



ALK-Abelló A/S

Charter of the

Audit Committee

of the Board of Directors

May 2016

Table of Contents

1	Introduction.....	3
2	Membership.....	3
3	Meetings and attendance.....	3
4	Function.....	4
5	Terms of Reference	5
6	Chairman’s Responsibility.....	7
7	Audit Committee Member Fee	7
8	Amendment.....	7

1 Introduction

- 1.1 The Committee shall be called the “Audit Committee”.
- 1.2 The purpose of the Audit Committee is to assist the Board of Directors in its oversight responsibilities. The Audit Committee reports its findings to the Board of Directors. The Board of Directors has full responsibility for all audit matters.
- 1.3 The Audit Committee has the authority to engage in any matter regarding:
 - 1.3.1 External and internal audit
 - 1.3.2 Risk management and internal control related to financial matters
 - 1.3.3 Reports submitted regarding financial reporting by the external auditors and communication with auditors
 - 1.3.4 Compliance with law and regulation related to financial matters.

2 Membership

- 2.1 The Audit Committee shall consist of no less than three and no more than five members of the Board of Directors. Notwithstanding any vacancy in the Audit Committee, the continuing members of the Audit Committee may act as long as the number of members of the Audit Committee does not fall below two for a period exceeding three months.
- 2.2 The Board of Directors shall appoint the members of the Audit Committee. Appointment usually takes place at the Board Meeting following the Annual General Meeting, and members shall be Directors whose nominations for such appointment have been reviewed and approved by the Board. Members of the Audit Committee are elected for a one-year term. The Board may reappoint any member of the Committee at any time, provided that the nomination for such reappointment has been reviewed and approved by the Board. The Board of Directors can remove any member of the Audit Committee at any time.
- 2.3 The Board of Directors shall appoint a Chairman of the Audit Committee.
- 2.4 A majority of the members of the Audit Committee shall qualify as independent as defined by Danish law.
- 2.5 Between them, the members of the Audit Committee shall have the appropriate expertise with-in accounting and/or auditing for a listed company.
- 2.6 Each member of the Audit Committee shall hold office until the next Annual General Meeting following that member’s appointment or reappointment. The retiring Chairman of the Audit Committee and other members of the Audit Committee shall, subject to the preceding paragraphs, be eligible for reappointment.
- 2.7 If the number of members falls below three, the Board shall endeavour to fill the vacancy within two months and in any case, the Board shall within three months of such event appoint any Director or Directors whose nominations have been reviewed and approved by the Board as a member or members as may be required to make up the minimum number of three members.

3 Meetings and attendance

- 3.1 The Audit Committee shall meet as often as it deems necessary, however, not less than three times a year. Any member of the Audit Committee may call a meeting. In the event that a material and urgent issue within the terms of reference of the Audit Committee arises outside the agreed meeting plan, the CFO must call for a meeting. Attendees should be limited to those who are familiar with, or responsible for, the topics on the agenda. The CEO and the CFO attend all Audit Committee meetings. External auditors attend meetings when the Audit Committee deems it necessary.
- 3.2 At least at one meeting a year the external auditors, as part of the meeting, conduct a separate meeting in which the CEO and the CFO do not attend. When deemed necessary, the ex-

AUDIT COMMITTEE – CHARTER

- ternal auditors may request that part of the meeting is held only with the Audit Committee to discuss any particular matters.
- 3.3 Meetings shall be convened at no less than 8 day's written notice to all members of the Audit 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.
- 3.4 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 Audit Committee and arrange for the recording of the resolution in the minute book.
- 3.5 No business shall be transacted at a meeting unless at least two members of the Committee are present.
- 3.6 At all meetings of the Audit Committee, the Chairman of the Audit Committee, if present, shall preside. If the Chairman of the Audit Committee is absent, the members present at the meeting shall elect a Chairman of the meeting.
- 3.7 The CFO shall be the secretary to the Audit Committee (hereinafter called "the Secretary"). The Secretary shall be in attendance at Committee meetings, and a record of the proceedings shall be kept. The Secretary of the Audit Committee shall have responsibility for circulating minutes of each meeting to all members.

4 Function

- 4.1 The Audit Committee assists the Board in fulfilling its oversight responsibilities. Its primary functions are to review and evaluate:
- 4.1.1 The internal control and risk management systems
- 4.1.2 The audit process, the scope, results, effectiveness and objectivity of the audit process and maintain an appropriate relationship with the external auditors
- 4.1.3 On behalf of the Board, the adequacy of the internal control system, including accounting controls, taking input from the external auditors, and risk management functions
- 4.1.4 With the external auditors, all audit plans and audit reports; this will normally include:
- management representation letter
 - auditors' long-form report
 - reports on internal controls
 - schedule of audit differences
 - engagement letter
- 4.1.5 Estimated cost for the basic audit charges based on the audit plan prepared by the external auditors for the coming year
- 4.1.6 Any non-audit services to be provided to ALK-Abelló in excess of 100% of the agreed annual audit fee. Such services must be pre-approved by the Audit Committee
- 4.1.7 The Auditors' reporting regarding the balance sheet and income statement of the Group
- 4.1.8 The consolidated balance sheet and income statement, submitted to it by the Group.
- 4.2 The Committee shall have full access to, and cooperation by, the management, including external audit, and have full discretion to invite any Director and employees to attend its meetings.
- 4.3 Review of internal controls, risk management, procedures and inspection reports in connection with inspections by the FDA, Lægemiddelstyrelsen or other regulatory authorities shall not be part of the Audit Committee's duties.

