

DEMANT A/S
AUDIT COMMITTEE

TERMS OF REFERENCE

Demant A/S Audit Committee

Terms of reference

The Board of Directors of Demant A/S has established an audit committee.

1. Objective

The audit committee can only prepare recommendations for decisions to be made by the Board of Directors.

The main objectives of the audit committee are:

- a) Monitoring financial reporting processes including significant accounting estimates.
- b) Keeping under review the effectiveness of the Company's internal controls and risk management systems, including uncertainties and risks in relation to the outlook for the current year.
- c) Assess the need for an internal audit.
- d) Overseeing the mandatory external audit of the Company's annual reports and consolidated financial statements.
- e) Reviewing and monitoring the independence of the external auditors and the audit firm including, in particular, processes in relation to approval of non-audit services.
- f) Assessing the qualifications and performance of the external auditors.

The audit committee must ensure an open and ongoing dialogue between the external auditors, the finance department and Management.

2. Composition and expertise

The Board of Directors appoints the members of the audit committee amongst its own members which are not at the same time members of the Executive Board.

At least one of the committee members must be considered independent and have relevant financial experience as stipulated by law and decided by the Board of Directors.

The committee Chairman is appointed by the Board of Directors. The Chairman of the committee must be appointed amongst the independent Board members and cannot at the same time be Chairman of the Board of Directors.

3. Meetings

Audit committee meetings will be planned to coincide with Board meetings.

The committee Chairman will approve the agenda of committee meetings and members are welcome to forward proposals for items to be included in the agenda and considered at the meeting.

The external auditors also attend meetings if they so wish or if asked by members of the audit committee or the Executive Board.

Twice a year, the Chairman of the committee and the Company's CFO will meet in order to review the annual and interim reports prior to submission to the audit committee and the Board of Directors, respectively.

4. Responsibilities and duties

The audit committee will comply with its duties as follows:

Terms of reference

- 1) Reviewing the audit committee's terms of reference at least once a year.

Monitoring external auditors' work

- 2) Reviewing the work of the external auditors for the purpose of drawing up an audit report or other similar tasks. The external auditors will report directly to the Board of Directors/ the audit committee.
- 3) Reviewing the audit plan proposed by the external auditors, including in particular the audit strategy and risk areas.
- 4) Discussing the following subjects with the external auditors at relevant times:
 - All material accounting policies.
 - Any alternative accounting treatment of significant issues/transactions, which have been discussed with Management, and any consequences of the use of such alternative accounting treatment.
- 5) Reviewing the audit results with the external auditors, including any problems or difficulties and Management's response to such problems or difficulties.
 - Other important written documentation between the external auditors and the Executive Board – including the audit report and statement and a list of any non-corrected errors and lacking accounting information.
- 6) Reviewing the reports of the external auditors.
- 7) Making recommendations in relation to the appointment or re-appointment of auditors.

Reviewing external auditors' independence

- 8) Reviewing and pre-approving both audit services and non-audit services that may be or are to be performed by the external auditors.
- 9) Assessing whether the processes of the external auditors in relation to approval of services that are not audit services do comply with their independence.
- 10) Discussing actively with the external auditors their independence and objectivity.

Financial reporting process, accounting policies and internal control structures

Internal control structures

- 11) Reviewing the integrity and reliability of the Company's financial reporting processes (the internal as well as the external) and the internal control structures, including in particular the internal control in relation to financial reporting.
- 12) At regular intervals receiving and reviewing information from the Company on (a) any material weaknesses in the internal control in relation to financial reporting which might with reasonable certainty affect the Company's ability to calculate, treat, summarise and report accounting information and (b) fraud whether material or immaterial.

Accounting policies

- 13) Reviewing material aspects of accounting policies or financial reporting – including any major changes in the Company's selection and use of accounting policies.
- 14) Reviewing analyses drawn up by Management (and the external auditors as stated above), and which describe material aspects of financial reporting as well as assessments and estimates made in connection with the preparation of the annual report – including analyses of the effect of any alternative accounting treatment on the annual report.
- 15) Reviewing the effect of legislation and accounting initiatives on the Company's annual report.

Legislation and rules

- 16) With the Company's lawyer and other relevant persons reviewing compliance with relevant legislation and legal issues that may have a substantial impact on the Company's annual report.

Risk management

- 17) Discussing principles of risk assessment and risk management – including guidelines and process-related practices.
- 18) Monitoring and discussing the Company's risk management processes and material risks, particularly the effect on the Company's financial reporting.
- 19) Discussing fraud, including the Company's major risks and Management's initiative to control such risks.

Other duties

- 20) Ensuring that the audit committee's expertise about and knowledge of the Company are always updated and matched to suit the Company's situation.
- 21) Attending other activities considered necessary or expedient by the Board of Directors or the audit committee in compliance with these terms of reference, the Company's Articles of Association and existing law.

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