



# Euroclear Finland

Description of Governance Arrangements of Euroclear  
Finland Ltd • C3005-3

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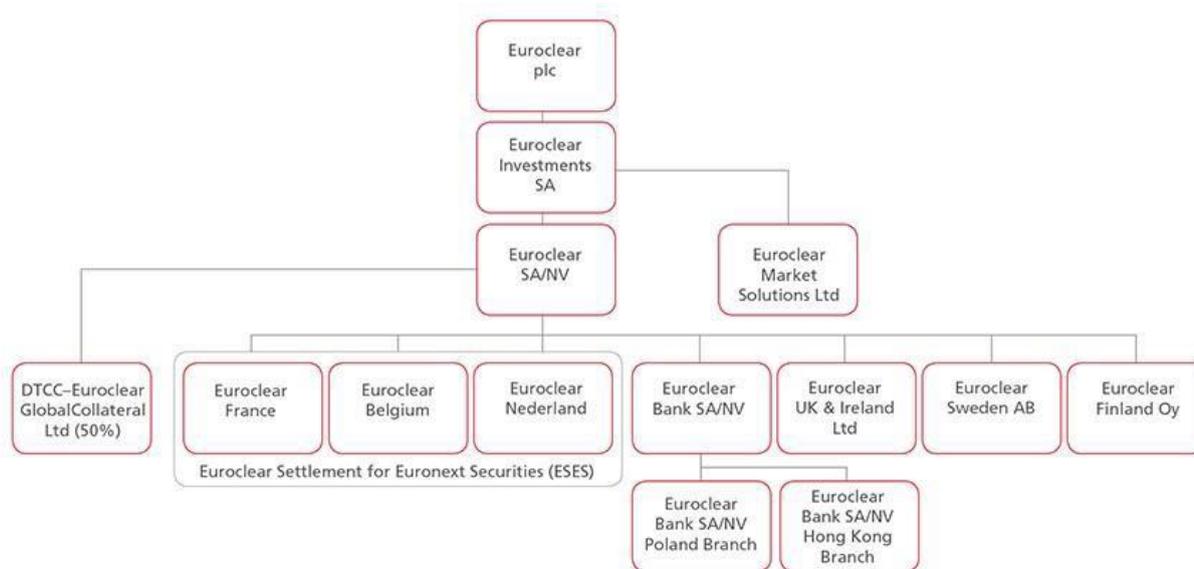
# 1 Euroclear Group

The Euroclear Group is a market infrastructure service provider offering a range of post trade services (settlement, custody, issuer services and related ancillary services) to various financial institutions for domestic and international securities, covering bonds, equities and investment funds, among other financial instruments.

The Group has set up a strong, integrated corporate structure to help it deliver on its objectives. The main strategic objective of the Euroclear Group is to be one of the world’s leading providers of post-trade services through reliability, innovation and leadership by building long-term partnerships with clients; and supporting the stability and developments of the markets, locally or globally.

Euroclear attaches the utmost importance to its reputation for integrity, honesty and fairness. The Group has established high standards of professional conduct that direct the on-going activities of the Group. These standards are formalised in various policies and procedures applicable to employees, senior management and directors across the Group. Those policies and procedures address issues such as corruption, self-dealing and other illegal or unethical behaviour in the Group’s internal and external activities.

## 1.1 Euroclear Group’s Legal Structure



### The Euroclear Group’s structure

The group’s ultimate parent company is Euroclear Plc<sup>1</sup>, which is responsible for all shareholders’ matters, setting values and standards in governance matters and ensuring that necessary financial resources are in place to meet the strategic aims.

<sup>1</sup> The ultimate parent company will be relocated to Belgium during a transfer process between Q3/2018 – Q4/2019 and renamed in the process.

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The Board of Euroclear SA/NV is responsible for overseeing the management of Euroclear SA/NV, setting Group strategy and overseeing its implementation, ensuring that effective risk management controls are in place, and setting a Group policies framework.

Within this framework, each (I)CSD of the Euroclear group sets its individual strategic and operational objectives, aligned with those set by the Group. These (I)CSDs are separate legal entities, which are subject to their respective legal and regulatory environments. The Board of Directors (and Board Committees) of each of these (I)CSDs is responsible for ensuring a consistent implementation of the Group's strategy and due observance of the legal and regulatory requirements applicable to them.

## 1.2 Euroclear Finland Ltd's Legal Structure and Regulatory Framework

Euroclear Finland Oy (the "Company") is a private limited liability company as determined in the Finnish Companies Act (624/2006, as amended, the "Companies Act").

