

Charter of

# **The Audit Committee**

As adopted by the Board of Directors on 18 June 2018.





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## Charter of the Audit Committee

### 1. Establishment and objective

- 1.1. The Management Body ("Board of Directors") of VP SECURITIES A/S ("VP") has established an Audit Committee
- 1.2. The Audit Committee has as its objective to (i) advise the Board of Directors on the performance of the VP's independent internal audit function, which it shall oversee, (ii) supervise VP's statutory audit and financial reporting and (iii) supervise and inform on the effectiveness and integrity of VP's system of internal controls in regard to the internal and external financial reporting disclosure process with particular focus on accounting estimates.
- 1.3. The Audit Committee must make a critical assessment of the independence, objectivity, competence and performance of the auditors including (i) Statutory Auditors, (ii) VP's internal audit functions and (iii) other independent auditors. In their assessment, the committee members must take into consideration the outcome of the latest quality assessment of the audit firm.
- 1.4. The Audit Committee should encourage continuous improvement, and should foster adherence to the Company's policies, procedures and practice at all levels. The Audit Committee should also provide for open communication among the independent external auditor, financial and senior management (minimum CEO and CFO), and the Board of Directors.
- 1.5. The Audit Committee shall have a clear and publicly available mandate, procedures and access to external expert advice where necessary. The mandate is evaluated and adjusted once a year.
- 1.6. The Audit Committee prepares a detailed annual meeting cycle detailing the conduct of their work.
- 1.7. The Audit Committee's function is preparatory in regard to the Board of Directors conducting their responsibilities. Accordingly, the setting up of the Audit Committee does not limit or render superfluous any requisite consideration by the Board of Directors, and important information required by all members of the Board of Directors must therefore be provided to all members the Board of Directors and not only to the Audit Committee. The Board of Directors carries full responsibility for all recommendations that have been prepared by the Audit Committee.
- 1.8. The Audit Committee submits recommendations to the Board of Directors for its recommendation to the general meeting on the appointment of external auditors.

### 2. Members and composition

- 2.1. The Audit Committee consists of a minimum of three members who are appointed by the Board of Directors.
- 2.2. Members are appointed among the members of the Board of Directors.
- 2.3. Members are appointed to the Audit Committee for one-year terms. Members may be removed by the Board of Directors at any time. Any member of the Audit Committee who resigns from the Board of Directors must also resign from the Audit Committee.
- 2.4. The Chairman of the Board of Directors elects an Audit Committee Chairman, who has appropriate experience and is independent from the executive management of VP. The Chairman of the Board of Directors cannot be Chairman of the Audit Committee and the Chairman of the Audit Committee cannot be Chairman of the Risk Committee.
- 2.5. The majority of the members of the Audit Committee must be independent.
  - 2.5.1. No member of the Audit Committee will be considered as independent if he or she (list not exhaustive):



- a) is - or has been within the last five years - a manager/executive officer of VP or of any affiliated company; has received a significant amount of remuneration from VP or any affiliated company other than as member of the Board of Directors; represents the interests of a controlling shareholder; has had within the last year important business relations (as a partner, shareholder, customer, supplier or member of a governing body of a company or companies with similar relations) with VP or any affiliated company; or
- b) is, or has been within the last three years, an employee or partner of VP's external auditor;
- c) is a manager of any company and there is overlapping board membership between that company and the Company;
- d) has served on the Board of Directors for more than twelve years.
- e) is closely related to any person who is not considered to be independent;

2.5.2. The Board of Directors determines whether a member of the Audit Committee is independent or not.

2.6. At least one member of the Audit Committee must have relevant and up-to-date accounting and/or auditing qualifications and experience to ensure that the Audit Committee's pool of combined expertise and experience is sufficient to give it up-to-date experience and insight into financial affairs and financial reporting and auditing in relation to VP. Collectively, the members shall also have the competencies of relevance for the Company's sector.

