

Terms of reference

Audit Committee

31 January 2023
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1. Introduction

The Board of Directors of Sydbank A/S has set up an audit committee pursuant to the Danish Act on Approved Auditors and Audit Firms (the Auditors Act).

The committee reports to the Board of Directors.

The committee prepares the work of the Board of Directors within the limits of these terms of reference. The committee reviews accounting, auditing and collateral issues if a more detailed review is so requested by the Board of Directors, the Audit Committee, the external auditor or Internal Audit.

The responsibilities and powers of the committee are set out in these terms of reference.

The terms of reference are reviewed, updated and approved by the Board of Directors once a year. Proposals for amendments may be submitted by any board member.

2. Members

The Audit Committee consists of 3-4 members. The committee members, including the committee chairman, are elected by and from among the members of the Board of Directors. The board chairman cannot be elected as chairman of the committee.

At least one committee member must have qualifications within accounting or auditing. The committee members must between them have qualifications and experience within the Bank's business area.

Members are elected for a term of one year. Members are eligible for re-election.

Remuneration of the committee members is assessed by the Remuneration Committee once a year.

3. Meetings

The Audit Committee convenes as often as necessary, however as a minimum four times a year. The committee chairman convenes meetings and if the chairman is absent meetings are convened by one of the other members. The notice of a meeting is accompanied by an agenda.

The committee forms a quorum when at least half of its members are present.

Decisions are made by a simple majority. In case of equality of votes the chairman holds the casting vote.

The committee may decide that the meetings are attended by others, including external consultants.

When the committee discusses issues relating to an individual member of the committee, the member in question does not participate and must leave the meeting during the discussion.

The committee keeps minutes of business transacted at committee meetings, including states if a member has left the meeting because issues relating to the member have been discussed. The minutes are presented to the Board of Directors.

The committee performs its duties subject to confidentiality, which means that information regarding the committee's work may not be disclosed or used without authorisation.

4. Powers etc

The Board of Directors authorises the Audit Committee to:

- Review, examine and assess any affairs within the terms of reference.
- Obtain necessary information from the employees at the Bank. Employees are under an obligation to collaborate with the committee and answer any of the committee's questions of relevance to the committee's work.
- Obtain information from the Bank's external auditor and Internal Audit.
- Seek advice, guidance and assistance from external consultants or accounting experts when deemed necessary or expedient to carry out the committee's duties.

5. Duties

The Audit Committee is tasked with supervision and giving recommendations to the Board of Directors, including to:

- **Oversee the financial reporting process**
 - Oversee financial reporting and financial information etc
 - Oversee necessary controls in connection with financial reporting
 - Inform the Board of Directors of the financial reporting process
 - Assess policies, standards and procedures etc within significant areas in connection with financial reporting
 - Assess accounting policies and any changes thereto
 - Assess the appropriateness of the accounting policies in significant areas as well as the recognition and measurement methods used in connection with significant and unusual transactions
 - Assess significant accounting estimates and any changes thereto

- Assess the risk of material misstatement due to fraud
- Assess whether financial reporting is conducted with the required integrity and when relevant submit recommendations or proposals to ensure this
- **Oversee the statutory audit of the financial statements etc**
 - Oversee significant audit and accounting estimates
 - Receive information about and review all significant questions which the audit may bring about, including significant, corrected and uncorrected errors
 - Review long-form audit reports as well as significant reports on the audit performed
 - Inform the Board of Directors of the result of the statutory audit
- **Oversee internal control systems as regards financial reporting**
 - Review and assess the efficiency of internal control systems and risk management systems as regards the financial reporting process without violating the independence of the committee
 - Submit recommendations with a view to strengthening internal controls
 - Oversee procedures for the prevention and disclosure of fraud
- **Oversee Internal Audit**
 - Oversee that Internal Audit works efficiently, including review the strategy and audit plan of Internal Audit and report on the audit performed by Internal Audit
 - Review and assess the budget of Internal Audit
 - Issue recommendations on nomination, employment and/or dismissal of the head of Internal Audit
 - Make recommendations to the Remuneration Committee and the Board of Directors on the remuneration of the head of Internal Audit
 - Oversee the independence of Internal Audit
 - Oversee that the collaboration between Internal Audit and the appointed auditor is satisfactory
- **Oversee the auditor appointed by the general meeting**
 - Oversee and inspect the independence of the statutory auditor in compliance with the Danish Approved Auditors and Audit Firms Act as well as Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities
 - Inspect and oversee the objectivity and competence of the statutory auditor including taking into account the most recent quality control
 - Follow up on the appointed auditor's notification of any irregularities
 - Monitor the size and composition of the fees to the external auditor
 - Approve services rendered other than audit services by the statutory auditor

- Submit proposals for overall, general limits for the rendering of non-audit services by the external auditor
- Oversee other affairs at the request of the Board of Directors
- Appointment of auditor
 - Be responsible for the process of selecting and recommending an auditor in compliance with Article 16 of Regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities
- Oversee and follow up on all orders issued by the Danish Financial Supervisory Authority
 - Once a year the Audit Committee must prepare and present a report to the Board of Directors regarding all orders issued by the Danish Financial Supervisory Authority and other authorities as well as all outstanding orders from previous years
- ESG
 - Oversee ESG reporting in the annual report, including methods of calculation, controls and processes. As part of this the Audit Committee must assess the appropriateness of the methods of calculation chosen in the most significant areas – as well as evaluate the most significant estimates
- Oversee and receive on a regular basis reporting as regards the Bank's whistleblower scheme.

6. Cooperation with Risk Committee

Pursuant to section 60 b of the Danish Financial Business Act, the Bank has set up a Risk Committee.

The Audit Committee's supervision and recommendations as regards the efficiency of internal control systems are limited to matters of importance to financial reporting.

The Bank's risk management and other internal control systems are overseen by the Risk Committee.

7. Publication

The committee's activities during the year are disclosed in Sydbank's annual report and on the Bank's website.

8. Self-evaluation

The Audit Committee conducts an annual self-evaluation of its work.

9. Secretariat, files etc

The Bank's Group Executive Management Secretariat acts as the secretariat for the Audit Committee.

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Submitted for signature at the board meeting held on 31 January 2023.

Lars Mikkjelgaard-Jensen
Chairman

Jacob Chr. Nielsen
Vice-Chairman

Carsten Andersen

Henrik Hoffmann

Søren Holm

Janne Moltke-Leth

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Jørn Krogh Sørensen

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