

Euroclear UK & Ireland Limited (the “Company”) Board Terms of Reference

Approved by the EUI Board on 4 July 2019



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1. Purpose

The Board is the ultimate decision-making body of the Company which has the power to carry out all acts that are necessary, within the limits of legal and regulatory requirements, to achieve the strategic aims and objectives of the Company, other than those explicitly reserved to the shareholders either by law, or as a matter reserved for the shareholder ("Matters Reserved for the Shareholder").

2. Responsibilities

The principal responsibilities of the Board are set out in the Matters Reserved for the Board, a copy of which is included as Annex 1 to these Terms of Reference.

3. Delegation of Powers

The Board has delegated to the Management Committee (the "MC") the responsibility for discharging the general management of the Company, with the exception of Matters Reserved for the Board or Shareholder, as defined in the Company's constitution or applicable law. Further details of the powers delegated to the MC can be found in the MC Terms of Reference.

Any further delegations of authority will be set out in a delegation of authority matrix to be agreed by the Board from time to time.

4. Board Committee structure

The Board has set up the following board advisory committees with defined responsibilities to assist it in carrying out its role:

- Risk committee
- Audit committee
- Nominations, Remuneration and Governance committee

The Board has also established an executive committee - the Management Committee - to which it has delegated the powers set out in section 3, above.

5. Members

- 5.1. The Board will have at least six members; there is no maximum prescribed by the Articles
- 5.2. At least half of the Board, excluding the Chair, will be independent non-executive directors
- 5.3. Board members will be appointed for a term of up to three years, in line with the requirements of the Board and Board Committee Composition Policy
- 5.4. At the expiry of this term, further terms may be agreed
- 5.5. Where a Board member leaves the Board before the end of his/her term, the Board may appoint a new Board member to fill the vacancy, such appointment being confirmed by the shareholders at their next general meeting

- 5.6. Appointments can be approved by the Board, subject to regulatory approval, requisite assessments, and provided that confirmation is sought from the shareholder at the next general meeting of the Company, in line with the requirements of the Matters Reserved for the Shareholder.

6. Chair

- 6.1. The Board will appoint a chair from amongst its independent members, or from an external pool of candidates considered to be independent (the "Chair"). The Board may at any time remove him/her from office of Chair.
- 6.2. The Chair presides over every meeting of the Board. In their absence, the Senior Independent Director will take the chair, or failing him/her the Board can nominate one of the other Board members to chair the meeting
- 6.3. The Chair will monitor the balance of interests between stakeholders of the Company and the Company itself, and will seek to align as far as reasonably possible their interests with the Company's strategic aims and objectives whilst continuing to generate value.

7. Company Secretary

- 7.1. The Board shall appoint a Company Secretary
- 7.2. The Company Secretary and/or their nominee will attend all Board meetings.

8. Meeting attendees

The following individuals will be entitled to attend Board meetings:

- 8.1. All Board members
- 8.2. Company Secretary and/or their nominee
- 8.3. Any additional invitees as deemed necessary, or appropriate, by the Chair

9. Quorum

- 9.1. At least three Board members, two of whom shall be independent, either physically present at the location of the meeting or by telephone/video conference, will constitute a quorum.

10. Frequency of meetings

- 10.1. Meetings will take place sufficiently frequently to enable the Board to discharge its duties effectively, and not less than six (6) times per year
- 10.2. Additional ad hoc meetings will be scheduled as deemed necessary by the Chair.

11. Voting

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

- 11.1 A simple majority of Board members, present and eligible, to vote in favour of the motion
- 11.2 The Chair, or their alternate in the event of their absence, has the casting vote in the case of an equality of votes
- 11.3 Where appropriate, decisions can be taken by unanimous written consent of the Board members.

12. Meeting agenda and notice

- 12.1 The Chair sets the agenda after consultation with the Chief Executive Officer
- 12.2 All Board members can place items on the agenda
- 12.3 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.
- 12.4 Notice of each meeting, together with an agenda of items to be discussed (and supporting papers where applicable) shall be sent to each Board member at least five calendar days before the date of the meeting. Notice requirements can be waived provided all members are present or represented and agree.

