



**Euroclear UK & Ireland Limited  
(the “Company”)  
Risk Committee  
(the “Committee”)  
Terms of Reference  
(incorporating internal  
governance practices &  
procedures)**

**Approved by the EUI Board on 4 July 2019**

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# 1. Purpose

The Risk Committee is an advisory Committee of the Board established to assist the Board in fulfilling its risk oversight responsibilities. The Committee reports to the Board.

# 2. Members

- 2.1. The Committee shall comprise at least two non-executive directors, a majority of whom are independent.
- 2.2. The Committee members collectively shall have the skills and experience to be able to:
  - Understand the Company's business; and
  - to oversee the:
    - Risk strategy
    - Risk appetite (i.e. risk tolerance),
    - Risk capacity; and
    - Risk profile of the Company.
- 2.3. The Chair of the Committee, as well as the majority of its members, should be different from the chairs and members of the Audit Committee (the "AC") and Nominations, Remuneration and Governance Committees (the "NRGC").
- 2.4. All members are appointed by the Board on the recommendation of the NRGC.
- 2.5. Appointments to the Committee should 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 recent risk experience.
- 3.2 The Committee Chair shall have direct access to:
  - The Chair of the Board; and
  - The Chair of the Risk 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 Risk Officer (the "CRO");
- Chief Operating Officer (the "COO");
- Chief Technology Officer (the "CTO");
- Observers/advisers appointed by the Committee;
- External Auditors; and
- Any additional invitees as deemed necessary or appropriate by the Committee Chair.

## 5. Frequency of meetings

Meetings will take place:

- 5.1. At least five (5) times per year;
- 5.2. At least one closed session per year will take place (without executive management present) with the CRO;
- 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 Each Committee member will:

- Obtain an understanding of the detailed responsibilities of the Committee and the Company's business, operations and risks;
- Dedicate sufficient time to the fulfilment of their role as Committee member;
- Carry out their duty with the necessary objectivity and independence from management;
- Receive induction training on all topics considered necessary for his/her membership; and
- Receive ongoing training, as appropriate.

9.3 The Committee:

- Shall determine the nature, scale, form and frequency of the risk information and reports it receives from Management and the CRO of the Company, and where relevant, from any subsidiary companies, as they deem necessary to prepare the issues to be discussed;
- Shall receive from Management and the CRO the appropriate information on all significant risks and on all policies relating to the management and control of the Company's significant risks and any changes thereto. This includes the CRO quarterly reports;
- Can invite experts to advise the Committee or seek external professional advice at the Company's expense, as 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.

9.4 The Secretary to the Committee will minute all meetings and submit these to the Committee for approval. The minutes shall evidence the discussions that took place in the Committee meeting and shall include:

- Summaries of all matters reviewed;
- Details of the recommendations made;
- Details of the decisions taken by the Committee; and
- A record of any challenge and dissent by Committee members

9.5 The minutes will be kept in accordance with applicable legal requirements and internal procedures.

9.6 Written material are 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 each of these matters:

### 10.1 *Risk capacity, appetite and profile*

- Advise on the current and future appropriateness of the Company's risk capacity, appetite (i.e., tolerance) and strategy and desired risk culture;
- Oversee the implementation of the strategies for all the relevant risks in order to assess their adequacy against the approved risk appetite and strategy; monitor the risk profile and that the implementation of the business strategy is in line with these agreed parameters; and
- Review the Pricing Policy to ensure it is in line with the risk strategy of the Company.

### 10.2 *Risk exposures*

- Advise the Board whether there are sufficiently effective risk-response protocols to rapidly identify, assess and escalate significant new, emerging or crystallising risks to the Board;
- Review and discuss management's reports with respect to the Company's major current and emerging risk exposures and the steps management has taken to monitor and control such exposures (including reputation, fraud, market, credit, liquidity, strategic, operational, technology, cyber, legal);
- Review significant reports from the Company's regulators, as well as recommendations from internal and external auditors, relating to risk management issues and risk exposures, and management's responses.

