

## **Terms of Reference of the Audit Committee**

### **Constitution and purpose**

The JL Board of Directors have opted to appoint an Audit Committee although this is not required for reporting class C, large enterprises.

The responsibilities and competencies of the Audit Committee are described in the present terms of reference. The terms are reviewed and approved annually by the Board of Directors.

Members of the Audit Committee are elected at the first regular meeting of the Board of Directors after the general meeting.

The purpose of the Committee is to assist the Board of Directors with the review of reports and the reporting process. In this connection, the Committee shall review accounting, auditing and IT-security issues that the Board, the Committee itself or external auditors may wish to be subject to a more detailed review.

The Committee shall also evaluate the internal control and risk management systems.

### **Members of the Committee**

The Board of Directors appoints members to the Committee, which consists of at least three members, and also appoints the Chairman of the Committee.

At least one member must possess competences in the area(s) of accounting and/or audit.

Overall, Audit Committee members must possess competences relevant to J. Lauritzen's industry.

### **Meetings and frequency**

At least four meetings are held per year, namely prior to the Board meetings, where the Annual Report and Interim Reports, respectively, are approved.

Audit Committee meetings are held prior to the regular Board meetings. Executive Management participates in the committee meetings.

At least on one of the meetings or part of a meeting is held with the presence of external auditors but without the presence of Executive Management.

### **Authorisations, etc.**

The Committee reports and makes recommendations to the Board of Directors.

The Committee has the authority to investigate any matter within the scope of the terms of reference, including obtaining necessary information from employees of J. Lauritzen Group.

The Committee may request information from the appointed auditor of the company, specialists in accounting matters and other advisors when deemed necessary or appropriate for attending the Committee's tasks.

## **Responsibilities**

The Committee has the following responsibilities:

- Supervise the financial reporting process and related processes and make suggestions/recommendations for improvements.
- Monitor the financial reporting and financial information etc. disclosed in the company's Annual Report and Interim Reports.
- Assess accounting policies, standards and processes in key areas related to accounting.
- Oversee that the company complies with applicable laws.
- Review the accounting items that are largely based on estimates.
- Supervise the statutory audit of the financial statements, considering the most recent quality review of the audit firm.
- Notify to Board of Directors of the findings from the statutory audit, including the financial reporting process.
- Monitor the effectiveness of the internal control and risk management systems.
- Decide once a year whether there is a need for an internal audit.
- Check and supervise the auditor's independence.
- Establish and supervise the procedure for selection of auditors and/or audit firm and make reasoned recommendation to the Board of Directors on the election of auditors.
- Recommend to the Board of Directors concerning audit agreement and audit fees.
- Review the audit plan.
- Assess / monitor other topics at the request of the Board of Directors.
- Assess the company's policy for fraud, anticorruption, including "whistleblowing".
- Assess insurance matters.

## **Reporting**

Minutes of meeting are made of each meeting of the Audit Committee. A copy of the minutes is sent to all Board members once approved by the Chairman of the Audit Committee.

The Audit Committee and its tasks are presented in the Annual Report.

***Adopted at the meeting of the Board of Directors on 15 June 2010.  
Updated by the Board of Directors on 17 May 2018.***