

**Euroclear Sweden (the "Company")**  
**Board of Directors (the "Board")**  
**Terms of Reference**  
**(Incorporating Internal Governance Practices & Procedures)**

- 1. Purpose** The Board is the ultimate decision-making body of the Company and has the power to carry out all acts that are useful or serve to achieve the purpose of the Company, other than those explicitly reserved by law or the Articles of Association to the general meeting of shareholders.

Under the Swedish Companies Act, the Board is responsible for;

- a) The organisation of the Company and the management of the Company's affairs,
- b) Regularly assessing the Company's financial position,
- c) Ensuring that the Company's organisation is structured in such a manner that accounting, management of funds, and the Company's finances in general are monitored in a satisfactory manner.

- 2. Members**
- 2.1. The Board has at least three members and maximum of nine members. The Board shall be composed of suitable members of sufficiently good repute with an appropriate mix of skills, experience and knowledge of the Company and of the market.
  - 2.2. All Board members must be natural persons.
  - 2.3. The majority of the members of the Board are non-executive members.
  - 2.4. The Board shall comprise at least one third, but no less than two, independent members. Independence is defined in accordance with the applicable legal and regulatory requirements at the time of appointment.
  - 2.5. Board members are appointed by the general meeting of shareholders for a term of up to the next annual shareholder's meeting (with possibility of renewal). In addition, employee representatives may be appointed as Board members by the unions as per mandatory Swedish law.
  - 2.6. The term of office of a Board member who is not re-appointed expires immediately after the relevant general meeting of shareholders.
  - 2.7. Removal and resignation of a Board member shall be in accordance with the Swedish Companies Act (SFS 2005:551).
  - 2.8. Appointments of individual Board members are subject to prior fit and proper assessment and to prior regulatory

approval by the supervisory authority. The Company will also previously inform the supervisory authority of any proposed renewal of appointment, as well as of non-renewal and removal. Board members must permanently comply with the fit and proper requirements during their term of office. The Board must collectively have the appropriate balance of skills, experience, independence, knowledge, and diversity to fulfil its duties.

- 3. Chair**
  - 3.1. The Board appoints a Chair from among its non-executive members, subject to prior regulatory approval by the supervisory authority.
  - 3.2. The Board may at any time remove the Chair from his or her office.
  - 3.3. The Chair presides every meeting of the Board. In the absence of the Chair, the Board can nominate one of the other Board members to chair the meeting.
- 4. Meeting attendees**
  - 4.1. At a Board meeting the following are entitled to be present:
    - i. Board members;
    - ii. Board Secretary; and
    - iii. Other attendees by invitation (e.g. heads of control functions), as deemed necessary or appropriate by the Chair.
- 5. Frequency of meetings**
  - 5.1. The Board shall have at least five scheduled meetings per year.
  - 5.2. A Board meeting shall be held whenever one Board member has asked for it.
  - 5.3. Additional ad-hoc meetings may be held as deemed necessary by the Chair.
- 6. Quorum**
  - 6.1. Board members may attend and participate in the meeting and its decisions (and be counted in the quorum and for majority purposes) by conference call or video conferencing and the meeting shall be treated as validly held, provided at least two members are present either at the location of the meeting or by conference call or video conferencing.
  - 6.2. The Board of Directors may only deliberate and adopt resolutions if at least more than half of its members are present.
- 7. Voting**
  - 7.1. A simple majority of Board members present.
  - 7.2. The Chair has the casting vote in case of equality of votes.
  - 7.3. In exceptional circumstances, duly justified by the urgency of the matter and the Company's corporate interest, decisions

can be taken by unanimous written consent of all Board members except for approval of the annual accounts or the authorised capital procedure.

- 8. Meeting agenda and notice**
- 8.1. The Chair sets the agenda after consultation with the Chief Executive Officer.
  - 8.2. All Board members can place items on the agenda.
  - 8.3. Items to be discussed must be included on the agenda. In exceptional circumstances, duly justified by the urgency of the matter or the Company's corporate interest, an item not on the agenda may be addressed at the meeting, provided all members attending agree.
  - 8.4. Notice of Board meetings must be given to each Board member, in advance of the meeting, but need not be in writing and may be sent by electronic means.
  - 8.5. The Chair shall ensure that adequate time is available at Board meetings for the discussion of all agenda items.
- 9. Board support and resources**
- 9.1. Each Board member must have a clear understanding of the detailed responsibilities of the Board and of the Company's operational structure, activities and services and of the risks associated with the services and products it offers.
  - 9.2. Each Board member shall:
    - i. receive introduction training on all topics considered necessary for his or her Board directorship; and
    - ii. receive ongoing training, as appropriate.
  - 9.3. In addition, the Board shall:
    - i. receive regular reports from Board committees and the CEO on the implementation of the agreed strategy, risk profile and financial position of the Company and all other matters delegated from the Board to the CEO, including amongst others regular reporting on risk appetite, metrics and critical residual risk;
    - ii. obtain such other information and reports from Board committees and the CEO as they deem necessary to prepare the issues to be discussed;
    - iii. be granted access to information discussed in Board committees;
    - iv. have full and direct access to the heads of internal control functions who should report relevant information regularly and have access to the Board and/or its relevant

committees;

- v. receive accurate, timely and clear information;
- vi. be entitled to seek independent professional advice at the Company's expense.