All shares and votes of the Company are held by Euroclear SA/NV. The Company is thus a 100 % subsidiary of Euroclear SA/NV.

The Company operates as a Central Securities Depository and as a settlement organisation on the basis of operating licenses granted by the Finnish Ministry of Finance until CSDR authorisation process is completed.

The Company's operation is regulated by, e.g. (the regulatory framework)

- Central Securities Depositories Regulation<sup>1</sup> (the "CSDR") and respective ESMA Standards and Guidelines
- Act on Book-Entry System and Clearing Operations (No 348/2017, as amended)
- Act on Book-Entry Accounts (No 827/1991, as amended).
- Securities Markets Act (No 746/2012, as amended)
- the Act on Certain Conditions of Securities and Currency Trading as well as Settlement<sup>2</sup> Systems (No 1084/1999 as amended)
- Companies Act (624/2006, as amended)
- The standards of the Finnish Financial Supervisory Authority

The Company maintains and supervises the Finnish book-entry system and is responsible for developing the book-entry system as a whole. The Company and the account operators are supervised by the Finnish Financial Supervisory Authority.

The settlement operations of the Company are subject to a separate authorisation by the Ministry of Finance and supervision by the Financial Supervisory Authority of Finland and oversight by the Bank of Finland.

The Articles of Association of the Company are the overall set of rules for the Company which are decided by the General Meeting of the Shareholders.

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<sup>1</sup> Regulation (EU) No 909/2014 of the European Parliament and of the Council on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012

<sup>2</sup> Implementing the European Settlement Finality Directive in Finland.

## 2 Company's Corporate Governance Framework

The Company's policies, procedures and processes by which the Company's Board, Board's Committees and Senior Management operate are described below.

The management and control of the Company is divided among the Shareholders (General Meeting) and the Board of Directors (the "Board") and the Chief Executive Officer (the "CEO") of the Company, pursuant to the provisions of the regulatory framework, the Articles of Association of the Company and the internal instructions set forth by the corporate bodies of the Company, as described below.

The table in [Appendix 1](#) provides a summary of the Company's internal governance and control (reporting lines) framework.

### 2.1 General Meeting of Shareholders

The General Meeting of Shareholders is the Company's highest decision-making body, at which the shareholders exercise their voting rights. At the General Meeting decision are made on matters such as the annual accounts, dividend, election of the Board members and auditors, remuneration to the Board members and auditors, and guidelines for the remuneration of the Senior Management of the Company.

### 2.2 Board and Board's Chair

The Board is the main decision-making body of the Company. The Board is appointed by the General Meeting of Shareholders. The Board has the power to carry out all acts that are necessary to achieve the objectives of the Company, other than those explicitly reserved by law or the Articles of Association of the Company to the Shareholders. Amongst other, the Board sees to the administration of the Company and the appropriate organization of the Company's operations and is responsible for the appropriate arrangement of the control of the Company's accounts and finances. The Board is primarily responsible for setting the policies and defining the strategy of the Company and overseeing the Company's operations and risk management and compliance function, and supervising the Company's Senior Management. The Board's role and responsibilities are described in detail in the Board Terms of Reference.

As the Company is a wholly owned subsidiary of Euroclear SA/NV, and as such receives guidance from its parent company in relation to group policies on governance, strategy, financial and risk matters, the Board shall consider such guidance in the exercise of its responsibilities and apply that to the extent that it is, in the opinion of the Board, in the interests of the Company to do so. The Board shall always in the course of their operation observe the best interests of the Company.

According to the Articles of Association of the Company the Board shall be composed of 3 – 9 members. The Board shall comprise at least 1/3, and no less than 2 independent members.

The composition of the Board shall be considered in the context of the requirements of the business of the Company at a given point in time, including prevailing legal and regulatory considerations. The Remuneration, Nominations and Governance Committee shall lead the process for Board nominations and make recommendations to the Board in this respect.

The Board members shall have the highest degree of personal integrity and ethics, leadership qualities and a proven ability to exercise sound business judgement and have sufficient seniority and experience so as to be able to take a strategic view. To adequately fulfil its role and responsibilities, the Board shall be composed of suitable members of sufficiently good repute with an appropriate mix of skills, experience and knowledge of the entity and of the market of the

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Company to set the general policy and strategy for the Company and to properly supervise management in the implementation of such policy and strategy. The skills that should necessarily be represented on the Board are both generic (finance, accounting, management and organisation) and specific to the business of the Company (e.g. operations, securities, settlement, capital markets, IT).

