

## **Euroclear Sweden (the "Company")**

### **Risk Committee (the "Committee")**

#### **Terms of Reference**

#### **(incorporating Internal Governance Practices & Procedures)**

- 1 Purpose** The Risk Committee is an advisory Committee of the Board established to assist the Board in fulfilling its risk oversight responsibilities.
- 2 Members**
- The Committee shall comprise of a majority of non-executive members
  - The Committee members individually 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.
  - the Chair of the Committee as well as the majority of its members should be different from the chairs and members of the Audit and Remuneration, Nomination and Governance Committees.
  - All members shall be appointed by the Board on the recommendation of the Remuneration, Nomination and Governance Committee.
  - Appointments to the Committee should be for a period of up to three years, renewable at the Board's discretion.
  - A member of the Remuneration, Nomination and Governance Committee shall attend the meetings of the Committee as an observer.
- 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 risk experience.
- 3 Meeting attendees** Entitled to be present:
- Committee members;
  - Committee observers;
  - A member of the Remuneration, Nomination and Governance Committee; and
  - Secretary to the Committee.
- Other attendees by invite:
- Board members;
  - Chief Executive Officer;

- Chief Risk Officer;
  - Chief Compliance Officer;
  - Chief Technology Officer;
  - Chief Financial Officer;
  - advisers appointed by the Committee; and
  - Any additional invitees as deemed necessary or appropriate by the Committee Chair.
- 4 Frequency of meetings**
- At least five times per year.
  - At least one closed session per year (without the CEO present) with the Chief Risk Officer, the Chief Compliance Officer and the Chief Technology Officer.
  - 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.
- 5 Quorum**
- A simple majority of Committee members either physically present at the location of the meeting or by telephone/video conference.
- 6 Voting**
- A simple majority of Committee members present or represented.
  - The Committee Chair has the casting vote in case of equality of votes.
- 7 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 members present agree to this addition.
  - The agenda should allow sufficient time to undertake as full a discussion as may be required.
  - Notice of meetings shall be sent to Committee members by electronic means.

**8 Committee support and resources**

- The Chief Risk Officer, the Chief Compliance Officer and the Chief Technology Officer of the Company shall report to and have direct access to the Committee.
- The Committee Chair shall have direct access to the Chair of the Board and shall also have a direct access to the risk committee and audit committee chairs of the parent company.
- Each Committee member will:
  1. obtain an understanding of the detailed responsibilities of the Committee and the Company's business, operations and risks;
  2. dedicate sufficient time to the fulfilment of their role as Committee member;
  3. carry out their duty with the necessary objectivity and independence from the CEO;
  4. receive induction training on all topics considered necessary for their membership; and
  5. receive ongoing training, as appropriate.

- The Committee:
  1. shall determine the nature, scale, form and frequency of the risk information and reports it must be sent by the CEO and the Chief Risk Officer of the Company, as they deem necessary to prepare the issues to be discussed. The CEO, the Chief Risk Officer, the Chief Compliance Officer and the Chief Technology Officer shall provide the Committee with 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.
  2. may invite experts to advise the Committee or seek external professional advice at the Company's expense, necessary for the fulfilment of its duties;
  3. may investigate any matters within its terms of reference and shall have unlimited access to any documents or Company records associated with such investigation; and
  4. may be in contact on a continuing basis with the key people associated with the Company's governance.
- The Committee shall appoint a Secretary to the Committee with the relevant skills and expertise.
- 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;
  - a record of any challenge and dissent 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.

## **9 Responsibilities**

- The Committee has the following responsibilities and advises the Board in relation to the each of these matters:
  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;

## 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 the Company's current and emerging risk exposures (including reputation, fraud, market, credit, liquidity, strategic, operational, technology, cyber, legal, compliance) and the steps taken by the CEO to monitor, control and report such exposures;
- review significant reports from the Company's regulators relating to risk management issues and risk exposures, and the CEO's responses;

## 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 the CEO's processes to promote the Company's and staff adherence to the approved risk policies;

## 4. Risk Management Function

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

## 5. Chief Risk Officer

- Receive and review regular (at least quarterly) reports from the Chief Risk Officer of the Company and monitor the CEO's responsiveness to risk management findings and recommendations;
- review and recommend to the Board, the appointment and removal of the Chief Risk Officer as well as advise on his/her performance;

## 6. Compliance Function

- monitor and review the effectiveness and independence of the Compliance function and ensure that they have adequate resources and appropriate access to information;
- review the Company's arrangements in place to prevent bribery, corruption and fraud (incl. arrangements for its CEO and employees to raise concerns, in confidence, about possible wrongdoings) and arrangements to make sure the Company maintains high ethical standards;
- review and recommend to the Board for approval the

following:

- Compliance & Ethics Plan; and
- Compliance & Ethics Charter.

7. Chief Compliance Officer

- Receive and review regular (at least quarterly) reports from the Chief Compliance Officer of the Company and monitor the CEO's responsiveness to his/her findings and recommendations;
- review and recommend to the Board, the appointment and removal of the Chief Compliance Officer as well as advise on his/her performance.

8. Chief Technology Officer

- reviews and recommends to the Board for approval the Technology framework;
- oversees and monitors the effectiveness of Technology function and ensures that it has adequate resources and appropriate access to information;

9. Strategic matters

- Review the key risk aspects of the Company's ICAAP and ILAAP;
- 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, on its solvency (in a going concern and gone concern situation) and on its liquidity;
- 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;

#### 10. 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 material risk takers, 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;

#### 11. Business Continuity

- Review the Recovery and Resolution Plan of the Company
- Review the Company's security and business continuity arrangements and its process for monitoring the same;
- The Committee shall put in place a reporting calendar to ensure it has the reporting, tools and information necessary to fulfil its role.

#### 12. Outsourcing

- In discharging its responsibilities, the Committee should review the controls over all outsourced services on which the Company is dependent.

**10 Relationship with other corporate bodies**

- 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.
- To ensure consistency across the group on risk practices and material risk issues, the parent risk committee will inform the subsidiary risk committee of any material group level issues under its review having an impact on the Company.
- The Committee will similarly keep the risk committees at parent level informed about any material issues at Company level.
- 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.
- 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. The Audit and Risk Committees should have joint sessions together from time to time to discuss areas of common interest and significant matters of relevant to both Committees including, but not limited to, ICAAP, cyber security, internal control system reports.

- 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.
  - The Committee should have adequate interaction with the Remuneration, Nomination and Governance Committee to ensure remuneration policies and practices are aligned with the risk culture, appetite and financial situation and long-term interests of the Company.
- 11 Committee evaluation**
- The Committee shall regularly evaluate its own performance against regulatory requirements, authoritative guidance and best practices and report to the Board on the outcome of the same.
- 12 Reporting to the Board**
- The Committee will report as follows to the Board:
- Committee’s activities and proceedings on all matters within its duties and responsibilities by 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
  - Minutes of the Committee meetings will be made available to all members of the Board.
- 13 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.
- 14 Review of Terms of Reference**
- This document shall be reviewed at least annually by the Committee, who will recommend any changes to the Board.
  - Last approved by the Committee 1 October 2019.
  - Last approved by the Board on 1 October 2019.
- 15 Publication of Terms of Reference**
- This document was last published on the Euroclear website [INSERT DATE].