13. Board support and resources

- 13.1 Each Board member will be expected to obtain an understanding of the detailed responsibilities of the Board and of the Company's business, operations and risks by using the following support and resources:
 - Induction training on all topics considered necessary for their Board directorship
 - Ongoing training
 - Regular reports from management on the implementation of the agreed strategy, risk profile and financial situation of the Company and all other matters delegated from the Board to management.
- 13.2 The Board may:
 - Obtain the information and reports from management as they deem necessary to prepare for the issues to be discussed
 - Seek independent professional advice at the Company's expense in line with the agreed procedure for doing so

14. Conflicts of Interest

- 14.1 Board members should notify potential, or actual conflicts of interest regarding any matter under consideration by the Board to the Company Secretary or Chair immediately. The 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 Chair has an actual or potential conflict of interest, they should notify it to the Senior Independent Director immediately. The Senior Independent Director 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. Minutes

- 15.1 The Company Secretary or their nominee shall minute the proceedings and resolutions of all meetings of the Board, including recording the names of those present and in attendance
- 15.2 Draft minutes of Board meetings shall be circulated promptly to all members of the Board for review, comment and approval.

16. Board Evaluation

- 16.1 Annually the Board evaluates its own performance and effectiveness to ensure it has the necessary framework in place within which to make decisions effectively, and that the Board and its individual members are performing efficiently and effectively. The Board undertakes a periodic evaluation with the assistance of an external party.

17. Review of Terms of Reference

- 17.1 Board Terms of Reference and the associated Schedule of Matters Reserved for the Board will be reviewed at least annually, by the Board
- 17.2 Any changes to the Board Terms of Reference or associated Schedule of Matters Reserved for the Board must be agreed by the Board
- 17.3 Last approved by Board on 4 July 2019.

18. Inconsistencies with Articles of Association

- 18.1 To the extent that there is any inconsistency between these Terms of Reference and the Articles, the Articles will prevail.

19. Inconsistencies with Matters Reserved for the Shareholder

- 19.1 To the extent that there is any inconsistency between these Terms of Reference and the Matters Reserved for the Shareholder, the Matters Reserved for the Shareholder will prevail, subject to legal and regulatory requirements.

Policy Owner	UK Company Secretariat
Key contact(s)	Jennifer Parker
Approved by and date of approval	Approved by the EUI Board on 4 July 2019
Next revision	July 2020

Annex 1

Schedule of matters reserved for the Board¹ (the “Schedule”)

This Schedule sets out those matters which may be decided only by the Board. This Schedule remains subject to the provisions of the Company’s Articles of Association (the “Articles”), the Matters Reserved for the Shareholder, applicable laws and regulatory requirements.

In addition to the statutory duties of Directors set out in legislation, the Board of Directors’ responsibilities include, but are not limited to:

1.	Strategy and management	<p>1.1 The overall leadership of Euroclear UK & Ireland Ltd (the “Company” or “EUI”)</p> <p>1.2 Setting the Company’s purpose, values and strategy and ensuring they are aligned with the Company’s culture</p> <p>1.3 Setting the Company’s annual strategy and business plans (and any material changes thereto) and overseeing the consistent implementation thereof</p> <p>1.4 Setting the Company’s strategic aims and objectives whilst ensuring they promote the long-term sustainable success of the Company, and overseeing the consistent implementation thereof</p> <p>1.5 Oversight of the Company’s operations</p> <p>1.6 Review of performance in light of the Company’s strategic aims and objectives, budgets, strategy and business plan and ensuring any necessary corrective action is taken.</p>
2.	Structure and capital	<p>2.1 Approval of transfers of shares</p> <p>2.2 Approval of changes to the Company’s management, organisational and control structure.</p>
3.	Financial reporting and Liquidity	<p>3.1 Approval of final, and interim (as applicable), financial statements</p> <p>3.2 Approval of the payment of interim dividends and recommendation to the shareholder in respect of the payment of final dividends</p> <p>3.3 Approval of significant changes in accounting policies or practices</p>

