



Demant A/S

Audit committee

Terms of reference

Terms of reference

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) Inform the Board of Directors of findings of the statutory audit, including financial and sustainability reporting processes.
- b) Monitor the financial reporting process, including presenting significant accounting estimates, and monitor the sustainability reporting process.
- c) Monitor whether the company has established effective internal control and risk management systems, including systems to deal with uncertainties and risks in relation to the outlook for the current year.
- d) Assess the need for internal auditing.
- e) Oversee the mandatory external auditing of the company's annual reports and consolidated financial statements.
- f) Review and monitor the independence of the external auditors and the accounting firm, including processes in relation to approval of non-audit services, in particular.
- g) Assess the qualifications and performance of the external auditors.

The audit committee must ensure an open dialogue between the external auditors and the company's finance department and the Executive Board.

Composition and expertise

The Board of Directors appoints the members of the audit committee amongst its own members who are not members of the Executive Board.

The audit committee shall consist of at least three members. At least one of the committee's members must be considered independent as laid down in the Danish Recommendations on Corporate Governance. At least one member must have accounting and/or audit qualifications. The audit committee as a whole must possess competencies relating to the healthcare sector.

The Board of Directors appoints the chair of the audit committee. The chair of the committee is appointed amongst the independent Board members but must not be Chair of the Board of Directors.

Committee meetings

Audit committee meetings are scheduled as often as the chair of the audit committee considers such meetings necessary, however minimum three meetings a year. Any member of the audit committee and/or the external auditor may request that an audit committee meeting be held, if either considers it necessary.

The chair of the audit committee approves the agenda of committee meetings, and members are welcome to propose items to be included in the agenda and considered at the meeting.

The external auditors will attend audit committee meetings by invitation only and when requested by any member of the audit committee, and if the external auditors wish to attend.

At least once a year, the audit committee must meet with the external auditors without members of Executive Board or other members of Group Management being present.

Responsibilities and duties

The audit committee has the following duties:

Terms of reference

- Review the audit committee's terms of reference at least once a year.

Monitor external auditors' work

- Review the work of the external auditors in connection with the preparation of audit reports or similar work. The external auditors report directly to the Board of Directors/the audit committee.
- Review the audit plan proposed by the external auditors, including the audit strategy and risk areas, in particular.
- Discuss the following subjects with the external auditors at relevant times:
 - All material accounting policies.

- Any alternative accounting treatment of significant items/transactions, which have been discussed with the Executive Board, as well as any consequences of the use of such alternative accounting treatment.
- Review the audit results together with the external auditors, including any issues or difficulties and the Executive Board's response to the issues or difficulties.
- Review other important written documentation together with the external auditors and the Executive Board, including auditor's report, auditor's statement and a list of any non-corrected errors and lacking accounting information.
- Review reports prepared by the external auditors.
- Make recommendations on the appointment or re-appointment of auditors.

Review external auditors' independence

- Review and pre-approve both audit services and non-audit services that may be or are to be performed by the external auditors.

- Assess whether the processes of the external auditors in relation to approval of non-audit services comply with the auditors' independence.
- Actively discuss with the external auditors their independence and objectivity.

Financial reporting process, accounting policies and internal control structure

Internal control structure

- Review the integrity and reliability of the company's financial and sustainability reporting processes (internal as well as external) and the internal control structure, including internal control of the financial and sustainability reporting processes, in particular.
- At regular intervals, receive and review information from the company on (a) any material weaknesses in the internal control of the financial reporting process, which may with reasonable certainty affect the company's ability to calculate, treat, summarise and/or report accounting information and (b) any fraud whether material or immaterial.

Accounting policies

- Review material aspects of accounting policies and the financial reporting process, including any major changes in the company's selection and use of accounting policies and in related parties' transactions.

- Review analyses drawn up by the Executive Board (and the external auditors as stated above), which describe material aspects of the financial and sustainability reporting processes as well as assessments, judgements 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.
- Review the effect of legislative and accounting initiatives on the company's annual report.

Legislation and rules

- Review relevant compliance matters, such as trade compliance, whistleblower cases and matters related to the company's code of conduct or business ethics.
- Together with the company's lawyer and other relevant persons, review compliance with relevant legislation and also review legal issues that may have a substantial impact on the company's annual report.

Risk management

- Discuss the principles of risk assessment and risk management, including guidelines and process-related practices.
- Monitor and discuss the company's risk management processes and material risks, particularly the effect on the company's financial and sustainability reporting processes.

- Discuss fraud, including major risks to which the company is exposed, as well as the Executive Board's initiatives to control such risks.
- Review the company's insurance policies and coverage.
- Review and discuss tax and transfer pricing risks, tax policies, tax audits and relevant tax legislation.
- Review and discuss the company's capital structure, dividend and share buy-back policy.

Other duties

- Ensure that the audit committee's expertise in and knowledge about the company are always updated and matched to suit the company's circumstances.
- Attend to other matters 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 laws.

Approved by Demant's Board of Directors
8 March 2023