The Board shall have amongst its members persons at the Euroclear Group's senior management to ensure congruence with the strategy and policy of the Group and to promote coherence in the strategy and policies as between the Group entities and to ensure that the specificities of the Company are well understood by Euroclear SA/NV and vice versa.

Board members are appointed for a term until the end of the next Annual General Meeting to be held after the appointment. The term of appointment of Board members shall typically be one year. Board members may be re-elected. A Board member may resign from the position, or the General Meeting of Shareholders may also dismiss the member before the end of his/her term.

The Board's Chair is appointed by the General Meeting of shareholders. If the Chair is not appointed by the General Meeting, the Board appoints a Chair amongst the Board members.

The Chair is responsible for the effective execution of the Board's work. The core responsibilities of the Chair are in relation to Board leadership and governance, ensuring an informed Board and facilitating the Board's relationship with the management of the Company.

Board members' appointments are subject to a prior regulatory assessment of Fitness and Propriety. Board members shall continue to comply with fit and proper requirements throughout the period of their mandate. Changes to the Board composition will be notified to the supervisors.

The Board shall convene at least five times per year. Members shall provide assurance that they are able to commit sufficient time to the work of the Board and its Committees.

In accordance with the regulatory requirements, an internal process has been set up for assessing the suitability both of the individual members of the Board and the Board as a whole according to which the Board shall annually evaluate 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 effectively. The results of the evaluation process are discussed by the Board and presented to the Remuneration, Nominations and Governance Committee.

In accordance with the decision of the General Meeting of Shareholders and the Euroclear Group's policy on remuneration, remuneration for the non-executive Board members comprises of an annual gross fee. This fee is pro-rated to the number of Board meetings attended and reflects any additional formal responsibilities held.

Non-executive Board members are not part of any incentive program (short or long-term) and are not entitled to other type of remuneration such as stock options or employment benefits (other than reimbursement of expenses). Their remuneration is not linked to the performance of Euroclear Finland.

The remuneration of the non-executive Board members is overseen and decided by the Shareholder's meeting.

With a particular focus on gender diversity, the Board has in October 2015 defined a target of achieving (and maintaining) a minimum of one third representation of the under-represented gender within a four-year period.

More information on the Board's duties and responsibilities, appointment procedure, performance assessment and the Board's composition is available on [www.euroclear.com](http://www.euroclear.com).

## 2.3 Board's Committees

In order to increase the effectiveness of the Board's work the Board has established three Board Committees. The Board's Committees assist the Board in preparing matters, belonging to the competence of the Board and assist the Board in carrying out its responsibilities in an efficient way.

The Board Committees are Board Audit Committee, Board Risk Committee and Board Remuneration, Nominations and Governance Committee.

The Audit Committee is an advisory committee of the Board established to assist the Board in fulfilling its financial reporting, audit and compliance and ethics oversight responsibilities. The Audit Committee makes recommendations to the Board on appointment or removal of the Company's Chief Compliance Officer and the Company's Head of Internal Audit.

The Risk Committee is an advisory Committee of the Board established to assist the Board in fulfilling its risk oversight and technology responsibilities. The Risk Committee makes recommendations to the Board on appointment or removal of the Company's Chief Risk Officer and Chief Information and Technology Officer.

The Remuneration, Nominations and Governance Committee advises and assists the Board in all matters in relation to remuneration, nomination and governance that fall within the Board's responsibility. The Remuneration, Nominations and Governance Committee make recommendations to the Board on appointment of the members of the Board Committees to be proposed to the General Meeting of Shareholders. The Board's Committees should comprise of a majority of non-executive members. Chairs of the Committees shall be independent from the executive members of the Board. The Chairs of the Committees may be members but not chairs of another Board Committee. Furthermore, a majority of the members of the committees should be different.

The Chairs of the Committees will regularly report to the Board at Board meetings on the Committee's activities and proceedings on all matters within their duties and responsibilities and on dissenting views as well as majority views, where appropriate, to support Board understanding or where explicitly requested by a member. The supporting materials and minutes of the Committee meetings will be made available to all members of the Board.

The Committees shall regularly evaluate their own performance against a benchmark that reflects regulatory requirements, guidance and best practices and report to the Board on the outcome of the same.

The roles and responsibilities, operating principles and reporting of the Committees are determined in detail in the Terms of Reference for each Committee.

