



TERMS OF REFERENCE

Audit Committee



Table of contents

1	Preamble	3
2	Constitution and composition	3
3	Meetings	3
4	Empowerment and resources	4
5	Areas of responsibility	4
6	Reporting	8
7	Conflicts of interest	8
8	Publication	8
9	Changes	8
10	Application - Danish Ship Finance	8

1 Preamble

- 1.1 The Audit Committee is a board committee that prepares decisions to be made by the full Board of Directors. In this document, the Audit Committee will henceforth be referred to as the "Committee".
- 1.2 These Terms of Reference set out the tasks and powers of the Committee.
- 1.3 The Board of Directors shall ensure, inter alia through these terms of reference, that the establishment of the Committee does not result in material information that should be received by all members of the Board of Directors only going to the Committee. Delegation to the Committee does not alter the responsibilities or powers of the Board.
- 1.4 The Committee prepares the Board's work on accounting and auditing matters, including related risk matters, compliance and anti-money laundering matters and other matters that the Board may wish the Committee to scrutinise.
- 1.5 These Terms of Reference shall be reviewed, updated and approved annually. Proposals for changes may be made by any member of the Board of Directors, including members of the Committee.
- 1.6 The committee is subject to the same confidentiality provisions as the Board of Directors.

2 Constitution and composition

- 2.1 The committee consists of 3-5 Board members elected by the general meeting, the majority of whom must be independent as defined in the Corporate Governance recommendations. The committee is established at the statutory Board meeting following the annual general meeting.
- 2.2 The Board of Directors shall appoint the Chair of the Committee from among the members of the Committee. The Chair of the Board of Directors may not be the Chair of the Committee.
- 2.3 At least one of the members must have qualifications in accounting or auditing.
- 2.4 Together, the committee must possess expertise and experience that it collectively has adequate insight into, and experience with, current financial, accounting and auditing matters in large companies.
- 2.5 At its annual ordinary meeting in connection with the financial reporting, the Committee shall decide whether the candidates for the Board of Directors nominated at the Annual General Meeting fulfil the qualification requirements stated above in no. 2.3. The election and the basis for the assessment of the person who fulfils the requirements are disclosed in the annual report and on the website.
- 2.6 Committee members are remunerated in accordance with the remuneration policy approved by the Board of Directors and the general meeting.
- 2.7 The Committee is quorate when half of its members, including the Chairman, attend the meeting. Decisions shall be taken by simple majority. In the event of a tie, the Chair of the Committee shall have the casting vote.

3 Meetings

- 3.1 The Committee meets three times a year as an ordinary meeting, two of which are immediately prior to the presentation of the annual and half-yearly reports. If a member of the Board of Directors, the Committee or the external auditors deem it necessary, the Committee may convene extraordinary meetings.
- 3.2 As far as possible, the committee schedules its meetings for a full year at a time.

- 3.3 The secretary of the Board of Directors, reporting to the Chair of the Committee, shall prepare the agenda in co-operation with the CFO. All other members of the Board of Directors may submit proposals for agenda items to be considered. The Committee may invite or convene general management, employees and/or experts/specialists to its meetings.
- 3.4 The material to be discussed at the Committee meetings shall be distributed at least 5 days prior to the meetings via an electronic board portal. The Chair may shorten this deadline.
- 3.5 The Committee may decide to have private discussions without Executive Management present.
- 3.6 The committee shall meet with external auditors at least once a year without the presence of the Executive Management.
- 3.7 The secretariat of the company's Board of Directors fulfils the secretariat function for the Committee.

4 Empowerment and resources

- 4.1 The Committee reports and makes recommendations to the Board.
- 4.2 The Committee is authorised to investigate all matters within the scope of the Terms of Reference and to obtain necessary information and assistance from employees of Danish Ship Finance.
- 4.3 Other members of the Board of Directors, the Executive Management and relevant employees are obliged to attend meetings if requested by the Committee.
- 4.4 The Committee may make use of external legal advisors and other expert advisors to the extent it deems necessary for the fulfilment of its tasks. The Committee shall avoid using the same external advisors as the Executive Board.

