
Charter of the Audit Committee

Preamble

The present Charter shall be reviewed, updated and approved, when considered necessary by the Board of Directors (BoD) or required by law.

The Committee will, in addition to considering issues relating to NORDEN, also give consideration to issues affecting the other companies in the NORDEN Group (including both wholly and majority owned subsidiaries).

Reference to NORDEN in these terms of reference should, where appropriate, be read to include NORDEN Group.

1. Purpose of Committee

The Audit Committee (AC) is a standing committee of the Board of Directors. The purpose of the AC is to assist the Board of Directors in fulfilling its oversight responsibility relating to as a minimum:

- 1.1. Monitor the financial reporting process and submit recommendations to ensure its integrity;
- 1.2. to monitor whether NORDEN's internal control system, risk management systems, and if relevant, its internal audit function efficiently;
- 1.3. to monitor the statutory audit of the Annual Report; taking into account any findings or conclusions by the competent authority; and
- 1.4. to monitor and check the auditor's independence, including especially delivery of non-audit services to NORDEN.

2. Organisation

The AC shall consist of members of the BoD or members appointed on a general meeting of NORDEN. The majority of the AC members need to be independent of NORDEN. Furthermore, at least one must have qualifications within accounting and auditing as required by the Auditors Act, and the AC as a whole shall have competences relevant to the shipping industry. The Committee shall in the minutes of the first meeting each year evaluate and record the fulfilments of the requirements for the independent and qualified member/members of the AC.

Members of the AC are elected for a one-year term by and among the members of the BoD. Election usually takes place at the board meeting following the Annual General Meeting.

The Chairman of the AC will be appointed by the BoD.

3. Responsibilities

The primary function of the Audit Committee is to assist the BoD by reviewing information within the areas of supervision, cf. clause 1, and based hereon present recommendations to the BoD. All decisions will be made by the BoD.

The AC shall have the following responsibilities:

3.1. Supervision of the external auditors, involving

- a) submit a recommendation to the BoD of candidates for appointment as external auditors;
- b) evaluation of the external auditors' qualifications, independence, hereunder firm and partner rotation, and performance;
- c) reviewing the terms of the external audit engagement;
- d) reviewing the audit plan of the external auditors;
- e) evaluation of the overall quality and effectiveness of the external audit, hereunder also taking into account the outcome of the latest quality control of the external auditors;
- f) determination of that no management restrictions are being placed upon the auditors;
- g) evaluation of the adequacy and effectiveness of the administrative, operating and accounting policies of NORDEN through active communication with Executive Management and auditors;
- h) determination of the need and, if relevant, adequacy of internal audit of NORDEN including (but not limited to) administrative, operating and accounting controls;
- i) evaluation of the adequacy of the accounting and internal control systems of NORDEN by reviewing written reports from the auditors, and monitoring management's responses and actions to correct any noted deficiencies;
- j) requiring reports from management on any significant proposed regulatory, accounting or reporting issues, to assess the potential impact upon the financial reporting process of NORDEN;
- k) review and monitor the independence of the external auditors, including discussion threats to independence and applicable safeguards with the external auditors;
- l) develop and pre-approve an appropriate policy regarding the provision of services provided by the external auditors, hereunder once a year receive from Executive Management a report on services provided by the external auditors in the preceding year;
- m) overseeing the external auditors compliance with additional reporting requirements in the Audit Report and the report to the AC.

3.2. Supervision of the Financial Reporting, involving:

- a) reviewing the financial statements, the appropriateness of the accounting policies, critical choices and judgements in the accounting policies and significant accounting estimates hereunder significant and unusual transactions, valuations and reporting, etc. with the CFO, and, if appropriate, recommend acceptance to the BoD;
- b) monitoring the financial performance of NORDEN;
- c) monitoring and evaluating all risks related to financial reporting;
- d) reviewing all written financial reports to be made to the public prior to their release;
- e) reviewing and approving all significant accounting policy changes;

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- 3.3. At least annually oversee the monitoring of systems of internal controls, including:
- a) monitoring compliance with NORDENs control environment (internal systems, procedures and controls);
 - b) evaluating the exposure of NORDEN to, and overseeing controls to minimise, fraud;
 - c) overseeing the ethical policies and practices of NORDEN;
 - d) understanding the risks of the business;
 - e) understanding organisation practices for management and mandatory regulatory compliance; and
 - f) evaluate the Statement in the statutory Annual Report required by section 107 b in the Danish Financial Statements Act regarding internal controls and risk management related to financial reporting process.
- 3.4. Management of non-quantitative risks¹
- a) at least once a year review, evaluate and monitor the risk management of NORDEN hereunder how significant risks are identified and managed;
 - b) to receive and consider proposals relating to the risk management policy at NORDEN;
 - c) having considered and finalised this proposal, to make such recommendations to the BoD as the AC considers appropriate; and
 - d) after approval of the risk management policy by the BoD, to monitor its implementation in consultation with the CEO and CFO the above-mentioned.
- 3.5. Corporate Governance
- a) The AC will oversee the corporate governance principles and practices which apply to NORDEN and make recommendations to the BoD on these. This will include reviewing existing methods of communication between members, the BoD, its Committees and Management and making recommendations to the BoD to facilitate the improvement of such communication. This include disclosures in the Annual Report, web site etc.
 - b) The AC will monitor the standard for corporate conduct in areas such as arm's length dealings and likely conflicts of interest.

4. Meetings

Meetings will be held quarterly and otherwise on an "as needs" basis as determined by the Chairman. The Chairman is required to call a meeting of the AC if requested to do so by member of the AC, by the CEO, CFO or by the external auditors.

The CFO and the SVP in the Finance & Accounting department will normally attend the meetings, unless the auditors request to speak with the AC in absence of management. The SVP will act as a secretary for the AC.

The AC will have at least the following meetings in respect of an accounting year:

¹ Risks are divided in two groups: Quantitative risks (liquidity, capital adequacy and market risks) which are under the responsibility of the Risk Committee, and Non-quantitative risks (all other, e.g. IT security, oil spill, fraud etc.) which are under the responsibility of the Audit Committee.

Assessment of auditor's independence and competences, entering into fee agreement, framework for services, report on services provided by the auditor as well as proposal to the BoD regarding appointment of auditor.	First/second quarter, year 1
Following appointment at the annual general meeting, review and discussion of the auditor's planning of the audit for the current financial year are carried through, including discussion of risks and other focus areas. Moreover, guidelines should be set up for determining agenda and meetings as well as reporting.	Second quarter, year 1
Review and discussion of draft Auditor's Long-form Report concerning the outcome of the interim audit. The interim audit will typically focus on a review of NORDENs registration systems and internal controls.	Third/fourth quarter, year 1
Review and discussion of draft Auditor's Long-form Report relating to the Annual Report as well as the outcome of the audit.	First quarter, year 2

5. Agenda, minutes and reports

An agenda, together with materials relating to the subject matter of each meeting, shall be sent to members of the AC prior to each meeting.

Minutes for all meetings of the AC shall be prepared to document the AC's discharge of its responsibilities. The minutes shall be circulated in draft form to all AC members and the external auditors to ensure an accurate final record, shall be approved at a subsequent meeting of the AC and shall be distributed periodically to the full BoD and the external auditors. Furthermore, the AC are required to inform the BoD of the outcome of the statutory audit and explain its contribution to the integrity of the financial statements.

Board of Directors
Dampskibsselskabet NORDEN A/S
Hellerup, 16 August 2017

Klaus Nyborg

Johanne Riegels Østergård

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