More information on the Board's Committees duties and responsibilities, performance assessment and on the Committees' composition is available on [www.euroclear.com](http://www.euroclear.com).

## 2.4 Senior Management

The senior management of the Company ("Senior Management") comprises the Chief Executive Officer (the "CEO") who is supported by an executive committee (the "Executive Committee" or "ExCom", in Finnish: *johtoryhmä*).

### 2.4.1 Chief Executive Officer

According to the Company's Articles of Association, the company shall have a Managing Director (Chief Executive Officer, CEO) appointed by the Board of Directors.

The CEO is, amongst other, accountable to the Board for the management of the Company's day-to-day operations, responsible for ensuring the satisfactory organization of the Company's business under the supervision of the Board, and for the design and establishment of the Company's risk-management, technology, compliance and internal control procedures which promote the objectives of the Company. The CEO works closely with the Board's Chair in relation to planning the Board's meetings and matters of special importance for the Company's operations.

The CEO reports directly to the Board. At each Board meeting, the CEO provides a business update covering at least an account of significant events in the operations of the Company.

The Board appoints the CEO against merit and on the basis of the candidate's potential contribution in terms of knowledge, experience and skills, and in accordance with the needs of the Company at the time of the appointment. The CEO shall have the highest degree of personal integrity and ethics, leadership qualities and a proven ability to exercise sound business judgement. Furthermore, the CEO shall be of sufficiently good repute and experience so as to ensure the sound and prudent management of the Company, and allocate sufficient time to fulfil his/her role and responsibilities as the CEO. The CEO's appointment is subject to regulatory assessment of Fitness and Propriety.

The CEO has the right to resign from the post. The Board may dismiss the CEO from the post.

An annual Performance Assessment of the CEO will be carried out by the Board to ensure the continued suitability of the CEO for his/her role taking into account the needs of the Company and legal and regulatory requirements regarding the individual's suitability for the assignment.

The specific duties and responsibilities, reporting, appointment and authority of the CEO are determined in detail in the Instructions for the Chief Executive Officer confirmed by the Board annually.

### 2.4.2 Executive Committee

To support the daily management of the Company in a coordinated manner, to adhere to the advice and instructions issued by the Board, and to ensure satisfactory organization of the Company's business under the supervision of the Board, the CEO has appointed an Executive Committee (ExCom). The ExCom is chaired by the CEO.

The ExCom acts within the decision powers delegated to the CEO by the Board. The ExCom supports the CEO in carrying out the Company's day-to-day operations in a coordinated manner and advises the CEO in his/her decision making, amongst other, by setting the corporate strategies and objectives in consultation with, and subject to the approval of the Board, reviewing and prioritising the strategic plan, roadmap and business plan to meet the corporate objectives and monitoring of the objectives against the plans, reviewing the budget by reference to the corporate objectives as set out in the strategic and business plans and for monitoring the business results against the budget, oversight and approval of the entities' risk profiles, ensuring compliance with all statutory, regulatory and legal obligations, as well as implementing effective HR policies to ensure the recruitment, training, retention and motivation of key staff.

To ensure effective organization and diligent preparation of ExCom's work on certain core operative areas, the CEO has set up three ExCom sub-committees: the Portfolio Committee, the Risk and Operations Committee and the Outsourcing Committee.

The CEO shall ensure, through regular review, the continued suitability of the ExCom members for their respective role taking into account the needs of the company and legal and regulatory requirements regarding the individual's suitability for such role. In case of any question on the continued Fitness and Propriety character of an ExCom member for his/her role, the CEO will carefully assess the actions to be taken (remedial action or dismissal) and eventually discuss

them with the person directly. The appointment of the members of ExCom is subject to a prior regulatory assessment of Fitness and Propriety.

The role and responsibilities of ExCom, as well as the list of members of the Senior Management are set out in detail in the Resolution of the Chief Executive Officer on Internal Governance (C1001-2) confirmed by the CEO annually.

### 3 Internal Functions

The Company has put in place functions which comply with the highest applicable standards in ensuring a robust and transparent management structure and control environment. The Internal Functions operate in line with the Euroclear Group's system of internal controls.

The Group's system of internal controls is fully integrated and ensures a prudent conduct of business, a right balance between risks, service quality and costs, the protection of Euroclear and client assets, the quality of the financial information and compliance with regulatory requirements across all the entities of the Group.

The Group entities have in place adequate:

- compliance & ethics function;
- risk management function;
- technology (combined with information) function; and
- internal audit function.

