

## TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Terms of reference for Audit Committee of Nilfisk Holding A/S ("Nilfisk Holding").

### 1. PURPOSE/MISSION

- 1.1 In accordance with the EU Directive on Statutory Audits of Annual Accounts and Consolidated Accounts (Directive 2014/56/EU amending directive 2006/43/EC), the Danish Auditors Act (§31), and current Corporate Governance Recommendations, the Board of Directors has set up an Audit Committee. The Audit Committee is a committee of directors whose task is solely to prepare decisions to be taken by all members of the Board of Directors.
- 1.2 It is stressed that the role of the Audit Committee is to monitor. The Audit Committee will not assume the responsibility that rests with the Executive Management or the Board of Directors under the Danish Companies Act, the Danish Financial Statements Act and other relevant legislation.
- 1.3 The Audit Committee shall be appointed at the first ordinary Board meeting after the annual general meeting.
- 1.4 The Board of Directors will appoint members to the Audit Committee among the Board's own members. The majority of the members of the Audit Committee must be independent. Members may be removed by the Board of Directors at any time. Any member of the Audit Committee who resigns from the Board of Directors must also resign from the Audit Committee.
- 1.5 The principal tasks of the Audit Committee are:
  - To inform the entire Board of Directors of the outcome of the statutory audit, including the process for presentation of accounts;
  - To monitor the financial reporting process and submit recommendations to ensure its integrity. As part of this, the Committee will monitor compliance with existing legislation, standards and other regulations for listed companies relating to presentation of financial reporting and publication of financial reporting;
  - To monitor whether the Company's internal control system, internal audits, if any, and risk management systems function effectively, as well as the Executive Management's follow-up on the conclusions and recommendations of the internal audit function;
  - To monitor the statutory audit of the annual accounts, etc. taking into account the result of the most recent quality control of the auditor;
  - To monitor and review the independence of auditors, including in particular the supply of further services to Nilfisk group; and
  - To be responsible for the procedure for selecting and make recommendations to the Board of Directors concerning election of auditors.
- 1.6 In accordance with the Corporate Governance Recommendations, the Audit Committee will prior to the approval of the annual report and other financial reports monitor and report to the Board of Directors of any significant accounting policies, significant accounting estimates, related party transactions and uncertainties and risks, including in relation to the outlook for the current year.
- 1.7 Based on information from the Executive Management on relevant issues, the Audit Committee shall prepare the Board of Directors' treatment of Nilfisk Group's statutory requirement (Danish Financial Statements Act,

§107b(1)(6) to give an account of the main elements of the group's internal control and risk management systems relating to the financial reporting process.

- 1.8 In order to perform its tasks the Audit Committee will establish an open dialogue between the Company's Board of Directors, the Executive Management, and external auditors, and the Committee will also continuously assess the need for provision of information about its work and communication to the Company's employees.
- 1.9 In order to more precisely specify and exemplify the tasks of the Audit Committee, an annual plan will be prepared for approval each year by the Company's Board of Directors.
- 1.10 The annual plan will also contain an ongoing self-assessment of the Audit Committee's work and members. The self-assessment will be submitted to the chairman of the Board of Directors by the chairman of the Committee and form part of the Board's own self-assessment.
- 1.11 The Audit Committee may be assigned any task which the Board of Directors considers relevant and which forms a natural part of the Committee's remit.

## **2. AUDIT COMMITTEE AUTHORISATION AND RESOURCES**

- 2.1 Within its terms of reference the Audit Committee is authorised to:
  - Obtain such independent professional advice as the Committee considers necessary for performing its tasks;
  - Obtain information from relevant employees of the Group companies who may be summoned to attend meetings at the Committee's request. Other directors, the Executive Management and relevant employees, are obliged to attend meetings if summoned by the Committee;
  - Obtain information from the Company's external auditor elected by the general meeting;
  - Gain unlimited access to all information that the Committee considers relevant for performing its duties;
  - Submit proposals to the Board of Directors concerning choice of auditors and the related remuneration;
  - Approve in advance all non-audit services from auditors beyond a set limit;
  - Attend an introduction programme that, if necessary, will be followed up with relevant supplementary briefing, supplementary education, etc.; and
  - Manage necessary funds and facilities within the Committee's budget as approved by the Board of Directors.

## **3. ORGANISATION**

- 3.1 The Board of Directors will appoint the members and chairman of the Audit Committee from the Board's own members. The members will be appointed for one year at a time and may be reappointed a maximum of nine times.
- 3.2 The Audit Committee will consist of at least two members of the Board of Directors. The Board of Directors has decided that the Committee members shall all be independent as defined in the latest "Corporate Governance Recommendations" and the chairman of the Board of Directors cannot be chairman of the Audit Committee in accordance with before mentioned recommendations.

- 3.3 At least one member shall have accountancy or auditing qualifications. The Board of Directors is responsible for making this assessment.
- 3.4 The members of the Audit Committee must collectively possess up-to-date insight in and experience of financial, accounting and auditing conditions relating to listed companies.
- 3.5 The Audit Committee is quorate when at least two members attend the meeting.
- 3.6 The meetings of the Audit Committee are confidential, and the members and meeting participants are subject to the same provisions for secrecy and confidentiality as members of the Board of Directors, and are at all times also subject to the Company's rules on insider trading.

#### **4. MEETING ACTIVITY**

- 4.1 Only members of the Audit Committee have the right to be present at the meetings.
- 4.2 The Audit Committee chairman will determine the meeting agenda and the meeting frequency and call meetings in accordance with an annual plan prepared by the Audit Committee each year.
- 4.3 A minimum of four meetings will be held annually in connection with the Company's accounts presentation and financial reporting (for example, the quarterly, half-yearly and end-of-year financial statements).
- 4.4 Minutes of all meetings will be prepared and submitted for approval as soon as possible. The minutes will be approved by the Audit Committee members and forwarded immediately thereafter to all members of the Board of Directors. The minutes must reflect the dialogue and opinions of the meetings with a view to providing a suitable and fair basis for decision-making by all members of the Board of Directors. If a Board meeting is held without the Board members having received the minutes of the last Audit Committee meeting, an oral interim report will be given by the Audit Committee chairman or, in the Chairman's absence, by one of the other members.
- 4.5 Minutes and any appendices thereto will be forwarded to the external audit function.
- 4.6 The Company's Executive Management will assist and perform the secretariat function for the Audit Committee unless otherwise agreed.

#### **5. REMUNERATION**

- 5.1 The Committee will be provided with a suitable remuneration to be determined by the Board of Directors.

*Adopted by the Board of Directors on 10 October 2017*