

TERMS OF REFERENCE FOR THE AUDIT & RISK COMMITTEE OF ØRSTED A/S

1. Establishment and objective

The Audit & Risk Committee (the 'Committee') is a Committee under the Board of Directors of Ørsted A/S (the 'Company') established in accordance with clause 7.10 of the Rules of Procedure for the Board of Directors.

The Committee works as a preparatory committee for the Board of Directors and prepares recommendations on audit and risk issues for the Board of Directors.

As such, the primary responsibilities of the Committee is to support the Board of Directors in its supervision of:

- the integrity of the Company's annual report and presentation of financial statements as well as the integrity of the internal accounting and financial control systems;
- the integrity of the Company's sustainability reporting, presentation hereof in the annual report and the internal control systems for non-financial data;
- the Company's compliance with statutory and regulatory requirements in respect of the Company's annual report and presentation of financial statements, internal control systems, inclusive of the Company's control procedures relating to publication;
- the approval of the internal and external group audit strategies;
- the Internal Audit charter, the internal audit budget and evaluation of Internal Audit's qualifications, performance and independence;
- the nomination of the external auditors;
- the conclusion of engagement contracts with the external auditors and evaluation of the external auditors' qualifications, performance and independence, including the nature and extent of permissible non-audit services;
- to supervise the Company's potential and emerging risks, inclusive of circumstances relating to risk policy laid down by the Board of Directors (financially/in terms of business relations) and IT security risks;
- to review the Company's annual funding plan;
- the handling of the other responsibilities described in these terms of reference.

The responsibilities of the Committee are described in more detail in section 3 below.

2. Organisation

2.1 Terms of reference

These terms of reference are to be reviewed by the Committee at least once annually, and any proposals for amendments are to be submitted to the Board of Directors for approval.

2.2 Members and composition

The Committee consists of 3 – 4 members who are appointed by the Board of Directors.

Members of the Committee are appointed among the members of the Board of Directors at the first meeting of the Board of Directors after the Annual General Meeting for a term expiring at the time of the next Annual General Meeting.

The Board of Directors shall appoint the Chairman of the Committee. The Chairman of the Board of Directors may not serve as Chairman of the Committee.

Members may be removed by the Board of Directors at any time. Any member of the Committee who resigns from the Board of Directors must also resign from the Committee.

In the event that a member resigns from the Board of Directors or from the Committee in the middle of a term of office, a new member shall be appointed in replacement of the resigning member at the first meeting of the Board of Directors following the resignation of the said member.

The Committee members shall meet the requirements stipulated in terms of experience and expertise in compliance with the current statutory recommendations or other relevant circumstances so that the Committee as a whole possesses the necessary competence.

The majority of the Committee members shall be independent. The Board of Directors determines whether any member of the Committee can be deemed independent or not. Moreover, at least one Committee member shall be independent and an expert on financial, accounting and audit aspects of companies whose shares are admitted to trading on a regulated market and the Committee members shall jointly have the needed industry competences.

2.3 Meetings

The Committee holds at least 4 meetings annually. Moreover, the Committee is to hold meetings at the request of a member of the Committee, the Chief Financial Officer or the internal or external auditors.

No later than at the last meeting of the Committee each year, the Executive Board presents for the Committee's consideration an overview of the expected meetings and agenda items of each meeting in the coming year.

Meetings shall be convened by the Chairman of the Committee at a notice of at least 7 days. Specifically, the Chairman shall send a notice of meeting to all members of the Committee, and the notice shall include the agenda for the said meeting. Wherever possible, all written material concerning the agenda items shall be submitted to the members together with the notice of meeting.

To the extent that it may be necessary, the Chairman of the Committee may convene meetings at a shorter notice.

The Chairman of the Committee is authorised to decide whether participation in the individual Committee meeting by phone is allowed.

In exceptional circumstances the Committee may adopt a resolution on the basis of a written procedure. The proposed resolution is to be submitted to the Committee members. The Chairman then seeks to obtain a written, oral or electronically transmitted statement from all members of the Committee and sees to it that the resolution is entered in the book of minutes.

The Chief Financial Officer attends the meetings; however, the Chairman of the Committee may decide that a meeting is to be held without the attendance of the Chief Financial Officer if this is deemed appropriate.

The Chairman of the Board of Directors is at any time entitled to participate in Committee meetings, regardless of whether or not the Chairman of the Board is a member of the Committee.

