

---

# TOPSOE

---

## **Audit, ESG & Risk Committee Charter for Topsoe A/S, CVR no. 41853816**

### **1. Constitution**

Pursuant to section 15 of the Rules of Procedure for Topsoe (the "Company"), the Board of Directors has resolved to establish an Audit, ESG & Risk Committee (the "Committee").

### **2. Purpose**

The Committee shall assist the Board of Directors with the oversight of:

- a) the external auditors
- b) material concerns related to fraud, financial reporting improprieties, bribery and/or corruption
- c) financial and ESG (environmental, social and governance) reporting including internal controls
- d) financial, non-financial, commercial, IT security and insurable risks
- e) annual funding plan
- f) special theme reviews and other tasks

### **3. Membership**

The Committee shall consist of three members of which one shall be appointed chairman. The members of the Committee, including its chairman, are appointed by and among the members of the Board of Directors.

At least one member of the Committee must qualify as independent as defined in the Danish Recommendations on Corporate Governance. Furthermore, at least one member must have qualifications within accounting or auditing as required by the Danish Auditor Act, and the Committee as a whole must have competences relevant to the chemical industry.

In addition to the members of the Committee, the external auditors, the Chief Financial Officer, and the VP Group Finance will attend relevant parts of the meeting.

The Committee may invite other people such as the Chief Executive Officer, the VP Global Business Finance, and other functions such as Sustainability, Risk, and Global IT when relevant for the specific agenda item.

#### **4. Responsibilities**

The primary function of the Committee is to assist the Board of Directors by reviewing information and endorsing recommendations made by the organization, for the Board of Directors' decision within the areas of oversight, cf. clause 2, and based on those present recommendations to the Board of Directors. All decisions will be made by the Board of Directors except as expressly stated in this Charter.

The Committee shall have the following responsibilities:

##### **a) The external auditors**

An external auditor is an auditor engaged to perform audit, review, and attest services for Topsoe as defined in applicable Danish law.

The Committee shall:

- Oversee the process for identifying external auditors to be elected by the Annual General Meeting, including arranging any required tenders and in connection with a tender providing at least two proposals to the Board of Directors. Recommend to the Board of Directors the statutory external auditors to be nominated by the Board of Directors and elected by the Annual General Meeting.
- Review the annual audit plan and the work of the external auditors.
- Review and discuss the external auditors' reports to the Board of Directors, including long-form reports, and report significant management letter findings or a summary thereof to the Board of Directors. Review the compensation of the external auditors and recommend such compensation to the Board of Directors for its approval.
- Establish policies and procedures for the engagement of any external auditor signing the audit report submitted to the Danish Authorities, to provide audit services and permitted non-audit services. The provision of permitted non-audit services shall comply with the restrictions in applicable Danish law. In addition, establish a process for employment of current and former employees of the external auditors. Review and approve the engagement letter with the external auditors. Pre-approve all audit services and permitted non-audit services to be provided by any external auditor.
- At least annually consider the competences, performance and independence of the external auditors and obtain and review a report from the external auditors describing internal quality-control procedures, issues raised in internal quality reviews or by authorities, actions taken and substantiating that the external auditors are independent.
- Resolve any disagreements between the Executive Management and any external auditor regarding financial or ESG reporting.

**b) Material concerns related to fraud, financial reporting improprieties, bribery and/or corruption**

The Committee shall:

- Review if there is a process in place to capture and report on material concerns related to fraud, financial reporting improprieties, bribery and/or corruption.
- Monitor the number and general nature of concerns related to financial reporting, fraud, bribery and/or corruption which are received by Topsoe's Compliance Hotline or otherwise reported to Topsoe, and which pose a material risk to the Company as a whole.

**c) Financial and ESG reporting**

The Committee shall:

- Review and discuss
  - the consolidated financial statement in the Annual Report,
  - the consolidated ESG statements in the Annual Report,
  - the Company's financial statement releases for the full year and interim financial reports, and
  - any other significant financial information made public by the Company.
- Review and evaluate key accounting policies, significant accounting estimates and judgements, significant and/or unusual transactions and significant related party transactions. Recommend changes in key accounting policies to the Board of Directors, if any.
- Monitor and review the adequacy and effectiveness of the systems of internal controls over financial and ESG reporting (including deficiencies and significant changes in internal controls reported to the Committee) and approve significant changes therein.

