

# **Charter of the Audit 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 Audit Committee of Danske Bank.
- 1.2 The Audit Committee works as a preparatory committee for the Board of Directors with respect to accounting and auditing matters, including risk matters relating thereto, and other matters, which the Board of Directors may want to have examined by the Audit Committee. Any delegation to the Audit Committee shall not amend the authority or responsibility of the Board of Directors.

## **2 Constitution and members**

- 2.1 The Audit Committee shall consist of no less than three members, of whom the majority shall be independent as defined by the Danish Recommendations on Corporate Governance. At least one member shall have accounting or audit qualifications. The committee as a whole shall have competencies relevant to the financial sector.
- 2.2 The Chairman of the Audit Committee is elected by the Board of Directors from amongst the members of the Audit Committee. The Chairman of the Board of Directors may not also be Chairman of the Audit Committee. The Chairman of the Audit 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 Audit Committee considers necessary subject to a minimum of four meetings annually. Any member of the Audit Committee, the Chief Audit Executive and/or the external auditor may request a meeting of the Audit Committee if either considers it necessary.
  - 3.1.2 The Audit Committee shall plan participation in the meetings on the basis of the prepared meeting schedule for the purpose of giving the Audit Committee the necessary insight into Danske Bank's organisation and processes, including the extent to which the Chief Financial Officer and executive officers with responsibility for finances, financial reporting and accounting, the Chief Audit Executive and the external auditor are to participate in the meetings. Furthermore, relevant employees of Danske Bank or experts shall participate in meetings of the Audit Committee at the request of the Committee.
  - 3.1.3 In order to ensure the autonomy and objectivity of the Audit Committee, the Audit Committee should hold discussions without the participation of

members of management, Chief Audit Executive and the external auditor, if possible at all meetings, to ensure that the Audit 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. Furthermore, the Audit Committee shall meet with the external auditor and the Chief Audit Executive, respectively, at least once annually without members of the Executive Leadership Team being present.

3.1.4 Under the supervision of the Chairman of the Audit Committee, the Company Secretariat shall prepare the agenda in consultation with the Chief Audit Executive and the Chief Financial Officer. The agenda for each committee meeting is generally distributed to the committee members one week prior to the meeting. The Chairman of the Audit 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 Audit Committee forms a quorum when half of its members are present.

3.2.2 Resolutions by the Audit Committee shall be passed by simple majority. In case of equality of votes, the Chairman of the Audit 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 Audit 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 Audit 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 serve as secretariat to the Audit Committee.

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

4.3 The Audit Committee may engage external legal and other expert advisers, as it deems necessary to carry out its tasks. The Audit Committee must avoid

engaging the same external advisers that assist the Executive Leadership Team.

## **5 Tasks of the Audit Committee**

### **5.1 Financial reports**

5.1.1 The Audit Committee shall inform the Board of Directors of the result of the statutory audit and the financial reporting process and explain how the statutory audit contributed to the integrity of the financial reporting, and the role of the Audit Committee in the process.

5.1.2 The Audit Committee shall monitor, prepare and present recommendations or proposals to the Board of Directors on the financial reports, including the financial reporting process. As part thereof, the Audit Committee shall consider:

- (a) Accounting principles and practices in the most material areas, including compliance with applicable accounting standards and other legal requirements
- (b) Significant accounting estimates and judgements
- (c) Material or extraordinary transactions which affect the financial statements, including the level of materiality
- (d) Clarity and completeness of the information
- (e) Material adjustments as a result of audits, including unadjusted misstatements
- (f) Income tax status and related assets and liabilities
- (g) Completeness of information about related parties and transactions with related parties, including transfer pricing
- (h) Uncertainties and risks, including in relation to the outlook for the current year
- (i) Contingent assets and liabilities

5.1.3 At least annually, the Audit Committee shall review the accounting policies applied.

5.1.4 The Audit Committee shall monitor and present recommendations or proposals to the Board of Directors on the credit impairment procedures and

accounting treatment of impairments made at Danske Bank. The Audit Committee shall also consider impairment levels generally on the basis of reviews undertaken by the Risk Committee.