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

- i. summaries of all matters reviewed;
- ii. Details of the decisions taken by the Board; and
- iii. a record of any challenge and dissent by Board members.

9.5. The minutes shall be kept in accordance with applicable legal requirements and internal procedures. They shall be made available to the regulators and the auditors upon request.

9.6. Written material is made available to Board members in a timely manner ahead of its meetings in order to allow Board members to adequately review the information provided.

## **10. Responsibilities and Powers**

10.1. The Board has ultimate and overall responsibility for the Company in accordance with the purpose under section 1.

10.2. It is acknowledged (i) that the Company is a wholly owned subsidiary of Euroclear SA/NV, (ii) that Euroclear SA/NV has the status of a support institution/institution assimilated to a settlement institution as well as of financial holding company of an authorized credit institution under the Belgian Banking Act and of settlement institutions, (iii) that Euroclear SA/NV is subject to supervision of the National Bank of Belgium both on a stand-alone and on a consolidated basis and that these rules must be taken into consideration by ESA when running the Euroclear group, (iv) that the Company as part of the Euroclear Group may receive guidance from Euroclear SA/NV in relation to i.a. group policy on governance, strategy, remuneration, financial and risk matters and (v) that such guidance shall be considered by the Board in the exercise of its responsibilities subject to the corporate interest of the Company and compliance with all applicable requirements of applicable laws, rules and regulations and approvals by the supervisory authority as may be required or as the Board deems necessary or advisable.

10.3. The Board's general responsibilities and powers include, but are not limited to, the following:

10.3.1. Strategy, Governance & General Policy

- i. providing leadership of the Company within a framework of prudent and effective controls; monitoring and

ensuring compliance with all relevant regulatory and supervisory requirements;

- ii. setting the objectives, strategy and orientation of the Company's activities, *inter alia* as regards commercial policy and structures, risk profile, risk policy and risk management, capital adequacy, outsourcing, business continuity, integrity, customer acceptance in the Euroclear System, conflicts of interest and protection of the rights of customers on their assets held by the Company;
- iii. Reviewing strategic transactions, including strategic investments and divestments and material extension of the Company's activities;
- iv. setting the risk tolerance (risk appetite) of the Company for all its activities and setting out the risk management policy, within the risk framework and risk appetite defined by the Group (as a minimum); approving and regularly reviewing the strategies and policies governing the taking, managing, monitoring and mitigating of risks to which the Company is (or could be) exposed; ensuring the surveillance of the risk management function and of significant risks; approving the Risk Management Charter; establishing the qualitative and/or quantitative criteria to determine major credit and counterparty risks; being primarily responsible for taking strategic decisions with regards to risks and obtaining from the CEO 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; providing the supervisory authority with the risk tolerance of the Company and approving the liquidity recovery plan;
- v. overseeing and assessing all aspects of governance arrangements relevant to the Company, including defining, approving and overseeing the effectiveness of the Company's internal governance framework and implementation and reviewing and updating, at least annually, the Company's Governance Memorandum; providing the supervisory authority with the (updated) Governance Memorandum;
- vi. establishing the culture, values, standards, ethics and conduct of business rules of the Company in internal codes of conduct and ensuring that the Company's obligations to its shareholders and other relevant stakeholders are understood and met;
- vii. establishing and periodically reviewing policies, procedures and processes by which the Board, the CEO

and any Board committees shall operate;

- viii. setting the overall principles for an adequate remuneration policy (covering among others the non-executive and executive Board members, the CEO and members of independent control functions), taking into account the overall Group remuneration principles, assessing the remuneration policy regularly and at least once a year, supervising its implementation and confirming remuneration of executive and non-executive Board members (including other employment contract terms of the CEO);

#### 10.3.2. Supervision of the CEO

- ix. supervising and monitoring the performance of the CEO, its management culture, and the management of all significant risks;
- x. supervising the business of the Company and monitoring business performance against pre-set budget and targets;
- xi. ensuring that the CEO takes the necessary measures to remedy any shortcomings;
- xii. verifying periodically, and at least once a year, whether the independent control functions (compliance, risk and audit) operate properly; ensuring the independence and adequate resources of these functions (including the technology function), all of which shall have direct access to the Board;
- xiii. ensuring that the necessary financial and human resources are in place for the Company to meet its objectives;
- xiv. overseeing and approving as necessary the appointment and removal of key personnel, including among others Board committees members, the Chair of the Board and Board committees (except the Chair of the Audit Committee), the CEO, the Chief Compliance Officer, the local Company Internal Auditor, the Chief Risk Officer and the Board Secretary; The supervisory authority will be previously informed as per applicable regulatory requirements;