**d) Financial, non-financial, commercial, IT security and insurable risks**

The Committee shall:

- Oversee the policies and procedures for the control, monitoring, and mitigation of financial and non-financial risks across Topsoe, including how effectively Executive Management is embedding and maintaining risk management procedures and driving culture.
- Review the Company's description of the most important financial, non-financial, commercial, IT security and insurable risks, including controls and remedial precautions initiated to reduce such risks.
- Review and monitor that "risk related" items are formalized as part of the meeting agenda for each meeting (e.g. IT security update and the Consolidated Risk Reporting) whereas other risk items are part of the meeting agenda on recurring or ad hoc basis (e.g. Topsoe Portfolio Risks and Insurance Risk & Coverage Report).

- IT security update related topics include status on the IT security strategy execution and continuous capability measurements, presentation of recent notable cyber incidents to facilitate a discussion about potential impact on Topsoe. Further, the key security indicators are assessed by the Committee.
  - The Consolidated Risk Report includes an overview of “Board approved” mandates and risk appetite as well as development in merchant, currency, interest rate, credit and liquidity risks and changes in exposures pre- and post-hedging, including management thereof.
  - Topsoe Portfolio Risks comprise the most significant business risks including legal compliance risks and sustainability risks individually assessed and categorized.
  - Insurable Risk and Coverage Report comprise insurance coverage regarding property, business interruption and product liability.
- Review risks related to the commercial nature of Topsoe such as supplier risks, merchant risks, risks arising due to the use of PPAs, volume risk, and risks related to guarantees and litigations.
  - Discuss macro-economic factors, trends, and risks with potential impact on Topsoe.
  - Discuss the market price forecast and/or benchmark comparisons including assumptions related to long-term raw material prices (key), power prices and other key assumptions incorporated in the long-term financial forecasting.
  - Review WACC update on an annual basis. As part of the review, the Committee discusses the development in input variables such as risk-free rates, credit spreads, debt/equity ratio as well as selected risk premiums.

#### **e) Annual funding plan**

The Committee shall:

- Review Topsoe’s annual funding plan, including finance strategy, financing needs, contemplated financing activities, managing of excess liquidity, bank relations, etc.
- Review overview of issued bank guarantees and PCGs.

#### **f) Special theme reviews and other tasks**

The Committee shall:

- Conduct a focused review of special themes and items for which there may be a significant accounting impact, i.e. M&A transactions, significant investments, etc. as well as other tasks on an ad hoc basis, as specifically decided by the Board of Directors.

## **5. Operation of the Committee**

The Committee may engage independent counsel and other advisors as it determines necessary to carry out its duties.

To enable the Committee to perform its duties the Committee may request separate meetings with any employees and the external auditors upon their discretion.

The Committee shall have available appropriate funding as determined necessary by the Committee for the fulfillment of its tasks and duties.

The Committee shall, once a year:

- Conduct an organizational review of the finance organization.
- Review applicable independence, financial expertise and other legal requirements of each member of the Committee to determine whether the Committee meets the applicable legal standards.
- Evaluate the adequacy of this Charter and recommend any proposed changes to the Board of Directors.

## **6. Meetings**

The Committee shall meet in person or virtually as often as it determines appropriate, at least four times each year. Further, the Committee shall meet upon request of a member of the Committee, the Chief Executive Officer, the Chief Financial Officer or the external auditors.

Meetings shall be convened by at least three calendar days' written notice to all members of the Committee, and such notice shall include an agenda for the meeting in question. Any written material relating to the individual agenda items shall, to the extent possible, be forwarded to the members together with the notice convening the meeting.

Minutes of committee meetings are kept and forwarded to the members of the Committee.

Under special circumstances, a committee resolution may be passed over the phone or in writing. In such cases, the proposed resolution shall be forwarded to the members and the chairman shall subsequently seek to obtain a written, oral or electronically transferred statement from all members of the Committee and arrange for the recording of the resolution in the minutes.

## **7. Quorum**

The Committee forms a quorum when two or more of its members are present. Resolutions are passed by simple majority.

## **8. Conflict of interests**

A member of the Committee may not participate in the consideration of matters where such member has material interest therein, whether directly or indirectly, which may conflict with the interests of the Company.

## **9. Audit Committee member fee**

Each member of the Committee shall receive an annual fee to be proposed by the Remuneration Committee and approved by the Board of Directors.

## **10. Reporting to the Board of Directors**

The Committee will regularly inform the Board of Directors of discussions and present recommendations to the Board of Directors. Further, the Board of Directors will receive the minutes of committee meetings, while all material presented to or prepared by the Committee will be available to all members of the Board of Directors upon request.

## **11. Publication of the Charter**

This charter shall be made available on the Company's website.

Approved by the Board of Directors of Topsoe A/S on August 23, 2023.