

# **Charter of the Risk Committee**

Danske Bank A/S

CVR No. 61 12 62 28

## **1. Scope and objective**

1.1 This Charter lays down the responsibilities of the Risk Committee of Danske Bank.

1.2 The Risk Committee works as a preparatory committee for the Board of Directors with respect to the risk management of Danske Bank and thereto-related matters. Any delegation to the Risk Committee shall not amend the authority or responsibility of the Board of Directors.

## **2. Constitution and members**

2.1 The Risk Committee shall consist of no less than three members, of whom the majority shall be independent. The Committee as a whole shall have the requisite experience, knowledge, qualifications and competencies concerning risk management and control practices, which are individually and collectively required to understand and monitor Danske Bank's risks.

2.2 The Chairman of the Risk Committee is elected by the Board of Directors from amongst the independent members of the Risk Committee. The Chairman of the Board of Directors or any other committee may not also be Chairman of the Risk Committee. The Chairman of the Risk Committee shall be able to exercise objective judgement.

## **3. Meetings**

3.1 Frequency, participation and agenda

3.1.1 Meetings are held as often as the Chairman of the Risk Committee considers necessary subject to a minimum of six meetings annually. Any member of the Risk Committee and/or the Chief Risk Officer may request a meeting of the Risk Committee, if either considers it necessary.

3.1.2 The Chief Executive Officer, the Chief Financial Officer, the Chief Risk Officer and the Chief Audit Executive shall attend meetings of the Risk Committee unless otherwise instructed by the Committee. Other members of the Board of Directors, the Executive Leadership Team and relevant employees of Danske Bank shall participate in meetings of the Risk Committee at the request of the Risk Committee.

3.1.3 In order to ensure the autonomy and objectivity of the Risk Committee, the Risk Committee should hold discussions without the participation of members of management and Chief Audit Executive to ensure that the Risk Committee can hold discussions and make assessments without the participation of the parties who are the subject of the discussions in accordance with Clause 6 of this Charter.

3.1.4 Under the supervision of the Chairman of the Risk Committee, the Company Secretariat shall prepare the agenda in consultation with the Chief Risk Officer. The agenda for each committee meeting is generally distributed to the Committee members one week prior to the meeting. The Chairman of the Risk Committee may shorten this period if necessary. At the same time, relevant material shall be distributed to the members.

### 3.2 Quorum and resolutions

3.2.1 The Risk Committee forms a quorum when half of its members are present.

3.2.2 Resolutions by the Risk Committee shall be passed by simple majority. In case of equality of votes, the Chairman of the Risk Committee shall have a casting vote.

3.2.3 Resolutions by electronic means of communication and approvals shall be made in accordance with the Rules of Procedure of the Board of Directors.

### 3.3 Minutes

3.3.1 The Company Secretariat prepares and keeps minutes of the business transacted at meetings of the Risk Committee.

3.3.2 Copies of the minutes are sent to all members of the Board of Directors, and at the first meeting of the Board of Directors subsequent to the Risk Committee meeting, the Chairman of the Committee shall provide the Board of Directors with a summary of the business transacted by the Committee since its last meeting.

## 4. Secretarial tasks and other assistance

4.1 The Company Secretariat shall act as secretariat for the Risk Committee.

4.2 To the extent necessary, the Risk Committee may seek assistance from employees of Danske Bank.

4.3 The Risk Committee may engage external legal and other expert advisers, as it deems necessary to carry out its tasks. The Risk Committee must avoid engaging the same external advisers that assist the Executive Leadership Team.

## 5. Tasks of the Risk Committee

### 5.1 Purpose

5.1.1 The purpose of the Risk Committee is to advise the Board of Directors on:

- (a) Danske Bank's risk strategy, risk tolerance and risk appetite being the extent and types of risks, which the Board of Directors considers

acceptable for Danske Bank keeping in mind current and potential future risks and the operating environment

- (b) Danske Bank's risk culture
- (c) Danske Bank's position in relation to regulatory risk requirements and best practice in risk matters
- (d) The adequacy and effectiveness of Danske Bank's risk management framework, which shall cover principles, policies, guidelines, instructions, methodologies, systems, processes, procedures and people

5.1.2 The Risk Committee shall assist the Board of Directors in overseeing the implementation of the risk strategy and the corresponding limits set.