¹ Also referred to as the “Management Body”

		<p>3.4 Approval of the amounts, types and distribution of internal and regulatory capital</p> <p>3.5 The setting and approval of targets for liquidity management of the Company, and overseeing adherence thereto</p> <p>3.6 The setting and approval of arrangements to ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and the continued oversight of such arrangements</p> <p>3.7 Approval of the annual budget</p> <p>3.8 Approval of policy framework on controls over cash management including major decisions on loans or repayments, treasury and hedging operations.</p>
4.	Internal controls	<p>4.1 Setting, approving and overseeing the implementation of a sound risk management and internal control framework by, amongst other things:</p> <p>4.1.1 Defining and setting the Company's corporate risk management board policy, risk appetite framework, risk appetite levels/limits and statements and overseeing the consistent implementation thereof and adherence thereto;</p> <p>4.1.2 Receiving reports on, and reviewing the adequacy and effectiveness of, the Company's risk and control processes to ensure they continue to support the achievement of the Company's strategic aims and objectives;</p> <p>4.1.3 Ensuring the Compliance, Risk and Audit functions (the "Control Functions") have sufficient authority, independence and resource to perform their functions efficiently and effectively;</p> <p>4.1.4 Approving procedures for the detection of fraud and the prevention of bribery;</p> <p>4.1.5 Undertaking an annual assessment of these processes;</p> <p>4.1.6 Approving the business continuity policy and associated disaster recovery plan (and consider audit reviews in relation to business continuity); and</p> <p>4.1.7 Review of the Company's risk profile in circumstances where it moves outside the defined risk appetite</p> <p>4.2 In relation to operational activities:</p> <p>4.2.1 Acceptance of residual risks rated Critical;</p>

		<p>4.2.2 Authority to accept High residual risks has been delegated to the Management Risk Committee;</p> <p>4.2.3 Authority to accept Medium residual risks has been delegated to the Risk & Operating Committee;</p> <p>4.2.4 Authority to accept Low residual risks has been delegated to the Risk & Operating Committee for onward delegation to nominated managers, as appropriate;</p> <p>as stipulated in the Enterprise Risk Management ("ERM") Board Policy.</p>
5.	Contracts and pricing	<p>5.1 Subject to consultation with the shareholder, approval of transactions (acquisitions, disposal or transfer of assets (including intellectual property rights), merger, takeover, capital restructuring, joint-venture undertaking or otherwise investments or divestments) both intra-group or in third companies with material terms exceeding the following parameters:</p> <ul style="list-style-type: none"> • In excess of 1% but not more than 2.5% of core equity <p>5.2 Subject to consultation with the shareholder, entering into financial arrangements and/or granting of real or personal liens, such as guarantees, charges (fixed or floating), mortgages, suretyships, encumbrances, pledges, etc. on the assets of the subsidiary in and outside the group, within the following parameters:</p> <ul style="list-style-type: none"> • In excess of 2% but not more than 5% of core equity. <p>5.3 Approval of EUI's cash management and investment policy. The framework for this, including around market risk, credit risk and treasury management services, is in line with Group Investment Policy. In addition, the following points should be noted:</p> <p>5.3.1 Relationships with new institutions must be approved in advance by the Board.</p> <p>5.3.2 There shall be an appropriate balance of liquid funds immediately available to satisfy EUI's capital requirements, including working capital, any relevant regulatory requirements and any prudential buffer requirements identified from time to time.</p> <p>5.4 Approval of relevant pricing matters in accordance with the following requirements:</p> <p>5.4.1 The pricing approval authority depends upon a threshold of £2 million for EUI, defined by the impact of the tariff adjustment (positive or</p>