5 Terms of Reference

Audit process

- 5.1 In respect of the overall audit process, it will be the responsibility of the Audit Committee to:
 - 5.1.1 Provide an open channel of communication between the CFO, the external auditors, and the Board
 - 5.1.2 Review the strategy, plan, scope and approach of the external auditors' annual audit
 - 5.1.3 Review the scope and results of the external auditors, risk management and compliance related to the financial matters and their effectiveness, and to report periodically to the Board on significant findings, and
 - 5.1.4 Meet, as required, at least once a year, with the external auditors and management in separate sessions to discuss any matters that the Audit Committee or these groups believe should be discussed privately with the Audit Committee.

External Audit

- 5.2 In respect of the external auditors, it will be the responsibility of the Committee to:
 - 5.2.1 Nominate to the Board a firm or firms for appointment as the Group's external auditors at any Annual General Meeting of the Group, or whenever there is a vacancy in the office of auditor, and evaluate their audit charges, having regard also to:
 - 5.2.1.1 Any questions of appointment, reappointment or termination of the Group's external auditors to the Board of Directors
 - 5.2.1.2 A review of their independence and objectivity, including any potential conflicts of interest
 - 5.2.1.3 A review with the CFO and the external auditors of the scope and results of the external audit and any significant findings reported to the Audit Committee in the management letter
 - 5.2.1.4 A review of the relationship with external auditors; to discuss with external auditors issues such as compliance with accounting standards and any proposals which the external auditors have made vis-à-vis the Group's accounting policies.

Internal Audit

- 5.3 In respect of internal audit, it will be the responsibility of the Committee to, once a year, evaluate the need for an internal audit function in ALK and make a recommendation to the Board of Directors.

Internal Control and Risk Management

- 5.4 In respect of internal control and risk management related to financial matters, it will be the responsibility of the Audit Committee to:
 - 5.4.1 Consider and review the Group's internal control system, including financial, compliance controls and risk management (including the effectiveness thereof), prior to endorsement by the Board, and
 - 5.4.2 Review the Group's risk management processes together with internal and external auditors and executive management

Financial Reporting

- 5.5 In respect of financial reporting matters, it will be the responsibility of the Audit Committee to:

AUDIT COMMITTEE – CHARTER

- 5.5.1 Review the external auditors' audit reporting regarding financial statements contained in the annual reports of the Group and to ensure that the external auditors are satisfied with the disclosure and contents
- 5.5.2 Review any changes in accounting policies, to determine the appropriateness of accounting policies and financial disclosure practices
- 5.5.3 Review the consistency of accounting policies on a year-to-year basis as well as across the Group.

Regulatory matters

- 5.6 In addition to the duties imposed by the Companies Act, the Committee shall:
 - 5.6.1 When it becomes aware of any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial position, discuss such matters with the external auditors and, at an appropriate time, report the matter to the Board, and
 - 5.6.2 Review interested person transactions as may be required by the relevant regulatory securities authorities or by the provisions of the Companies Act.

General matters

- 5.7 In addition to the above paragraphs, it will be within the responsibilities and power of the Audit Committee to:
 - 5.7.1 Investigate any matter brought to its attention, within the scope of its duties, with the power to obtain independent professional advice
 - 5.7.2 Investigate any matter brought to the Audit Committees attention via the whistleblower function as financial misconduct such as misappropriation of assets including theft and misuse, unlawful behavior in connection with accounting principles, internal accounting controls or auditing matters and deliberate error in the preparation or maintenance of any financial statement or financial records including financial reports or audit reports
 - 5.7.3 Supervise that procedures and processes are established so that ALK employees can express any concerns regarding possible irregular conditions as described in section 5.7.2 via the established whistleblower function. It must be secured that procedures and processes for the whistleblower function are:
 - in accordance with Danish legislation, here among the Danish Data Protection Agency
 - ensuring a proper independent investigation of the matters reported via the whistleblower function, and that there is an appropriate follow-up on each reported matter
 - 5.7.4 Review amendments to the Company's Code of Conduct prior to the endorsement by the Board of Directors, oversee the implementation of the Code of Conduct and supervise that procedures and processes are established to ensure compliance with the Code of Conduct
 - 5.7.5 Call any member of staff to be questioned at a meeting of the Audit Committee as and when required
 - 5.7.6 Satisfy itself that management is taking appropriate action from audit and other reports, and
 - 5.7.7 Annually review and update its Charter, recommending any changes to the Board of Directors and to evaluate its own performance on a regular basis
 - 5.7.8 Secure that staff of the company can, in confidence, raise concerns about possible improprieties in matters of financial reporting and/or financial control.

6 Chairman's Responsibility

- 6.1 Upon the request of the external auditors, the Chairman of the Audit Committee shall convene a meeting of the Audit Committee to consider any matters the external auditors believe should be brought to the attention of the Board of Directors.
- 6.2 On a regular basis inform the Board of Directors about discussions in the Audit Committee. Upon request from the Board of Directors all material presented to or prepared by the Audit Committee will be available to all members of the Board of Directors.
- 6.3 Minutes of the Audit Committee's meetings will be distributed to members of the Board of Directors.
- 6.4 Conduct a self-evaluation for assessing the Audit Committee's performance on an annual basis.
- 6.5 On an annual basis conduct a self-evaluation of the Audit Committee's performance in respect of the Audit Committee's agreed scope of work and obligations as described in the Terms of Reference.

7 Audit Committee Member Fee

- 7.1 Each member of the Audit Committee shall receive an annual fee to be fixed by the Board of Directors.

8 Amendment

- 8.1 The provisions herein are subject to such revisions by way of modification, addition or otherwise as the Board of Directors may from time to time consider appropriate in so far as such revisions are consistent with the provisions of the Companies Act.
- 8.2 The Charter shall be renewed and changed at least once a year if it is considered necessary. This shall take place at the Audit Committee meeting prior to year-end. Significant changes and additions to this Charter shall be presented to the Board of Directors for approval.