#### 10.3.3. Finance matters

- xv. ensuring the integrity of the accounting and financial reporting systems, including the rules for operational and financial control, and assessing at least once a year the internal control function to ensure that it offers a

reasonable degree of certainty as to the reliability of the financial reporting process; when applicable, supervising the procedure for publishing and communicating information as per regulatory requirements;

- xvi. ensuring the financial soundness of the Company;
- xvii. maintaining liquid and capital adequacy (in a going and gone concern situation) including ensuring that an appropriate balance of funds are available to satisfy the Company's capital requirements, including working capital, any relevant regulatory requirements and any prudential buffer requirements identified from time to time; laying down the policies for own funds and liquid needs, regularly evaluating and updating them whenever appropriate and supervising their implementation by management;
- xviii. reviewing and approving the Company's recovery plan and business continuity strategy and policy before submitting them to the supervisory authority;
- xix. approving, regularly updating and providing the supervisory authority with the Company's plan governing the raising of capital when its capital approaches or falls below specific requirements and ensuring the orderly winding-down or restructuring of the Company's operation and services as CSD where the Company would be unable to raise new capital;
- xx. making recommendations with respect to the raising of capital or with respect to dividends;
- xxi. approving major financing facilities;
- xxii. approving any prospectus to be issued by the Company;
- xxiii. approving annual or longer-term plans and budgets, taking into consideration the Group financial and dividend targets;
- xxiv. approving the annual and interim financial reports, accounts and accounting policies;

#### 10.3.4. Other Specific Responsibilities

- xxv. monitoring outsourcing arrangements;
- xxvi. being accountable to shareholders or other owners, employees, users and other relevant stakeholders;
- xxvii. approving the Internal Audit Charter, planning and review

- xxviii. approving the Compliance & Ethics Plan and the Compliance & Ethics Charter;
- xxix. approving the Technology Framework;
- xxx. setting the agenda and convene the Company's shareholders meeting;
- xxxi. approving the prosecution, defence or settlement of material litigations;
- xxxii. where applicable, defining, approving, overseeing and periodically assessing the Company's organisation for the provision of investment services or activities and the related policies;
- xxxiii. where applicable, policies on pricing and rebates and contracting with major suppliers of services (including outsourcing and critical service providers);
- xxxiv. if applicable, determining and following-up on the Company's pension schemes and appointing the Company's representatives to appropriate bodies.

10.4. The Board shall have :

- i. several advisory committees with defined responsibilities and powers (e.g. the Audit, Risk, Remuneration and Nomination Committees) to assist and advise it in carrying out its role effectively; Terms of Reference shall be drawn up for each committee, detailing the role, composition and operation of each committee; and
- ii. the CEO to which it has delegated responsibility for managing the business of the Company within the strategy, the risk appetite and the general policy decided by the Board.

**11. Consultation matters**

11.1. It is acknowledged that the Board will consider the following Group policies and procedures, which are not directly applicable to ES, when treating and deciding on consultation matters, as set out further in this section.

Annex 1 - Overview of Relevant Group Frameworks and Policies

Annex 2 - Group Strategy Framework

Annex 3 - Group Financial Policy Objectives

Annex 4 - Group Corporate Risk Management Board Policy

Annex 5 - Group Governance Framework for Euroclear SA/NV and the Euroclear Central Securities Depositories

In the event of any conflict or inconsistency between the practices and procedures given in this Terms of Reference



document and any terms or conditions set forth in any Annex hereto, the practices and procedures given in this Terms of Reference shall prevail.

In order to ensure coherent management of all entities of the Euroclear group and effective monitoring of the risks faced by the entities of the group, the Board, like the boards for other CSDs of the Euroclear Group, is expected to consult with Euroclear SA/NV with regard to certain matters before taking a decision.

However, notwithstanding any such consultation with and opinion from Euroclear SA/NV, the ultimate and overall responsibility for the Company remains with the Board. For the avoidance of doubt it is expressly stated that also the guidance following from a specific consultation of Euroclear SA/NV shall be considered by the Board in the exercise of its responsibilities subject to the corporate interest of the Company and compliance with all applicable requirements of applicable laws, rules and regulations and approvals by the supervisory authority as may be required or as the Board deems necessary or advisable.