		<p>negative) on the EUI's annualised revenues, taking into account the planned volumes for the year in which the pricing change is implemented.</p> <p>5.4.2 Pricing changes for which the impact on EUI's revenues is below the £2 million threshold are reported to the ESA and EUI Board for information. Tariff adjustments for which the impact on the annual revenues is higher than £2 million require EUI Board approval and ESA Board consultation.</p>
6.	Board membership and other appointments	<p>6.1 Approval of changes to the structure, size and composition of the Board and Board committees², following recommendations from the Nominations, Remuneration and Governance Committee, and in line with the requirements of the Matters Reserved for the Shareholder.</p> <p>6.2 Ensuring adequate and effective suitability assessments, performance evaluations and succession planning are undertaken for the board and senior management both individually and collectively so as to maintain an appropriate balance of skills and experience on the Board and within the Company.</p> <p>6.3 Recommendation of the initial appointment, re-election and removal of both Executive and Non-Executive Directors to the Shareholders, in line with the requirements of the Matters Reserved for the Shareholder.</p> <p>6.4 Appointment and removal of the Chief Executive Officer, subject to the requirements of the Matters Reserved for the Shareholder</p> <p>6.5 Appointment and removal of the Company Secretary</p> <p>6.6 Based upon recommendations from the Audit Committee, the recommendation of the remuneration of the auditors and recommendations for their appointment and re-appointment or removal to the Shareholders</p>
7.	Remuneration	<p>7.1 With the guidance of the NRGK and the Risk Committee determining and approving the remuneration policy for the directors, company secretary and other senior executives and overseeing the implementation thereof; whilst ensuring the policy and related practices support strategy and promote long-term sustainable success.</p>
8.	Delegation of authority	<p>8.1 Setting and approving the Terms of Reference and membership of the Board and Board Committees, and overseeing the continued adherence thereto.</p>

² Audit Committee, Risk Committee, Nominations, Remuneration and Governance Committee and the Management Committee

		<p>8.2 Approval of the division of responsibilities between the Chair and the Chief Executive Officer which should be clearly established, set out in writing, and agreed by the Board</p> <p>8.3 Approval of the delegated levels of authority, including the Chief Executive Officer's authority limits (which must be in writing).</p>
9.	Corporate governance matters	<p>9.1 Approval of changes to Memorandum or Articles of Association before submission to the shareholder</p> <p>9.2 Approval of circulars to the shareholder about the company</p> <p>9.3 Undertaking a formal and rigorous annual review of both the cumulative board, and individual director performance and the division of responsibilities</p> <p>9.4 Determining the independence of non-executive directors in light of their character, judgement, declarations and relationships</p> <p>9.5 Considering and managing the balance of interests between stakeholders of the Company</p> <p>9.6 Review of the company's overall corporate governance arrangements</p> <p>9.7 Managing conflicts of interest in accordance with the applicable Board policy</p> <p>9.8 Setting and approving Board policies and overseeing the consistent implementation thereof.</p>
10.	Culture	<p>10.1 The promotion of a risk culture, which addresses the company's risk awareness and risk-taking behaviour</p> <p>10.2 The promotion of a corporate culture and values that foster responsible and ethical behaviours that support the company's strategy and aim to generate and protect value.</p>
11.	Other	<p>11.1 Approval of the Company's principal professional advisers</p> <p>11.2 Any decision likely to have a material impact on the Company or group from any perspective, including, but not limited to, financial, operational, strategic or reputational, with the exception of those Matters Reserved for the shareholder</p> <p>11.3 Initiating or settling any major litigation, arbitration or other legal proceeding, up to €750k or the foreign exchange equivalent.</p>

		<p>11.4 Subject to Shareholder consultation, initiating or settling any major litigation, arbitration or other legal proceeding, either affecting the reputation and/or risk profile of the Group or exceeding €750k or the foreign exchange equivalent.</p> <p>11.5 Ensuring provision of Directors' and Officers' liability insurance</p> <p>11.6 The setting and approval of an Outsourcing Policy and overseeing the consistent implementation thereof.</p> <p>11.7 To oversee the process of disclosure and communications with external stakeholders and competent authorities.</p>
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