

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF PANDORA A/S, CENTRAL BUSINESS REGISTER (CVR) NO. 28 50 51 16

These terms of reference specify the powers of the Audit Committee and lay down the guidelines governing the Audit Committee's work.

### **1. ESTABLISHMENT AND PURPOSE**

- 1.1 The Audit Committee ("the Committee") is a committee of the Board of Directors ("the Board") of PANDORA A/S, CVR no. 28 50 51 16 (the "Company") established in accordance with applicable rules and regulations, the Danish Corporate Governance Recommendations and the Rules of Procedure for the Board of Directors.
- 1.2 The purpose of the Committee is to assist the Board with the oversight of the financial reporting process, internal control and risk management systems, the Company's whistleblowing procedures and complaints, the supervision of the external auditor's independence, the statutory audit of the Company's financial report and the procedure for the election of the external auditor.
- 1.3 In fulfilling its duties and responsibilities, the Committee shall be given full access to the Board, Executive Management ("Management") and external auditors and shall have the authority to obtain advice and assistance from outside legal, accounting, financial, or other advisors.
- 1.4 The Committee is under the supervision of the Board and is tasked with preparing decisions to be taken by the Board.
- 1.5 The Board has full responsibility for all resolutions that have been prepared by the Committee.
- 1.6 On a yearly basis, the Committee evaluates its own performance, both of individual members and collectively and assesses the achievement of the duties and responsibilities specified in the charter. The Committee shall review applicable independence, financial expertise and other legal requirements of each of member of the Committee to determine whether the Committee meets the applicable laws. Findings and recommendations are reported to the Board.
- 1.7 The Committee reviews these terms of reference on a yearly basis. Changes must be approved by the Board.

## 2. MEMBERS

- 2.1 The Committee consists of three to four members who are appointed by the Board among the board members following the general assembly for a period expiring at the subsequent general assembly.
- 2.2 The members of the Committee must meet the requirements of independence and expertise under existing laws in order for the Committee as a whole to have the required competencies. At least one member must in the judgment of the Board have sufficient qualifications within accounting and/or audit in order to have the ability to make an independent assessment of the below mentioned areas.
- 2.3 The chair of the Board cannot act as chair of the Committee. The Board may remove any member from the Committee at any time with or without cause.
- 2.4 The Board must appoint a chair of the Committee.

## 3. RESPONSIBILITIES

The responsibilities of the Committee shall be to:

### 3.1 Financial reporting process

- 3.1.1 Continuously monitor the financial reporting process and submit recommendations or proposals to ensure its integrity and ensure that the periodic financial reporting provides a true, fair and balanced view of the Company's financial position.
- 3.1.2 Annually review the Company's compliance with applicable legislation, standards and other regulations for listed companies in respect of financial reporting, accounting, auditing and the publication of financial reporting.
- 3.1.3 Oversee the periodic financial reporting process implemented by Management and review the interim reports, annual reports and preliminary announcements prior to their release. Report to the Board about significant accounting policies and estimates as well as related party transactions, uncertainties and risks, including in relation to the outlook. Recommend to the Board as whether these reports should be approved by the Board.
- 3.1.4 Quarterly evaluate the Company's accounting policies and principles, including significant accounting estimates and judgments included in such policies and principles, and submit proposals to the Board if amendments are deemed necessary or appropriate. Any disputes between the external auditors and the Executive Management regarding accounting policies and principles shall be discussed with the Committee.

- 3.1.5 Review other sections of the annual report before its release and consider whether the information is understandable and consistent with the member's knowledge about the Company and its operations and lacks bias and that appropriate disclosures are made of unusual and unique transactions.
- 3.1.6 Review the external auditors' long-form audit report in collaboration with the external auditors and discuss major problems and issues which the auditors have identified in connection with the audit.
- 3.1.7 Annually inform the Board of the result of the statutory audit including key audit matters and explain how the statutory audit and the Committee contributed to the integrity of the financial reporting.
- 3.1.8 On a regular basis review the Company's tax governance to ensure competent, adequate and proper registration, documentation, preparation, monitoring and reporting of tax. Moreover, the Committee will on a regular basis review the Company's tax policy to ensure clarity about the Company's attitude to tax, significant tax strategies and handling of tax issues.
- 3.1.9 The Committee must also handle possible other tasks which the Board may delegate to the Committee at any time.
- 3.2 **Internal control, risk management system and internal audit**
- 3.2.1 Review and evaluate the effectiveness of the Company's internal controls, risk management systems and policies in relation to financial reporting without violating its independence. The Audit Committee consider whether Management has appropriately dealt with recommendations made by the external auditors.
- 3.2.2 Review the significant risks of the Company (including fraud) and discuss mitigation possibilities.
- 3.2.3 Review internal control review reports prepared by the Management.
- 3.2.4 Discuss with Management and, if necessary, the external auditors, the adequacy and effectiveness of the Company's internal controls over financial reporting and the quality of the accounting personnel and other personnel relevant for the internal control framework.
- 3.2.5 Discuss with Management guidelines and policies with respect to risk assessment and risk management including major financial risk exposure and the steps taken to monitor and control such risks.
- 3.2.6 Review the process of the whistleblower function and any reporting from the whistleblower function.
- 3.2.7 Review on an annual basis whether an Internal Audit function should be established.

