

Terms of reference

Risk Committee

28 February 2023

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1. Introduction

The Board of Directors of Sydbank A/S has set up a Risk Committee pursuant to section 80b of the Danish Financial Business 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 must lend support to the Board of Directors with regard to its work and supervision of risk management, including to make sure that risks are countered, managed, monitored, mitigated and communicated.

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 Risk 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 chairman of the Risk Committee.

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

The committee members must between them have updated insight into and experience in the financial matters of financial undertakings as well as risk management so that collectively they have the knowledge and competences necessary to understand and oversee all risks facing the Bank.

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

3. Meetings

The Risk 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 Chief Risk Officer attends the committee's meetings for instance with a view to presenting and discussing the Group's risk management unless the committee decides otherwise. Furthermore 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 Risk Committee must have access to information about the Bank's risks. The Board of Directors authorises the Risk Committee to:

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

The Chief Risk Officer must assist the committee with information with a view to discussing the Bank's risk management.

5. Duties

The Risk Committee must contribute to ensuring that the Board of Directors has an overview of the Bank's de facto risk scenario. In this context the Risk Committee must perform the preparatory work with regard to the decisions of the Board of Directors that concern risk management and in this regard:

- Advise the Board of Directors on the Bank's overall current and future risk profile and strategy, including the risks associated with the Bank's business model.
- Assist the Board of Directors in ensuring that the Board of Directors' risk strategy is implemented properly in the organisation.
- Assess whether the financial products and services in which the Group trades are in compliance with the Bank's business model and risk profile,

including whether income from the products and services reflects the risks involved, as well as formulate proposals for remedial action if the products, services or income are not in compliance with the Bank's business model and risk profile.

- Assess whether the incentives of the Group's remuneration structure take into account risks, capital and liquidity as well as the probability of profit and its timing, including payment of the remuneration.

The Risk Committee must oversee:

- that the necessary policies and guidelines are in place
- developments within the most significant risk areas (credit risk, market risk, liquidity risk, operational risk and IT risk)
- that internal control and risk management systems work efficiently
- review and assess the risk systems established by management as well as management's guidelines and supervision thereof, and
- that the Group Executive Management reports on a regular basis to the Board of Directors on developments within the most significant risk areas and on whether adopted policies and guidelines are complied with.

Moreover the Risk Committee must evaluate the Group's internal procedure for risk identification and the correlation with risk reporting and the calculation of the Group's solvency need.

The Risk Committee must be informed on a regular basis of changes in the Group's rating models and any consequences and the committee must be informed of the results of validation and backtesting.

The Risk Committee must be informed on a regular basis of models and measurement methods forming the basis of the Group's capital management, including trends in and expectations of regulatory requirements.

The Risk Committee receives and considers reporting as regards IT risk, compliance, GDPR and the Bank's efforts to prevent money laundering and terrorist financing.

The Risk Committee must assess and determine on a regular basis the type, volume and frequency of information to be received by the committee.

6. Collaboration with other committees

The Risk Committee cooperates with the Audit Committee on the areas of risk management which the Audit Committee must be responsible for in accordance with the terms of reference of the Audit Committee, including the Audit Committee's supervision and recommendations as regards the efficiency of internal control systems.

Moreover the Risk Committee cooperates with the Digitization Committee on the areas of IT risk which the Digitization Committee must be responsible for in accordance with the terms of reference of the Digitization Committee, including

supervision of IT operations, follow-up on the Group's strategic plans as regards IT and on the plans to develop the Group's information security and maturity.

The Risk Committee cooperates with the Remuneration Committee as regards the assessment of the incentives of the Group's remuneration structure, including whether risk, capital and liquidity are taken into account. The Risk Committee conducts a self-assessment on the basis of the assessment of the Remuneration 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 Risk 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 Risk Committee.

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Submitted for signature at the board meeting held on 28 February 2023.

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Chairman

Jacob Chr. Nielsen
Vice-Chairman

Gitte Poulsen

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