

**Euroclear UK & Ireland Limited
(the “Company”)
Audit Committee
(the “Committee”)
Terms of Reference**

Approved by the EUI Board on 4 July 2019



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1. Purpose

The Audit Committee is an advisory committee of the Board established to assist the Board in fulfilling its financial reporting, audit, compliance, and ethics oversight responsibilities. The Committee reports to the Board.

2. Members

- 2.1. The Committee shall comprise at least two independent non-executive directors. The Board Chair will not be a member of the Committee.
- 2.2. At least one member shall have competence in accounting and/or auditing.
- 2.3. The Committee members collectively shall have:
 - An understanding of the Company's business;
 - Recent and relevant financial experience; and
 - Competence relevant to the sector in which the Company operates.
- 2.4. The Chair of the Committee, as well as the majority of its members, should be different from the chairs and members of the Risk Committee (the "RC") and the Nominations, Remuneration and Governance Committee (the "NRGC").
- 2.5. All members are appointed by the Board on the recommendation of the NRGC.
- 2.6. Appointments to the Committee shall be for a period of up to three years, renewable at the Board's discretion.

3. Chair

- 3.1 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;
 - Shall have appropriate and recent audit committee experience.
- 3.2 The Committee Chair shall have direct access to:
 - The Chair of the Board; and
 - The Chair of the Audit Committee of Euroclear SA/NV.

4. Meeting Attendees

- 4.1 Entitled to be present:
 - Committee members; and
 - Committee Secretary
- 4.2 Other attendees by invitation:
 - Board members;
 - Chief Executive Officer (the "CEO");

- Chief Internal Auditor (the "CIA");
- Chief Compliance Officer (the "CCO");
- Chief Financial Officer (the "CFO");
-
- Observers/advisers appointed by the Committee;
- External Auditors; and
- Any additional invitees as deemed necessary or appropriate.

5. Frequency of meetings

Meetings will take place:

- 5.1 At least five (5) times per year; and
- 5.2 At least one closed session per year will be held (without executive management present) with each of the following:
 - CIA;
 - CCO; and
 - External Auditor.
- 5.3 Additional ad-hoc meetings as deemed necessary by the Committee Chair.

6. Quorum

Two Committee members either physically present at the location of the meeting or by telephone/video conference.

7. Voting

In the event that voting is required, the following rules apply for a vote to carry:

- 7.1. A simple majority of Committee members present and eligible, to vote in favour of the motion.
- 7.2. The Committee Chair has the casting vote in case of equality of votes.
- 7.3. Where the Committee is composed of only two members, all decisions shall be taken by a unanimous vote of members. To the extent that both members cannot agree a motion before them, the Committee shall refer the matter to the Board of the Company for final decision.

8. Meeting agenda and notice

- 8.1. The Committee Chair sets the agenda for the meetings.
- 8.2. Individual Committee members can place items on the agenda.
- 8.3. 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.
- 8.4. Notice of meetings shall be sent to Committee members by electronic means.

- 8.5. The agenda should allow sufficient time to undertake as full a discussion as may be required.

9. Committee support and resources

- 9.1 The Committee shall appoint a Secretary to the Committee with the relevant skills and expertise (the "Committee Secretary").
- 9.2 The CIA shall report to the Committee Chair, and shall have direct access to both the Committee Chair and the Committee as a whole. The CIA has an administrative reporting line to the CEO.
- 9.3 The CCO shall report to the CEO, who has executive management responsibility for the CCO, and to the Committee Chair. The CCO shall have direct unmediated access to both the Committee Chair and the Committee as a whole.
- 9.4 The CIA and the CCO shall have direct access to the Board Chair and the Board as a whole, and may contact the statutory auditor or the supervisory authority when deemed necessary.
- 9.5 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;
 - Dedicate sufficient time to the fulfilment of his/her role as Committee member;
 - Carry out his/her duty with the necessary objectivity and independence from management;
 - Receive induction training on all topics considered necessary for his/her membership; and
 - Receive ongoing training, as appropriate.
- 9.6 The Committee:
- Shall obtain information and reports from the management of the Company, as they deem necessary to prepare the issues to be discussed;
 - Can invite experts to advise the Committee or seek external professional advice at the Company's expense, necessary for the fulfilment of its duties;
 - Can investigate any matters within its terms of reference and shall have unlimited access to any documents or Company records associated with such investigation; and
 - Will have ongoing contact with the key people associated with the Company's governance.
- 9.7 The Committee Secretary 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; and
 - A record of any challenge and dissention by Committee members.

- 9.8 The minutes will be kept in accordance with applicable legal requirements and internal procedures.
- 9.9 Written material will be made available to Committee members in a timely manner ahead of meetings.

10. Responsibilities

The Committee has the following responsibilities and advises the Board in relation to the same:

10.1 *Financial:*

- Monitors the financial reporting process and the integrity of the financial statements of the Company;
- Oversees the establishment of accounting policies and reviews and recommends to the Board any changes to such accounting policies having a potential material impact;
- Advises the Board with regards to the financial soundness of the Company as a going concern.