5 Areas of responsibility

The Committee shall fulfil its responsibilities set out in paragraph 1 as follows:

5.1 Duty to notify

The Committee shall inform the full Board of Directors of the outcome of the statutory audit, including the financial reporting process. The Committee shall also inform the Board of Directors during the financial reporting process if matters arise that are deemed to be of a significant nature for the Board of Directors.

5.2 Monitoring the financial reporting process

The Committee monitors, considers and makes recommendations to the Board of Directors regarding the financial statements including the prior process and its propriety. In doing so, the Committee shall be in dialogue with the external auditor. As part of this, the Committee shall consider:

- a) Accounting principles and practices, including compliance with applicable accounting standards and other legal requirements, etc.
- b) Significant adjustments and valuations that rely heavily on estimates
- c) Significant or extraordinary transactions affecting the financial statements. This must include an assessment of materiality level
- d) Transparency and completeness of information

- e) Significant adjustments due to audit
- f) Income tax status and related assets and liabilities
- g) Related party transactions in relation to transfer pricing
- h) Expectation announcements and their basis

At least once a year, the Committee shall review the accounting principles applied, including impairment, financial instruments, goodwill, deferred tax and property.

The Committee considers, monitors and makes recommendations to the Board of Directors regarding the impairment process and the accounting treatment of impairment losses in the company. The Committee also considers the general impairment levels.

If the Committee considers that there are deficiencies or areas for improvement in the company's organisation and division of responsibilities in the accounting functions, the Committee shall draw up recommendations or proposals for remedial action.

5.3 Monitoring whether the company's internal control systems and risk management systems for financial reporting are working effectively

The Committee ensures that the company complies with the requirements for accounting practices pursuant to section 71 of the Danish Financial Business Act. In consultation with the auditors, the Committee reviews the integrity and reliability of the company's financial reporting processes and internal control structure.

In co-operation with the Executive Board, the Committee reviews the company's most significant risks in connection with financial reporting and the measures taken by the Executive Board to control these. The Committee also ensures that sound principles and practices for risk assessment and risk management are applied. The Committee also assists the Board of Directors in reviewing internal control and risk areas to ensure management of the most significant risks, including in relation to announced expectations, and assess the need for internal audit.

In monitoring the effectiveness of both the internal control systems and the risk management systems with regard to financial reporting in the company, the Committee must ensure that it does not compromise its own independence.

5.4 Monitoring the statutory audit of the financial statements

The Committee shall review the results and reporting of the audit and monitor the work performed by the auditors in order to issue an audit opinion. The monitoring of the statutory audit shall be based on an assessment of the outcome of the most recent quality control of the audit firm.

The auditors shall report to the Committee on their co-operation with the Executive Board and the Committee shall monitor how any disagreements between the Executive Board and the auditors are resolved.

The Committee annually reviews the audit agreement between the company and the auditors. The Committee also reviews the audit plan proposed by the auditors, including in particular the audit strategy and risk areas.

The Committee shall discuss with the auditors at least annually all significant matters regarding accounting policies. This shall include all alternative accounting treatments relating to significant matters/transactions that have been discussed with management, the consequences of applying such alternative accounting treatments and the accounting treatment favoured by the auditors.

The Committee monitors that the key issues and recommendations noted by the audit are appropriately followed up.

5.5 Monitoring and control of auditor independence, including in particular the provision of additional services to the company

The Committee reviews which audit and non-audit services can/should be provided by the auditors. The committee also assesses whether the auditors' provision of non-audit services is compatible with the auditors' independence.

The Committee must verify that the auditor's fees for non-audit services in the three or more preceding years do not exceed 70 per cent of the average audit fee for the last three years according to the Audit Regulation article 4.

The Committee shall assess, after discussion with the auditors, whether there is information about relationships or services that could impact the auditor's independence and objectivity. If so, the Committee shall take the necessary steps to assess the independence of the external auditor.

5.6 Recommend election of auditor to the Board of Directors

The Committee is responsible for, within the framework set out in the regulation on specific requirements for statutory audit of public interest entities, recommending to the Board of Directors at the annual general meeting a proposal for re-election/new election of the external auditor. The recommendation is based on an annual assessment of the independence, objectivity, qualifications, quality, reputation, etc. of the auditor and the audit team.