### 3.3 **External auditors**

- 3.3.1 Review the professional qualification of the external auditors (including background and experience of partner and auditing personnel) and that all auditing personnel are rotated in accordance with, and to the extent required by, applicable laws and regulations.
- 3.3.2 Consider the independence of the external auditors and any potential conflicts of interest.
- 3.3.3 Recommend to the Board external auditors to be nominated by the Board and elected at the annual general assembly by the shareholders. Further the Committee approves compensation of the external auditors.
- 3.3.4 When a tender for the external audit is executed, the Committee is responsible for the selection procedure and defining relevant selection criteria.
- 3.3.5 Review the external auditors' proposed audit scope, strategy and approach for the current year in the light of the Company's present circumstances and changes in regulatory and other requirements.
- 3.3.6 Responsible for developing the overall policy for non-audit services. The Committee must monitor and review the provision of non-audit services to the Company by its external auditors. Further the Committee must approve non-audit services delivered by the external auditors and the fee for such services following an assessment of the threats to the auditor's independence.
- 3.3.7 Ensure that significant findings including audit adjustments reflected in the Company's annual report and those communicated by the external auditors are followed-up by management.
- 3.3.8 Review recommendations made by the external auditors (Management Letter, Audit Committee Report, Long-Form Report etc.) and Management's proposed response are received, discussed and appropriately acted on.
- 3.3.9 Resolve any disagreements between the Company and the external auditors regarding financial reporting.

### 4. **MEETINGS**

- 4.1 The Committee shall meet as often as it determines appropriate, but at least four times a year. The Committee shall meet upon request of a member of the Committee, the CEO, the CFO and/or the external auditors.
- 4.2 Meetings shall be convened by the chair at not less than 8 days' written notice to all members of the Committee and when applicable, invite members of the Executive Management, Finance or other employees of the Company. Such notice shall also include an agenda for the meeting in question. All written material related to the individual items of the agenda shall to the extent possible, be forwarded to the members one week before the meeting.
- 4.3 The Committee will form a quorum when at least 2 members attend a meeting.
- 4.4 Resolutions are passed with simple majority. If equality of votes occurs, the chair of the Committee shall have a casting vote.

- 4.5 Minutes from the meeting shall be taken by the Company's Management who functions as secretariat function for the Committee.
- 4.6 The chair of the Committee has the authority to determine whether participation by phone or other electronic means is permitted at the Committee meetings.
- 4.7 The CFO attends the Committee's meeting. At least one meeting per year or a part of a meeting per year shall be attended by the Company's external auditors without presence of the CFO.

## **5. REPORTING FROM THE AUDIT COMMITTEE**

- 5.1 The recommendations to the Board shall be reflected in the minutes of the Committee's meetings, which shall clearly identify the Committee's resolutions. The minutes shall be prepared as soon as possible after the Committee's meetings and after approval by its members be circulated to the Board and the external auditors. The chair of the Committee present the minutes at the subsequent Board meeting.
- 5.2 The Committee must on a regular basis keep the Board informed of matters which the Committee deems relevant for the Board.

## **6. PUBLICATION OF INFORMATION ABOUT THE AUDIT COMMITTEE**

- 6.1 The Company must publish the following information on its website:
- i. that the Company has established an Committee;
  - ii. the names of the members of the Committee;
  - iii. the name of the chair of the Committee;
  - iv. which members of the Committee are independent members;
  - v. significant provisions in the Committee's terms of reference;
  - vi. the Committee's main activities during the past year; and
  - vii. the number of meetings held by the Committee and the attendance rate.
- 6.2 The Committee must ensure that the information about the Committee as set out on the Company's website is true and accurate.
- 6.3 The Committee's terms of reference must be published on the Company's website.

## **7. REMUNERATION**

- 7.1 Each member of the Committee shall receive an annual fee to be proposed by the Board and approved by the general assembly.

As adopted at the board meeting held on 4 December 2019.