### 10.3 *Risk Management Framework and critical risk policies*

- Oversee, review and advise on the implementation of the Company's risk management framework including the periodic review of the critical Board risk policies of the Company (including stress testing) and all amendments to those policies that alter the risk profile of the Company;
- Oversee that management has processes in place to promote the Company's adherence to the approved risk policies.

### 10.4 *Risk Management Function*

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

### 10.5 *Chief Risk Officer*

- Receive and review regular (at least quarterly) reports from the CRO of the Company and monitor management's responsiveness to his findings and recommendations;
- Review and recommend to the NRCG and Board, the appointment and removal of the CRO;
- Advise the NRCG and Board on the following matters, taking account of the proposals made by the CEO and, as required, following consultation with the Group Head of Risk Management:
  - the CRO's objectives
  - the CRO's performance
  - the remuneration of the CRO;

- The CRO shall report to the CEO, who has executive management responsibility for the CRO, and to the Committee Chair. The CRO shall have direct unmediated access to the Committee Chair, the Committee as a whole, the Board Chair and the Board as a whole.

#### 10.6 *Technology*

- Review and recommend to the Board for approval the Technology framework;
- Oversee and monitor the effectiveness of the Technology function and ensures that it has adequate resources and appropriate access to information;
- Receive and review regular (at least quarterly) reports from the CTO;
- The CTO shall report to the CEO and shall have direct unmediated access to the Committee Chair, the Committee as a whole, the Board Chair and the Board as a whole.

#### 10.7 *Operations*

- Oversee and monitor the effectiveness of the Operations function and ensures that it has adequate resources and appropriate access to information;
- Receive and review regular (at least quarterly) reports from the COO of the Company, with updates on, but not limited to, the following:
  - Service availability
  - Incident reporting
  - Third party oversight
  - Business continuity
  - Financial losses
  - Risks & controls

#### 10.8 *Strategic Matters*

- Ensure alignment of the Company's business model, including products and services, with the agreed risk appetite and strategy; advise the Board on the continued viability of the business model;
- Oversee the periodic testing and review of the Company's participant default rules and procedures;
- Review the key risk aspects of proposed material strategic transactions;
- 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.

### 10.9 *Remuneration Policy*

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

### 10.10 *Business Continuity*

- Review the Recovery and Resolution Plan of the Company;
- Review the Company's process for monitoring its security and business continuity arrangements.

### 10.11 *Reporting Calendar*

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

11.2 To ensure that the Company's Risk reporting and Risk practices are consistent with those of the parent and to support the latter in its oversight function, the Committee will keep the parent Risk 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 interaction between parent and subsidiary risk committees is organised via quarterly conference calls between parent and subsidiary committee chairs, a cross-attendance programme, sharing of relevant minutes and informal contact between members.

11.4 The Committee should have adequate interaction with the Audit Committee to ensure consistency and avoid gaps in their respective roles. To this end, the chair of the Audit Committee shall have an open invitation to attend the Risk Committee meetings where desired.

11.5 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.

11.6 The oversight of the adequacy and effectiveness of the risk management systems is the responsibility of the Audit Committee and shall be undertaken based on reporting from Internal Audit and reported to the Risk Committee and Board.

11.7 The Committee works closely with the NRG Committee in evaluating the incentives created by the compensation policy. The Risk Committee shall advise the NRG Committee on its opinion with respect to:

- The consistency of the compensation policy with sound and effective risk management;
- The identification process of Identified Staff, as defined in the compensation policy;
- The way the risk strategy and risk tolerance is reflected in the overall annual performance review so as to ensure that the NRG Committee takes into account all 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.

## 12. Committee evaluation

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

## 13. Reporting to the Board

The Committee will report as follows to the Board:

- 13.1 Committee's activities, observations and proceedings on all matters within its duties and responsibilities 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; 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

Policy Owner	UK Company Secretariat
Key contact(s)	Jennifer Parker
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