5.7 Capital and liquidity management

The Committee shall monitor, consider and make recommendations to the Board of Directors regarding the internal capital adequacy assessment process (ICAAP) and liquidity needs. As part of this process, the Committee shall:

- a) Monitor and make recommendations to the Board of Directors regarding the adequacy of capital resources and liquidity, with particular focus on the regulatory capital base, which must be sufficient in size, type and composition to match the risk profile
- b) Continuously and at least once a year assist the Board of Directors in the assessment of the solvency need. This is done in co-operation with the Executive Board
- c) Evaluate and make recommendations to the Board of Directors regarding the annual ICAAP report and ILAAP report (internal liquidity adequacy assessment process).

5.8 General risk management

The Committee shall advise the Board of Directors on:

- a) Whether the company's risk strategy and risk appetite are of a scope and type that the board considers acceptable taking into account existing and potential risks and the business environment in which it operates
- b) The company's risk culture
- c) The company's position in relation to regulatory requirements and best practice in the risk area

- d) The adequacy and effectiveness of the company's risk management. This includes principles, policies, guidelines, instructions, methods, systems, processes, procedures and people

The Committee shall at least annually evaluate and make recommendations to the Board of Directors regarding the recovery plan.

5.9 Compliance and money laundering prevention

The Committee shall monitor and consider the company's systems and processes to ensure compliance with the laws and regulations applicable to the company. The Committee also reviews the company's control measures to prevent money laundering. This work is based on reports from Compliance function and external auditors.

The Committee monitors communication with the FSA and follow-up on all orders issued by the FSA and other authorities and all outstanding orders from previous years.

5.10 Whistleblower scheme

The Committee monitors and considers the effectiveness of the company's whistleblower programme. As part of this, the Committee ensures that employees and other relevant stakeholders can confidentially raise concerns regarding breaches of financial regulation. The Committee ensures that reports are processed promptly and followed up on.

5.11 Request from the Board of Directors

The Committee shall monitor other issues as requested by the Board.

5.12 Other responsibilities

The Committee shall annually decide whether an internal audit is needed and recommend the decision to the Board of Directors.

At least annually, the Committee shall consider whether the Committee's terms of reference are sufficient and adequate for the Committee's areas of responsibility, or whether changes should be proposed to the Board.

6 Reporting

- 6.1 The Committee reports and makes recommendations to the Board of Directors regarding the areas defined in these Terms of Reference.
- 6.2 The minutes of the Committee's meetings are recorded by the board secretary and paginated consecutively. If there are no objections to the minutes, they are entered in the Committee's minutes, which are then signed by all Committee members. Members who have not attended a meeting only sign to confirm that they have read the minutes.
- 6.3 Minutes shall be discussed at the first ordinary board meeting following the relevant meeting of the Committee. If the minutes are not yet available, the Chairman of the Committee shall summarise the proceedings of the meeting and the minutes shall be presented to the Board for information at the next Board meeting.
- 6.4 As members of the Board of Directors, the members of the Committee shall participate in the company's general meetings. The chairman of the Committee shall be available at the general meeting to answer any questions regarding the Committee's terms of reference and activities at the request of the chairman of the Board of Directors.

7 Conflicts of interest

- 7.1 Members of the Committee may not participate in decisions or the handling of matters in which the member in question has a significant direct or indirect interest that may conflict with the interests of Danish Ship Finance.

8 Publication

- 8.1 The names of the Committee members, the Committee's activities, frequency of meetings during the year, special qualifications and independent status are disclosed in the annual report and on the company's website.

9 Changes

- 9.1 Changes to these Terms of Reference may be adopted at any time by a simple majority of the Board of Directors.
- 9.2 The Committee shall review its performance and these Terms of Reference at least annually to assess the adequacy and fulfilment of the Terms of Reference.

10 Application - Danish Ship Finance

- 10.1 Where it follows from the context, the term "Danish Ship Finance" or "the Company" shall be understood to mean and include all companies in the Danish Ship Finance Group, and in other cases as Danish Ship Finance A/S.

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As adopted at the board meeting on 19 December 2024

Eivind Kolding
Chairman of the Board

Peter Nyegaard
Vice Chairman

Ahmed Omar
Vice Chairman

Marcus F. Christensen

Christian Frigast

Thor Jørgen Guttormsen

Omar Elali

Henriette S. Fabricius

Jacob Meldgaard

Andreas Hertz-Poulsen

Christopher Rex