The Committee shall – together with the rest of the Board of Directors – meet with the internal and external auditors at least once annually without the presence of the Chief Financial Officer (or other members of the Executive Board).

2.4 Quorum – Valid resolutions

The Committee constitutes a quorum when more than half of its members are present.

All resolutions by the Committee must be passed by a simple majority of votes.

Any decision or resolution by the Committee made in writing and signed by all Committee members shall have the same validity as a decision or resolution made at a duly convened and held meeting.

2.5 Minutes of meeting

Minutes of all Committee meetings shall be taken documenting the Committee's exercise of its responsibilities. Draft minutes of meeting are to be sent to the Chairman of the Committee and to the Chief Financial Officer for approval within ten working days of a meeting. The meeting minutes are to be approved by the Committee at the next meeting at the latest. The approved meeting minutes are to be sent to all members of the Board of Directors, the Chief Executive Officer, the Chief Financial Officer, the Chief Audit Executive and the external auditors, and shall subsequently be kept together with the Company's minute books and files.

2.6 Reporting to the Board of Directors

The Committee is to inform the Board of Directors on discussions and to submit recommendations to the Board of Directors on a current basis. Moreover, the Board of Directors is to receive approved minutes of meeting, cf. section 2.5. Any material presented to or prepared by the Committee is to be made available to the members of the Board of Directors upon request from the said board member.

The rules on the members' work on the Board of Directors, including the rules stipulated in the Rules of Procedure for the Board of Directors on the duty of confidentiality and filing of material (clause 6 of the Rules of Procedure), shall also apply to their work on the Committee.

2.7 Fee to Committee members

All members of the Committee shall receive an annual fee approved by the Annual General Meeting.

3. Responsibilities

The primary responsibilities of the Committee include:

3.1 Agreements with external auditors

The Committee shall submit a written recommendation to the Board of Directors regarding the appointment of external auditors. If approved by the Board of Directors, the recommendation shall be submitted to the General Meeting for approval.

The Committee shall monitor and evaluate the external auditors and, if necessary, recommend a replacement of the external auditors to the Board of Directors. In case of the external auditors' resignation, the Audit & Risk Committee shall investigate the circumstances leading to the resignation.

In respect of the external auditors, the Committee shall review the audit agreement and the external auditors' fee for audit services and submit its recommendation to the Board of Directors. In respect of the external auditors' other services to Ørsted, the Committee shall have the sole authority to approve fees for significant and permissible non-audit related services and provision of prohibited services.

3.2 Evaluation of external auditors' independence, performance and qualifications

At least once annually, the Committee is to discuss and ascertain the external auditors' independence.

The Committee is to perform an annual review of the Company's external auditors' performance and qualifications, including the coordination of audit effort with Internal Audit and the outcome of the external auditor's last quality control. In connection with the performance of such review, the Committee is to consult the Executive Board. The Committee is to ensure compliance with the principle of rotation among the responsible partners of the external auditor and to ensure audit firm rotation in compliance with current statutes and applicable regulation.

3.3 Internal Audit

Internal Audit provides risk-based and objective assurance, advice and insight by applying a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

To ensure that the Internal Audit function works independently of the Executive Board, the Chief Audit Executive reports functionally to the Chairman of the Committee and in daily administrative matters to the Chief Executive Officer. Furthermore, the Committee approves charter, annual group audit strategy and budget.

It is the responsibility of the Committee to monitor the follow-up by the Executive Board on the conclusions and recommendations of Internal Audit.

The Committee is to perform an annual review of the need for internal auditing and make proposal to the Board of Directors. Also the Committee submits its recommendation to the Board of Directors on the selection, appointment and dismissal of the Chief Audit Executive. The Chairman of the Committee yearly approves remuneration for the Chief Audit Executive.

3.4 Evaluation of Internal Audit's qualifications, performance and independence

At least once a year, the Committee is to discuss Internal Audit's independence, and if the Committee makes a decision to this effect, the Committee is to take the steps necessary to ascertain the independence of Internal Audit.

The Committee is to perform an annual review of the performance and qualifications of Internal Audit. The Committee monitors external independent assessments of the effectiveness of Internal Audit.

3.5 Internal controls

At regular intervals, the Executive Board is to report to the Committee on any significant discrepancies in the form or the running of the Company's internal controls of financial reporting, significant weaknesses in the internal controls of financial reporting and any fraudulent conduct (regardless of the significance thereof) in relation to individuals playing an important role in the internal controls of financial reporting as well as any significant changes to the internal controls of financial reporting implemented by the Executive Board during the Company's most recent financial reporting period.