In line with best market practice, Euroclear has adopted a Three Lines of Defense model. The allocation of responsibilities within Euroclear's Three Lines of Defense model is:

- **1<sup>st</sup> line of defense:** Business implement and operate required controls and report on their effectiveness.
- **2<sup>nd</sup> line of defense:** Risk Management monitor the Risk and Internal Control environment against changing internal and external environment and report, challenge or escalate to management risks or control defects. Risk Management advises on remedial actions.

Compliance & Ethics: monitor, test and report to management on controls relating to laws and regulations and advice on remedial actions.

- **3<sup>rd</sup> line of defense:** Internal Audit independently reviews and tests the controls and reports to management.

The CEO is responsible, under the supervision of the Board of Directors, for taking all necessary measures in view of the implementation of 1<sup>st</sup> and 2<sup>nd</sup> line of defense controls and for reporting, to the Board, on the compliance with these requirements and on the adequate measures adopted. The Chief Compliance Officer, the Chief Risk Officer and the Chief Information and Technology Officer have direct access to the Board. The Internal Audit has a single primary and functional reporting line to the Chair of the Company's Audit Committee and is hierarchically and operationally separate from any operating units within the Group and the Company.

The description of tasks, authority, resources, expertise and access to relevant information of each function are described in the respective Charters for each function.

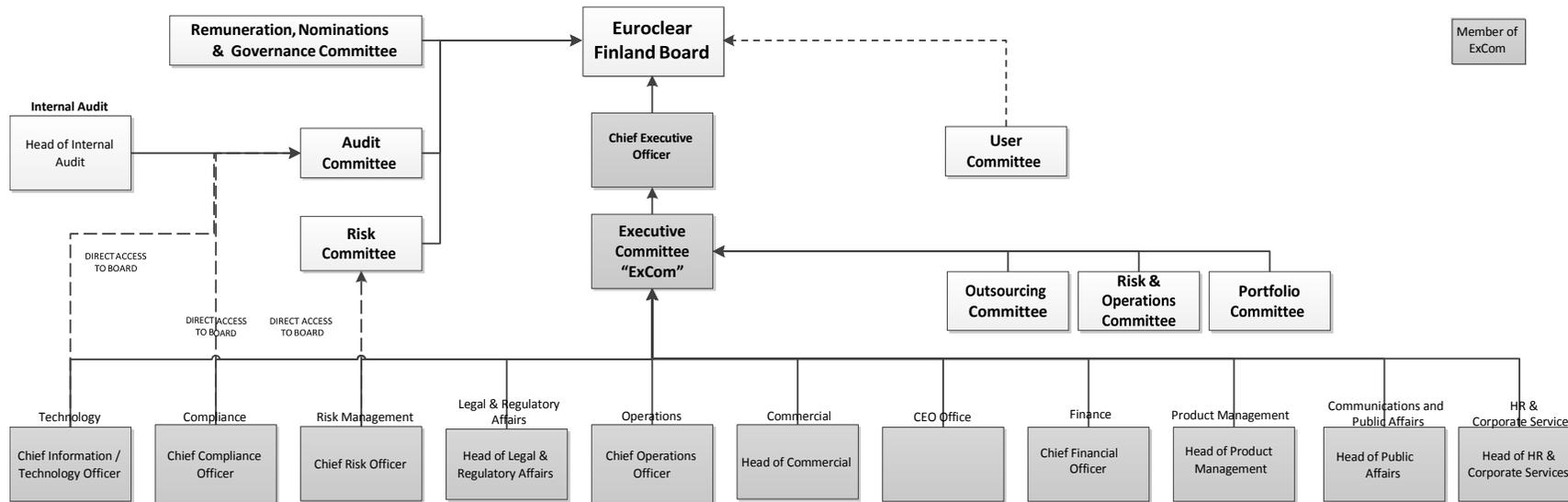
## 4 Publicity

As public disclosure and transparency are key principles of sound governance, and the Company makes public relevant information to its stakeholders via different channels.

In addition to all publications with authorities pursuant to legal requirements, Euroclear makes the following information available:

- The Euroclear website provides information about the Euroclear Group's and the Company's activities and services and the governing rules thereof, the Group's and the Company's corporate structure, the governance arrangements, management structure, press releases, business developments, the Euroclear clients, etc.
- The annual report providing information about financials, group strategy, corporate governance, etc.
- From time to time, media releases, corporate brochures and other documents are made available to participants and other financial market players and to the public.

Summary of Euroclear Finland Ltd's internal governance and control (reporting lines):





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