If the Board acts in contravention of an opinion of Euroclear SA/NV in a matter stated in this Section 11, Euroclear SA/NV shall be informed thereof as soon as practically possible.

- 11.1.1. The Board shall consult with Euroclear SA/NV on the following matters.
- i. Consultation matters as defined in the Group Strategy Framework, Annex 2;
  - ii. Changes to (or decisions aiming at lowering) the key minimum financial targets, control or ratios to be respected or the applicable dividend policy principles below those set out in the Group Financial Policy Objectives, Annex 3;
  - iii. Requests for capital contribution or major financing facilities in excess of the threshold set out in the Group Financial Policy Objectives, Annex 3;
  - iv. Initiating or settling any major litigation, arbitration or other proceeding, either affecting the reputation and/or risk profile of the Group or exceeding the threshold set out in the Group Financial Policy Objectives, Annex 3 section 3;
  - v. Transactions (acquisition, 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 above the relevant threshold as set out in the Group Financial Policy Objectives, Annex 3 section 3;

- vi. Entering into financing 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 CSD above the relevant threshold as set out in the Group Financial Policy Objectives, Annex 3; section 3
- vii. Changes to accounting principles as set out in in the Euroclear SA/NV manual of accounting;
- viii. Changes to the Group Investment Policy handbook
- ix. Any deviation from the principles in the Group Risk Management Framework contained in the Corporate Risk Management Board Policy, Annex 4; and
- x. Changes to the governance documents which would thereby no longer be in line with the Group Governance framework, Annex 5.
- xi. CEO appointment/removal;
- xii. Appointing and dismissing any members of the Management Committee other than the CEO;
- xiii. Adopting decisions or making changes to policies or frameworks which go below the minimum standards set out in the Group Frameworks and Policies listed in Annex 1 section B;

11.2. The Board should ensure that it has in place the adequate internal operational procedures to consult the matters set out above to Euroclear SA/NV where necessary.

11.3. If the Board is in doubt as to whether a particular matter falls within the scope of the above, the matter shall be consulted with the ESA MC sponsor who shall notify the MC sponsor at CSD level of his opinion in this respect as soon as possible.

**12. Board evaluation**

At least annually the Board shall evaluate its own performance and effectiveness to ensure it has the appropriate balance of skills, experience, independence, knowledge and diversity necessary to make decisions effectively and that the Board and its individual members are performing effectively. Evaluation with the assistance of an external party shall be made periodically.

**13. Directors' conduct**

13.1. Board members shall among others:

- i. adhere to the highest standards of fairness, honesty and integrity and act with sound judgment in accordance with

relevant legal and regulatory requirements and in the Company's interest;

- ii. devote sufficient time to fulfil their role and responsibilities and comply with the rules governing the limitation of external functions;
- iii. carry out their duties with the necessary objectivity and independence of mind; and
- iv. comply with confidentiality rules; in respect of any non-public information that might come to the knowledge of Board members in the exercise of their functions as Board members, whether in writing or orally, whether during formal meetings or informal discussions, each Board member:
  - i. shall acknowledge that such information is confidential and is divulged to them only in their capacity as Board member; and
  - ii. undertake to keep such information confidential and not use it for purposes other than for the exercise of their Board membership.

**14. Directors' liabilities**

- 14.1. Board members shall be informed upon appointment of their duties and potential liabilities and are reminded of these on a periodic basis.
- 14.2. Board members shall benefit from directors and officers insurance taken out by the Company.

**15. Directors' remuneration**

- 15.1. The remuneration of the Board members is set by the shareholders general meeting.
- 15.2. The individual remuneration of Board members is determined in line with the Remuneration policy of the Company and the applicable laws and regulations on remuneration and is set out in their employment contracts and/or in their terms of appointment, as appropriate, or in any amendments thereof. The remuneration of the independent and other non-executive members of the Board will not be linked to the business performance of the Company.

**16. Conflicts of Interest**

- 16.1. Board members have to comply with the applicable rules on conflicts of interest and with the Policy on Conflicts of Interests for Board members.
- 16.2. In particular, Board members should immediately notify potential or actual conflicts of interest of which they are aware, and inform the Corporate 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

conflict in line with the procedure set out in the Policy on Conflicts of Interests for Board members.

16.3. Where the Chair has a potential or actual conflict of interest, the process to conclude on that conflict of interest shall be the responsibility of an independent non-executive member of the Board, who will determine how to conclude on this conflict of interest and, where necessary, the steps to be taken to manage such conflict, in line with the procedure set out in the Policy on Conflicts of Interests for Board members, without any involvement of the Chair.

**17. Review of Terms of Reference**

- This document shall be reviewed at least annually by the Board.
- Last approved by the Board on 18 December 2019.

**18. Publication of Terms of Reference**

- This document was last published on the Euroclear website on 18 December 2019.