5.2 Capital, liquidity and general risk management

5.2.1 The Risk Committee shall monitor, prepare and present recommendations to the Board of Directors on the internal capital adequacy assessment process of Danske Bank (the ICAAP) and liquidity needs. As part of this process, the Risk Committee shall:

- (a) Monitor and make recommendations to the Board of Directors on the adequacy of the capital resources and liquidity of Danske Bank in particular with respect to the regulatory total capital, which must be sufficient in size, type and composition to match the risk profile of Danske Bank
- (b) On a continuous basis and at least annually assist the Board of Directors in assessing the solvency needs of Danske Bank together with the Executive Leadership Team
- (c) Review and make recommendations to the Board of Directors on the annual ICAAP, macroeconomic scenarios for stress testing and internal liquidity adequacy assessment process (LAAP) reports

5.2.2 The Risk Committee shall:

- (a) Monitor and make recommendations to the Board of Directors on the overall leverage risk of Danske Bank to ensure that it is adequate
- (b) At least annually, review and make recommendations to the Board of Directors on the capital policy, which shall include principles regarding leverage risk

- 5.2.3 The Risk Committee shall at least annually review and make recommendations to the Board of Directors on a recovery plan for Danske Bank.
- 5.2.4 The Risk Committee shall at least annually review and make recommendations to the Board of Directors on an operational resilience framework including business continuity management.
- 5.2.5 The Risk Committee shall at least annually review and make recommendations to the Board of Directors on the outsourcing policy, relevant material outsourcing agreements and the report on critical or important outsourcing agreements.
- 5.2.6 The Risk Committee provides the Board of Directors with an overview of the framework for risk management in Danske Bank. This includes continuously assessing and at least annually presenting recommendations to the Board of Directors on Danske Bank's risk profile, risk policies and limits for:
- (a) Non-financial risk (including legal and IT/technology risks) excluding compliance and anti-money laundering risk
  - (b) Credit risk
  - (c) Market risk
  - (d) Liquidity risk
  - (e) Other material risks, including reputational risk, associated with Danske Bank's strategy, banking and financial business activities and other operations
- 5.2.7 The Risk Committee shall at least annually consider and, if relevant, present recommendations to the Board of Directors on:
- (a) The use of internal models, including systems to classify customers [(Danske Rating)] and/or relevant models as may be relevant, for the purpose of calculations and estimations required to make statements about the solvency needs of Danske Bank
  - (b) The staff resources in terms of both numbers and competencies in risk management control functions with a view to assess if the allocated resources are adequate and sufficient to ensure satisfactory operation of Danske Bank

- 5.2.8 All material applications to supervisory authorities for the use of internal models shall be considered by the Risk Committee prior to submission of such applications.
- 5.3 Credit risks
  - 5.3.1 The Risk Committee shall continuously and at least annually consider and present recommendations to the Board of Directors on total credit exposure of credit portfolios with either significant volume, new or enhanced credit risk as agreed from time to time.
  - 5.3.2 Exposures on the Board of Directors watch-list exceeding DKK 750 million shall be reviewed annually by the Risk Committee.
- 5.4 Impairment levels
  - 5.4.1 The Risk Committee shall continuously review and advise the Audit Committee and the Board of Directors on the credit impairment levels of Danske Bank based on information received from the Executive Leadership Team.
- 5.5 Material products and services
  - 5.5.1 The Risk Committee shall ensure that the products and services offered by Danske Bank, including the pricing of these, are compliant with the business model and risk profile. In case of non-compliance, the Risk Committee shall present a remedy plan to the Board of Directors based on a draft prepared by the Executive Leadership Team.
- 5.6 Incentive programmes
  - 5.6.1 The Risk Committee shall, without prejudice to the tasks of the Remuneration Committee, consider Danske Bank's incentives programmes to ensure that risk, capital, liquidity and the likelihood and timing of earnings are taken into account.
- 5.7 Subsidiary companies
  - 5.7.1 The Risk Committee shall undertake the task as risk committee for subsidiaries of Danske Bank provided that for such subsidiary (i) a risk committee is required by law or follows from applicable corporate governance recommendations and (ii) the board of the subsidiary has not already appointed a separate risk committee.
  - 5.7.2 Oversight of risks in subsidiaries in the Danske Bank Group is included in the regular risk reporting from the Executive Leadership Team to the Risk Committee (the CRO letter).

**6. Conflicts of interest**

6.1 A member of the Risk Committee may not take part in the consideration of matters where the member has a material interest, whether directly or indirectly, which may conflict with the interests of Danske Bank.

**7. Reporting**

7.1 The Risk Committee reports and makes recommendations to the Board of Directors on the matters set out in this Charter.

7.2 The Risk Committee's recommendations are documented in the minutes of the Committee meeting and reported to the Board of Directors.

**8. Disclosure**

8.1 The Risk Committee's Charter shall be published on Danske Bank's website.

8.2 The number of Risk Committee meetings held during the year is disclosed on Danske Bank's website together with the names of the committee members, their attendance at committee meetings, special qualifications and independence status. A summary of the Committee's material activities is also disclosed.

**9. Amendments**

9.1 This Charter may at all times be amended by a simple majority of the Board of Directors.

9.2 The Risk Committee must conduct an annual review of this Charter and its own effectiveness, as well as the quality and frequency of the information that it receives.

**10. Applicability to Danske Bank**

10.1 Where applicable based on the specific content, a reference to "Danske Bank" shall be construed as referring to and including all companies in the Danske Bank group, and otherwise to Danske Bank A/S.

Approved by the Board of Directors of Danske Bank on 3 February 2021.