### **3. Meetings**

- 3.1. Meetings of the Audit Committee will be conducted as often as the Chairman deems necessary and if requested by a member of the Audit Committee, Chief Internal auditor or by VP's external auditor, subject to a minimum of two meetings per year.
- 3.2. Meetings of the Audit Committee will be convened by the Chairman of the Audit Committee. In the Chairman's absence, meetings will be convened by an independent member of the Audit Committee.
- 3.3. Before the beginning of every financial year, the Audit Committee must prepare a meeting schedule for the next financial year. The Audit Committee's meeting schedule must be adapted to the Board of Directors' annual meeting schedule to allow the members of the Board of Directors reasonable time to prepare for the consideration of the recommendations the Audit Committee has submitted to the Board of Directors following committee meetings.
- 3.4. The Chief Financial Officer and Chief Internal Auditor will attend meetings of the Audit Committee, except where the Chairman of the Audit Committee specifically requests otherwise. The meeting schedule should allow a timeslot for the Audit Committee members to discuss specific matters without the presence of the Chief Financial Officer and the Chief Internal Auditor.
- 3.5. If so requested by the Audit Committee, meetings of the Audit Committee will be attended by VP's external auditor and/or Chief Executive Officer.
- 3.6. Copies of all meeting agendas must be sent to the Board of Directors for information. All material prepared for the Audit Committee must be made available for the full Board of Directors.
- 3.7. The Chairman of the Audit Committee presides over the Audit Committee's meetings.
- 3.8. The Audit Committee constitutes a quorum when more than half of its members are present.
- 3.9. The Audit Committee has no independent decision-making power. The Audit Committee only passes resolutions where recommendations are to be made to the Board of Directors. All resolutions by the Audit Committee must be passed by a simple majority of votes.



#### **4. Authority**

- 4.1. The Board of Directors authorises the Audit Committee to:
- a) investigate and assess all matters that fall within the guidelines set out in this charter; obtain all necessary information from the members of the Executive Management and employees;
  - b) obtain information from VP's external auditor elected by the general meeting; and
  - c) obtain the advice, guidance and assistance from external advisers that the Audit Committee deems to be necessary or appropriate for performing its duties.

#### **5. Secretariat, resources and budget**

- 5.1. VP must make available to the Audit Committee the resources required for the performance of the Committee's duties, including outside legal, accounting and other professional advice and assistance.
- 5.2. The Chairman of the Audit Committee must prepare an annual budget for the Committee, which must be approved by the Board of Directors. The Chairman must control the Audit Committee's budget on an on-going basis.
- 5.3. The Chief Financial Officer is responsible for the secretariat to the Audit Committee and oversees agenda setting, meeting preparation, and minutes of the meeting in coordination with the Chairman of the Audit Committee.
- 5.4. Copies of the minutes must be distributed to all members of the Audit Committee for their approval, and the minutes should, to the extent possible, be considered at the first meeting of the Board of Directors subsequent to the Audit Committee meeting. If the minutes are not yet available, the Chairman shall provide a summary of the business conducted at the Audit Committee meeting.

#### **6. Reporting to the board of directors**

- 6.1. Minutes of all meetings of the Audit Committee must be prepared as soon as possible and no later than two weeks after the meeting.
- 6.2. The Audit Committee's reasoned recommendations to the Board of Directors must be set out in the minutes.
- 6.3. Minutes of the meetings of the Audit Committee must be presented at the next meeting of the Board of Directors.
- 6.4. Meetings of the Board of Directors to consider the Audit Committee's recommendations must be organized to enable the Chairman of the Audit Committee or an independent member of the Audit Committee appointed by the Chairman to attend the meeting.
- 6.5. At least every six months, the Audit Committee must report its activities, etc. to the Board of Directors.

#### **7. Publication of information about the audit committee**

- 7.1. VP must publish the following information in its annual report and on its website:
- a) that VP has established an Audit Committee;
  - b) the names of the members of the Audit Committee;
  - c) the name of the Chairman of the Audit Committee;
  - d) which members of the Audit Committee are independent members, see clause 2.5 of this charter; and
  - e) which members have knowledge about and experience in relevant audit matters (see clause 2.5.1 of this charter).
  - f) The mandate, procedures and access to external expert advice where necessary



7.2. The Audit Committee must ensure that the information about the Audit Committee as set out in VP's annual report or on VP's website is true and accurate.

**8. Remuneration**

8.1. The members of the Audit Committee shall receive remuneration for their work. The remuneration shall be determined by the General Meeting.

As adopted by the Board of Directors on 18 June 2018.