10.2 *Internal Controls and audits:*

- Monitors and reviews the effectiveness of the Company's internal financial controls and internal control and risk management systems;
- Reviews and oversees control reports received from the CIA and monitors management's responsiveness to findings and recommendations;
- Monitors and reviews the effectiveness and independence of the Company's internal audit function and ensures that they have adequate resources and appropriate access to information;
- Reviews and recommends to the Board for approval the following:
 - Internal Audit Plan; and
 - Internal Audit Charter.
- Reviews and recommends to the Board for approval the appointment and removal of the CIA ;
- Recommends for approval the CIA's objectives following consultation with the CEO and, as required, the Group Head of Internal Audit;
- Advises the Board on the CIA's performance following consultation with the CEO and, as required, the Group Head of Internal Audit;
- Provides input to the NRGC on the remuneration of the CIA.

10.3 *Compliance:*

- Supervises, and reviews the Company's monitoring process for, compliance with laws and regulations;
- Follows up on recommendations of supervisory authorities;
- Monitors ongoing litigation issues;

10.4 *Compliance Function:*

- Monitors and reviews the effectiveness and independence of the Compliance function and ensures that they have adequate resources and appropriate access to information;
- Reviews the Company's arrangements in place to prevent bribery, corruption and fraud (incl. arrangements for its management and employees to raise concerns, in confidence, about possible wrongdoings)

- and arrangements to make sure the Company maintains high ethical standards;
- Reviews and recommends to the Board for approval the appointment and removal of the CCO;
- Advises the NRGC and Board on the following matters, based on the proposals made by the CEO and, as required, following consultation with the Group CCO:
 - the CCO's objectives;
 - the CCO's performance;
 - the remuneration of the CCO;
- Reviews and recommends to the Board for approval the following:
 - Compliance Plan; and
 - Compliance Charter;
- Reviews and recommends to the Board for approval the policies falling within the remit of Compliance.

10.5 *External Auditor*

- Considers and makes recommendations to the Board, for it to put to the shareholder/s for approval as appropriate, in relation to the appointment, reappointment, removal and remuneration of the External Auditor, including the annual engagement letter and fees in relation to audit services and permitted non-audit services
- Oversees the relationship with the External Auditor, considering relevant professional and regulatory requirements, including:
 - Monitoring the statutory audit of the annual accounts;
 - Follow up of recommendations made by the External Auditor;
 - Reviewing the External Auditor's Audit Plan;
 - Assess annually the External Auditor's independence and objectivity;
 - In particular regarding the provision of additional services to the Company, and discuss with the statutory auditor the threats to his independence; and
 - the safeguards applied to mitigate those threats, and review the annual written confirmation by the statutory auditor of his independence.
 - Assess the effectiveness of the audit process;
 - Monitoring the provision of additional services to the Company or to a person with which it has close links and pre-approve all permitted non-audit services performed by the statutory auditor;
 - Review the Group's policy on the engagement of the External Auditor.

10.6 In discharging its responsibilities, the Committee should review the effectiveness of the controls over all outsourced services on which the Company is dependent. The committee shall discharge its responsibilities through the review and challenge of control MI.

10.7 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

11.1 The Committee will be informed about the major risk issues reported to the Company's Risk Committee to enable it to assess the acceptability of the control environment. The Committee should have adequate interaction with the Risk Committee to ensure consistency and avoid any gaps in their respective roles. To this end, the Chair of the Risk Committee shall have an open invitation to attend the Audit Committee meetings where desired. Where

there are issues relevant to both committees, including, but not limited to, cyber security, internal control system reports the Audit and Risk Committees should meet in joint session.

11.2 The Company's financial reporting and compliance practices are consistent with those of the parent and to support the latter in its oversight function, the Committee will keep the parent audit committee informed about:

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

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

11.4 The interaction between parent and subsidiary audit 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.

11.5 In order to perform its duties, the Committee will maintain effective working relationships with the board, management, the internal and external auditor, the CCO, and, as appropriate, the parent company.

12. Committee evaluation

The Committee shall evaluate its own performance against regulatory requirements, authoritative guidance and best practices annually, 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:

13.1 The Committee's activities, observations and proceedings on all matters within its duties and responsibilities will be reported by the Committee Chair at each Board meeting;

13.2 Dissenting views as well as majority views, where appropriate, to support Board understanding or where explicitly requested by a member, will be reported; and

13.3 Supporting materials and minutes of the Committee meetings will be made available to all members of the Board.

14. Conflicts of Interest

14.1 Committee members should notify potential, or actual conflicts of interest regarding any matter under consideration by the Committee to the Committee Secretary or 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.

14.2 Where the Committee Chair has an actual or potential conflict of interest, he/she should notify it to the Board Chair immediately. The Board 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.

15. Review of Terms of Reference

This document shall be reviewed annually by the Committee, who will recommend any changes to the Board.

Last approved by the Board on 4 July 2019.]

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Key contact(s)	Jennifer Parker
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