience Division (1LOD) and Risk Management (2LOD) report to the CRO, it is to be noted that in order to ensure continued independence of Risk Management and alignment with the 3 Line of Defence Model, the Head of Technology and Business Continuity Risk in charge of second line oversight of

business resilience has direct access to the Risk Committee in case of any concern in this domain.

2.4.5.5. Chief Information Officer

Overseeing the Information Technology Divisions, the Chief Information Officer (“**CIO**”) is responsible for defining, leading and executing the strategic direction and technical vision for the continued development of technology that supports Euroclear’s global operating model.

This position at MC level is temporarily vacant. The Heads of Group Business Solutions and Group Technology Services function as co-CIOs ad interim, reporting to the CEO.

2.4.6. External directorship and managerial functions

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

2.4.7. Remuneration

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

The RemCo discusses and recommends to the Board for approval the MC members’ annual fixed and variable compensation. Fixed and variable compensation of MC members is based on principles of the Euroclear Compensation Policy.

3. BUSINESS ORGANISATION

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

3.1. BUSINESS & SUPPORT DIVISIONS

3.1.1. Division Heads

The ESA divisions are led by Division Heads who have been granted by the MC delegation for all matters that fall within the remit of their respective divisions.

3.2. CONTROL DIVISIONS

3.2.1. Set up of Internal Control Functions

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

- The staff of the control function does not perform any operational tasks for, and are organisationally separate from, the activities they monitor and control;
- None of the control functions may be combined with any other;
- Compliance and Ethics (C&E) and Risk functions are subject to separate independent review by Internal Audit (IA);

- Remuneration of staff within each of the control functions, including the relevant Head of the control Function, is not linked to the performance of the activities the function oversees;
- These functions have the necessary authority, resources expertise and access to all relevant information to perform their mission.;
- At CSD level, the function may be outsourced (or co-sourced) either intra-group or externally at CSD's discretion according to its own operating model, subject to CSDR and local requirements. Under the same conditions, functions may be shared between Euroclear CSDs. Regardless of how the CSD control function is sourced, it must meet the minimum standards of operation and risk and control set by the ESA MC.

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

Reporting lines

(i) Group Chief Compliance and Risk Officers

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

(ii) Group Chief Auditor

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

Appointment and removal

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

3.3. BRANCHES AND REPRESENTATIVE OFFICES

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

Each of the Amsterdam, London and Paris branch office provides shared services to the Operating Entities in those jurisdictions.

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

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

4. CONTROL FRAMEWORK

4.1. THE RISK AND INTERNAL CONTROL FRAMEWORK

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

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

Euroclear's Enterprise Risk Management ("**ERM**") framework is documented in the ERM Framework Policy Handbook and is applicable to all risk types.

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

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

Euroclear's ERM framework covers, amongst other things:

- **Risk governance** - including the role of the Board, the Risk Committee and the Management Committee. Effective risk governance is critical to the overall effectiveness of Euroclear's risk management.
- **Risk appetite** - in achieving its strategic objectives, the risk-reward balance is crucial. Risk appetite should be viewed as a guide to help senior management teams understand how much risk the Board is willing to accept in aiming to meet its objectives. In contrast, risk capacity is the total risk burden that Euroclear can bear without entering a recovery situation. Euroclear's risk appetite framework facilitates these decisions.
- **Risks in execution** - underpinning the effectiveness of its risk governance framework is the need for open and transparent identification, analysis, sharing of risk information and management of those risks - including root causes, potential impacts and incidents - from across the organisation.
- **Risk culture** - Euroclear's risk culture refers to, amongst other things, its attitude towards risk and opportunity, its level of risk awareness, how

decisions are taken and how responsibility and accountability are defined.

- **Three lines of defence** – in line with best market practice, the three lines of defence model within ESA facilitates the effective operation of the ERM framework. Each line plays a distinct role providing senior management teams and the Board with confidence that ESA is likely to achieve its key goals through the effective management of risks.

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

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

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

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

Compliance & Ethics monitors, tests and reports to management on controls relating to laws and regulations falling within its remit and advises on remedial actions. As an independent control Second Line function, C&E is accountable to support, provide advice, challenge and oversight 1st Line of Defence in its management of Conduct & Culture Risk, Compliance Risk and Fraud Risk.

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

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

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

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

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

The MC is responsible, under the supervision of the Board, for taking all necessary measures in view of the implementation of these control functions and for reporting, at least once a year, to the Board of Directors, to the NBB and

to the External Auditor, on the compliance with these requirements and on the adequate measures adopted.

4.2. IT OVERSIGHT (see also 4.1 and 4.3)

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

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

4.3. BUSINESS CONTINUITY MANAGEMENT

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

Euroclear put in place a comprehensive 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.

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

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

- As part of line management being the first line of defence, the Euroclear Management Committee takes the overall strategic lead in discharging the ESA Board's overall responsibility for Business Continuity and Disaster Recovery (i.e. approves the continuity objectives and plans). The first line is responsible for the coordination of the Business Continuity and Disaster Recovery Plan (BCP) across the group. Every component of the BCP is tested regularly according for requirements set in the policy. The first line of defence ensures that adequate business continuity and disaster recovery plans are in place to ensure continued effectiveness including performance of regular tests. Management also ensures that their teams are aware of this BC Strategy Board Policy, and for adequately managing the risks faced in their business;
- As second line of defence, Risk Management reviews and challenges the adequacy of Business Continuity capabilities, plans and crisis management controls operated by the first line;
- As third line of defence, Internal Audit provides independent assurance on Euroclear's business continuity and crisis management controls' effectiveness.

In order to ensure a systematic and coordinated response to unexpected events, Euroclear established a three-tiered crisis management structure. These three levels deal with operational - tactical - strategic issues respectively.

Communication to internal and external parties during and after an incident forms an essential part of the incident response.

5. STRATEGIC AND BUSINESS VALUES

5.1. GROUP OBJECTIVES

The main strategic objective of the Group is to be one of the world's pre-eminent providers of post-trade services through reliability, innovation and leadership by (i) building long-term partnerships with clients and (ii) by supporting the stability and developments of the markets, locally or globally. The Group strategy is consistent across the Group and considers the interests of the Operating Entities of the Group.

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

5.2. GROUP VALUES

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

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

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

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

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

Group Policies versus Local Policies

Board Policies versus Policy handbooks

5.3.1. Ethical, Legal & Compliance risks

Code of Conduct

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

The Board has adopted a specific Board Code of Ethics setting forth values to which Board members shall adhere in carrying out their duties and promoting honest ethical conduct by establishing standards to which Board members

should conform and outlining the actions that should be taken in the event that a Board member wishes to raise a concern. C&E is currently reviewing the Code of Conduct, to be issued in 2021.

Legal Risk Group Policy

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

Group Compliance Risks Policy

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

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

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

5.3.2. Conflicts of Interest

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

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

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

Guidelines and Standard Operating Procedures detail how to:

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

- Implement effective management measures and controls for identified and disclosed CoI.

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

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

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

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

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

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

5.3.3. Speak up (Whistleblowing)

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

The Operational Entities have therefore a Speak Up Policy which:

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