

Euroclear Sweden (the "Company")

Audit Committee (the "Committee")

Terms of Reference

(incorporating Internal Governance Practices & Procedures)

- 1 Purpose**

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

- 2 Members**
 - The Committee shall comprise of a majority of non- executive members
 - At least one member shall have competence in accounting and/or auditing matters.
 - The Committee members collectively shall have an understanding of the Company's business as well as collective competence in the area of accounting and audit
 - the Chair of the Committee as well as the majority of its members should be different from the chairs and members of the Risk and Remuneration, Nominations and Governance Committees.
 - The Chair of the Company may be a member of, but not chair, the Committee.
 - All members shall be appointed by the Board on the recommendation of the Remuneration, Nominations and Governance Committee.
 - Appointments to the Committee should be for a period of up to three years, renewable at the Board's discretion.

- 3 Chair**

The Committee Chair:

 - shall be appointed by the Board from among the members of the Board;
 - shall be independent from the executive members of the Board
 - may be a member of but not chair any other Board Committee; and
 - shall have appropriate recent audit experience.

- 4 Meeting attendees**

Entitled to be present:

 - Committee members; and
 - Secretary to the Committee.

Other attendees by invite:

 - Board members;
 - Chief Executive Officer;
 - Company Head of Internal Audit;
 - Chief Financial Officer;
 - Observers/advisers appointed by the Committee;
 - External Auditors; and
 - Any additional invitees as deemed necessary or appropriate.

- 5 Frequency of meetings**
- At least five times per year.
 - At least one closed session shall be held each year (without the CEO present) with each of the:
 - Company Head of Internal Audit; and
 - External Auditor.
 - A closed session shall also be on the preliminary agenda for each meeting. If the session is deemed unnecessary by each of the Chair and the control function head concerned, it will be removed from the agenda.
 - Additional ad-hoc meetings as deemed necessary by the Committee Chair.
- 6 Quorum**
- A simple majority of members either physically present at the location of the meeting or by telephone/videoconference.
- 7 Voting**
- A simple majority of Committee members present or represented.
 - The Committee Chair has the casting vote in case of equality of votes.
- 8 Meeting agenda and notice**
- The Committee Chair sets the agenda for the meetings.
 - Individual Committee members can place items on the agenda.
 - 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 Committee members present agree to this addition.
 - Notice of meetings shall be sent to Committee members by electronic means.
 - The agenda should allow sufficient time to undertake as full a discussion as may be required.
- 9 Committee support and resources**
- The Committee shall appoint a Secretary to the Committee with the relevant skills and expertise.
 - The Company Head of Internal Audit shall report to the Committee Chairman and have direct access to the Committee.
 - The Committee Chair shall have direct access to the parent company audit committee chair.
 - 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 their role as Committee member;

- carry out their duty with the necessary objectivity and independence from management;
- receive introduction training on all topics considered necessary for their membership; and
- receive ongoing training, as appropriate.
- The Committee:
 - may obtain all information and reports from the CEO of the Company, as the Committee deem necessary to prepare the issues to be discussed. The CEO shall provide relevant information to the Committee to this end.
 - may invite experts to advise the Committee or seek external professional advice at the Company's expense, necessary for the fulfilment of its duties;
 - may investigate any matters within its terms of reference and shall have unlimited access to any personnel, documents or Company records associated with such investigation.
- 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.
- The minutes will be kept in accordance with applicable legal requirements and internal procedures.
- Written material is made available to Committee members in a timely manner ahead of its meetings.

10 Responsibilities

- The Committee has the following responsibilities and advises the Board in relation to the same:
 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;
 - Advising the Board with regards to the financial soundness of the Company as a going concern;
 2. Internal Controls and audits:
 - monitors and reviews the effectiveness of the Company's internal control and risk management systems;
 - reviews and oversees control reports received from the Company's Head of Internal Audit and monitors

the CEO's responsiveness to findings and recommendations;

- Monitors and reviews (through regular internal self-assessments and at least every five years by a qualified independent assessor outside from the Euroclear group), the effectiveness and independence of internal audit 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 Company's Head of Internal Audit after possible consultation with the Chief Auditor of Euroclear group;
- provides input to the Remuneration Committee on the remuneration of the Company's Head of Internal Audit, in the event he/she is employed by ES;

3. External Auditor

- 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, on the basis of input from and discussions with the External Auditors, the independence and objectivity of the statutory auditor, and threats to his independence and the safeguards applied to mitigate those threats;
 - review the annual written confirmation letter by the statutory auditor of his independence;
 - 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;
 - assess the effectiveness of the audit process;
 - Review for information the Letter of Engagement with the External Auditors on annual basis;
 - Review and adopt the Company's Policy on the engagement of the External Auditor;
 - Participate in the procedure of the selection of the external statutory auditor and provide feedback on their appointment, compensation and dismissal.
- 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**
- The Committee will be informed about the major risk issues reported to the Company’s Risk Committee through separate reporting from the Chief Executive Officer and the Chief Risk Officer.
 - The Committee should inform the Risk Committee on its Audit oversight of the adequacy and effectiveness of the Company’s risk management systems.
 - 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. At times the Audit and Risk Committees should meet in joint session to review issues relevant to both Committees including, but not limited to, ICAAP, cyber security, internal control system reports.
 - 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.
 - 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.
 - The interaction between parent and subsidiary audit committees is organized via quarterly conference calls between subsidiary committee chairs, a cross-attendance program, sharing of relevant minutes and informal contacts between members.
- 12 Committee evaluation**
- The Committee shall regularly evaluate its own performance against a benchmark that reflects regulatory requirements, guidance and best practices and report to the Board on the outcome
- 13 Reporting to the Board**
- The Committee will report as follows to the Board:
- Committee activities, observations and recommendations, within its duties, will be reported to the Committee Chair at each Board meeting;
 - dissenting views as well as majority views, where appropriate, to support Board understanding or where explicitly requested by a member; and
 - supporting materials and minutes of the Committee meetings will be made available to all members of the Board.

- 14 Conflicts of Interest**
- Committee members should notify potential or actual conflicts of interest regarding any matter under consideration by the Committee to the 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.
 - 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 at least once annually by the Committee, who will recommend any changes to the Board.
 - Last approved by the Committee on 16 February 2021.
 - Last approved by the Board on 23 February 2021.
- 16 Publication of Terms of Reference**
- This document was last published on the Euroclear website on 24 Feb 2021.