3.6 Company compliance

At regular intervals, the Committee is to review the effect – if this is deemed important to the Company – of new or proposed regulatory and accounting initiatives in respect of the Company's annual report and other published information. Likewise, the Committee is at regular intervals to review the steps taken and the procedures established by the Company to prevent fraud.

3.7 Circumstances relating to financial, commercial and insurable risks

At regular intervals, the Committee is to review the Company's description of the most important financial, non-financial, commercial, IT security and insurable risks, inclusive of controls and remedial precautions initiated to reduce such risks.

3.8 Non-audit related services

The Committee is to approve the external auditor's non-audit related services and the fee for such services following an assessment of the threats to independence. This may take place via the Committee's approval of an annual letter of engagement between the Company and the external auditors containing a list of approved types of non-audit related services and the fee conditions for such services.

3.9 Review of the annual report

Together with the external auditors, the Committee is to review the financial information included in the Company's annual report to the shareholders.

The Committee is to discuss the results of the annual audit done by the external auditors and any other issues that are to be communicated to the Committee by the external auditors in compliance with the current auditing standards and current statutes.

The Committee itself shall not be responsible for planning or performing the audit nor for deciding whether the Company's annual report is complete and accurate or whether it is in compliance with the current accounting principles. These tasks remain the responsibility of the Executive Board and the auditors. The Committee, however, is directly responsible for the supervision of the auditors and for solving any disputes that may arise between the Executive Board and the auditors.

Prior to the approval of the annual report, the Committee is to supervise and report to the Board of Directors on accounting principles within significant areas, accounting estimates, transactions with related parties as well as uncertainties and risks in the results for the year, including also in relation to expectations.

3.10 Review of the sustainability report

The Committee shall monitor the Company's sustainability reporting, including strategic focus areas. Further, the Committee is to monitor any reporting on work performed in relation hereto conducted by external or internal auditors.

3.11 Review of the auditors' reporting

The Committee is to review the external and internal auditors' overall strategy for, scope of and plans for their audit.

The Committee is to review the external and internal auditors' audit reporting in co-operation with the external and internal auditors and to discuss major problems or difficulties which the auditors may have encountered in connection with their audit. The review is to include the handling of any problems the auditors may have encountered during their audit, including any limitations in the scope of the activities or in the access to necessary information, any disputes with the Executive Board on the current accounting principles and other issues, significant corrections to the annual report recommended by the external auditors as well as proposed, but rejected corrections.

3.12 Establishment of whistleblowing procedures

The Committee is to establish procedures for receiving, filing and handling complaints received by the Company in relation to accounting, internal financial controls, financial reporting or financial issues as well as confidential, anonymous contacts made by employees in the Company concerning dubious financial and auditing issues or issues relating to financial reporting.

3.13 Review of compliance with statutory and regulatory requirements

At regular intervals, the Committee is to review any correspondence with or other activities initiated by supervisory authorities or government bodies and any complaints from employees or published reports giving rise to concern in respect of the Company's annual report or accounting or auditing issues.

3.14 Subsidiaries

On a group level the Committee shall monitor the composition, tasks and general competences of other audit committees within Ørsted to ensure a constructive dialogue and cooperation.

3.15 Access to files, consultants and others

The Committee shall be fully authorised:

- to examine all issues of which the Committee obtains knowledge, with full access to all the Company's records, files, facilities and employees;
- to engage external legal consultants, accounting consultants or other consultants to advise the Committee;
- to ask any of the Company's Executive Board members or employees, the Company's external legal advisors, the external and internal auditors to attend a meeting with the Committee or to meet with one or several of the Committee members or consultants.

4. Delegation of responsibilities

The Committee is also to handle any other tasks relating to audit and risk matters which the Board of Directors may at any time delegate to the Committee.

To the extent requested by the Committee members, the Committee shall be assisted by the Company's organisation, including the secretariat of the Board of Directors, when preparing material for the Committee and for the Board of Directors.

5. Publication

These terms of reference are to be published on the Company's website along with:

- (i) A description of the most important activities of the Committee during the year, and the number of meetings held;
- (ii) The names of the members of the Committee;
- (iii) The name of the chairman of the Committee;
- (iv) Which members of the Committee are independent members; and
- (v) Which members have knowledge about and experience in accounting or audit matters and a statement that the Committee members jointly have the competences relevant for the Company.

Approved by the Board of Directors on 26 November 2020.