- 5.1.5 The Audit Committee shall monitor and present recommendations or proposals as regards the organisation and division of responsibilities among the accounting functions at Danske Bank.
- 5.2 Risk management and internal controls on financial reporting
  - 5.2.1 The Audit Committee shall monitor, assess and, where necessary, prepare and present recommendations or proposals to the Board of Directors on:
    - (a) the risks associated with financial reporting and the presentation of financial reports
    - (b) the effectiveness of internal control systems and risk management systems, notably with respect to financial reporting
- 5.3 Group Internal Audit
  - 5.3.1 The Audit Committee shall monitor and assess the internal audit function and processes, and, as part thereof
    - (a) Prepare recommendations to the Board of Directors on the appointment or dismissal of the Chief Audit Executive and the Deputy Chief Audit Executive(s), if any
    - (b) Ensure that terms of reference have been drawn up for Group Internal Audit and approved by the Board of Directors
    - (c) Continuously monitor the independence, objectivity and competencies of the Chief Audit Executive and the Deputy Chief Audit Executive(s), if any, and the resources and qualifications of Group Internal Audit
    - (d) Ensure that an annual appraisal of the Chief Audit Executive is carried out by the Chairman of the Audit Committee
    - (e) Monitor that Group Internal Audit's audit activities cover all of Danske Bank's significant areas as well as high-risk areas for Danske Bank.
    - (f) Review reporting on activities, observations and conclusions of the Chief Audit Executive through the Chief Audit Executive's long-form audit report and other reports and materials

- (g) Review and assess Group Internal Audit's budget for the coming year to assess whether Group Internal Audit has adequate resources to audit Danske Bank in a way that can be approved by the Board of Directors
- (h) Present recommendations to the Remuneration Committee and the Board of Directors on the remuneration of the Chief Audit Executive
- (i) Review information on the audit plan of Group Internal Audit for the coming year prior to approval of the plan by the Board of Directors
- (j) Monitor the Executive Leadership Team's follow-up on addressing audit observations and receive reports on outstanding observations
- (k) Commission external, independent assessments of the effectiveness of Group Internal Audit and determine the frequency of such assessments.

#### 5.4 External auditor

##### 5.4.1 The Audit Committee shall monitor the external audit, and, as part thereof,

- (a) Prepare and submit recommendations to the Board of Directors for the appointment of the external auditor of Danske Bank at the annual general meeting, inter alia in accordance with Clause 5.4.2
- (b) Check and monitor the independence, objectivity and competencies of the appointed external auditor with a special focus on non-audit services provided by the external auditor
- (c) Prepare and submit recommendations to the Board of Directors on the terms of engagement and fees of the external auditor
- (d) Approve the external auditor's provision of non-audit services after having made an appropriate assessment of threats to the independence of the auditor and the measures implemented by the auditor to prevent this, and recommends that the Board of Directors issue guidelines or policies for the provision of the tax and advisory services permitted
- (e) Investigate the circumstances of resignation of the external auditor and make recommendations on steps deemed to be required in consequence thereof
- (f) Review reporting on significant activities, observations and conclusions of the external auditor through the external auditor's long-form audit report and other reports and materials

- (g) Support effective and satisfactory coordination of the work performed by and dialogue between the Audit Committee, the external auditor, Group Internal Audit and the Executive Leadership Team
- (h) Review information on the external auditor's audit strategy and plan for the coming year and, in this connection, discuss the auditor's proposed materiality level, the identification of material risks, including benchmark (key figures/ratios) and the auditor's position on the scoping of the Group audit
- (i) Assess the external auditor's staffing and time schedule, procedures to ensure independence and the result of the latest quality check of the audit firm
- (j) Ensure regular dialogue between the external auditor and the Board of Directors, including ensuring that the Board of Directors and the Audit Committee at least once a year meet with the external auditor without the presence of the Executive Leadership Team.

5.4.2 If the Audit Committee recommends the appointment of a new external auditor, the Audit Committee shall, as part thereof,

- (a) Prepare and be responsible for a selection procedure in accordance with relevant legislation
- (b) Prepare a recommendation containing at least two proposals for a new external auditor with a reasoned preference for one of them. In its recommendation, the Audit Committee shall state that its recommendation is free from influence by any third party and that no clause restricting the choice by the general meeting to certain statutory auditors has been imposed.

## 5.5 Policies

5.5.1 The Audit Committee shall review all Board owned policies concerning financial reporting.

## 5.6 Subsidiary companies

5.6.1 The Audit Committee shall on group level monitor the composition, tasks and general competencies of other audit committees within the Danske Bank Group and ensure a constructive dialogue and cooperation with those committees. This work shall be based on reports received by the Audit Committee from the subsidiaries.

5.6.2 Based on an annual report received from the chairman of the audit committee of each subsidiary, the Audit Committee monitors and considers issues materially affecting the Danske Bank Group.

5.6.3 The report referred to in Clause 5.6.2 shall include a self-assessment from each audit committee within Danske Bank Group stating that the committee in question has carried out its duties.

## **6 Conflict of interests**

6.1 A member of the Audit 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 Audit Committee reports and makes recommendations to the Board of Directors on the matters set out in this Charter.

7.2 The Audit Committee's recommendations are documented in the minutes of the committee meetings and reported to the Board of Directors.

## **8 Disclosure**

8.1 The Charter of the Audit Committee shall be published on Danske Bank's website.

8.2 The number of Audit 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 be amended by a simple majority of the Board of Directors.

9.2 The Audit 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, any 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.