

# AUDIT COMMITTEE CHARTER

**NIBC**

DATE  
August 2020



**ANNEX C**  
**CHARTER GOVERNING THE AUDIT COMMITTEE OF THE SUPERVISORY BOARD**

The charter governing the Audit Committee of the Supervisory Board (the “Charter AC”) of NIBC Holding N.V. and NIBC Bank N.V. (jointly referred to as “NIBC” or the “Company”) was adopted by the Supervisory Board of NIBC on 4 June 2019 with effective date 4 June 2019.

**Article 1**

**Responsibilities of the Audit Committee (AC)**

1.1 Without prejudice to Article 5.1. of the Charter SB, the AC advises the Supervisory Board on its responsibilities and prepares issues for decision in the Supervisory Board by presenting proposals and recommendations, at the initiative of the Managing Board and/or Supervisory Board or otherwise in the areas mentioned below. Some authorities of the Supervisory Board are delegated to the AC. These delegated authorities are explicitly described in this Charter. Any use by the AC of the delegated authority is communicated to the full Supervisory Board in the next Supervisory Board Meeting. The areas below fall under the responsibility of the AC:

- financial reporting processes, including integrity and quality of the Company’s financial reporting and the effectiveness of the Company’s internal risk management and control systems;
- auditing processes, the relations with the external auditor, the role and functioning of the internal audit department, and compliance with recommendations and following up of comments by the internal and external auditors;
- processes by which the Company monitors compliance with legislation and regulations;
- the Company’s tax policy;
- funding of the Company; and
- applications of information and communication technology, including cybersecurity risks.

1.2 The AC shall report to the SB on its deliberations and findings. This report will, at least, include the following information:

- the methods used to assess the effectiveness of the design and operations of the internal risk management and internal control systems;
- the methods used to assess the effectiveness of the internal and external audit processes;
- material considerations regarding financial reporting, and
- the way material risks and uncertainties, as mentioned in the Managing Board’s Report, have been analysed and discussed, along with a description of the most important findings of the AC.

1.3 The Charter AC and the composition of the AC are published on the Company’s website.

**Article 2**

**Information supply for the AC**

2.1 In order to perform its tasks adequately, the AC’s information needs must be met in an adequate manner. To this end, the AC will receive the following written information:

With regard to the financial and (semi) annual reporting, amongst others:

- internal monthly and/or quarterly financial reports;

- half-year figures;
- (draft) annual accounts;
- (draft) press releases on the half-year figures and the annual accounts; and
- papers on proposed changes in accounting principles.

With regard to internal and external audit, amongst others:

- Internal Audit annual audit plans;
- Internal Audit progress reports;
- Internal Audit reports on follow-up of points for improvement;
- engagement letter and fee letter from the external auditor;
- external auditor's audit plan;
- report on the external auditor's findings;
- management letter and/or audit report from the external auditor; and
- information on instructions to the external auditor regarding engagements (audit and non-audit) that are not related to the audit of the annual accounts.

2.2 In addition to this regular information flow, the AC may request additional information that is important for the performance of its tasks. The Managing Board shall supply such information at the AC's earliest request.

### **Article 3**

#### **Composition, expertise and independence of the AC**

- 3.1 The AC shall consist of at least three members, to be appointed by the Supervisory Board from among its members. All other members of the Supervisory Board have a standing invitation to join the AC meetings.
- 3.2 Without prejudice to Article 3.3 of the Charter SB, the composition of the AC shall meet the following requirements:
- a) at least one member shall have competence in accounting or auditing. The chair of the AC has specialist knowledge and experience in the application of accounting principles and internal control processes;
  - b) a number of its members has sound knowledge of the fields of corporate governance, and internal governance or the experience needed to thoroughly supervise these areas;
  - c) a continuous education program shall be in place in which relevant internal and external parties, provide training to (new) AC members on relevant topics;
  - d) the majority of its members must be independent within the meaning of article 3.4 of the Charter SB; and
  - e) neither the Supervisory Board Chairman nor one of the (former) Managing Board members may (simultaneously) chair the AC.
- 3.3 Members are appointed until further notice. AC members may be dismissed by the Supervisory Board at any time. Membership is terminated if the member no longer serves on the Supervisory Board.

### **Article 4**

#### **Chairman and Secretary**

- 4.1 The Supervisory Board shall appoint one of the committee members as the AC Chairman with due observance of article 3.2e. The Chairman is responsible for the correct functioning of the AC. He/she shall act as the AC's spokesperson and as the main contact for the Supervisory Board.
- 4.2 The Head of Internal Audit, or a person designated by him/her with the consent of the AC, is the AC Secretary.

## **Article 5**

### **AC meetings (committee agenda, participants and minutes)**

- 5.1 The AC will meet at least four times a year, and also as often as one or more of its members consider necessary. As a rule, the meetings are held at the Company's offices, but they may also be held elsewhere.
- 5.2 Unless the AC states that it wishes to meet in the absence of other parties, the Company's Managing Board members, the Head of Internal Audit and the external auditor will be invited to attend the AC's meetings as a standard procedure. Other NIBC employees and third parties may also be invited on an ad hoc basis. The persons mentioned above are invited to attend the whole meeting, unless indicated otherwise.
- 5.3 If the Company's external auditor is not invited, he may request the AC Chairman to allow him to attend an AC meeting.
- 5.4 The AC shall meet with the Company's external auditor as often as it considers necessary, but at least once a year, in the absence of the Managing Board members.
- 5.5 Meetings shall be convened via the Chairman, by the person requesting the meeting. Extraordinary meetings can be convened as soon as there is a need to do so. The Head of Internal Audit and/or the external auditor may propose an extraordinary meeting if they consider this necessary.
- Wherever feasible, AC members should receive the notice convening the meeting and the agenda on the topics to be discussed at least five days prior to the meeting.
- 5.6 The quorum for each meeting is two members.
- 5.7 The Head of Internal Audit and/or the external auditor must be given an opportunity to explain their reports and give presentations to the AC.
- 5.8 The AC Secretary shall take minutes of the AC meetings. As a rule, the minutes shall be adopted at the next meeting. However, if all AC members approve the contents of the minutes, they may also be adopted at an earlier date.
- 5.9 Every Supervisory Board member shall have unlimited access to all AC data.

## **Article 6**

### **Application of the Charter SB**

The relevant articles of the Charter SB shall apply likewise to the Charter AC.

## **Article 7**

### **Evaluation of the functioning of the AC and its members**

- 7.1 Each year, the AC shall evaluate the Charter AC and shall submit any amendments to the Supervisory Board for approval.
- 7.2 Each year, the AC shall evaluate its own functioning and report on this to the Supervisory Board.

## **Article 8**

### **AC's audit responsibilities**

The AC's audit responsibilities include

- I Assessing NIBC's financial reporting procedures and supervising its financial disclosures.

To this end, the AC will:

- a) supervise the Company's financial disclosures (choice of accounting policies, application and assessment of the effects of new rules, insight into the treatment of 'estimates' in the annual accounts, forecasts, the relevant work of internal and external auditors, etc.);
- b) consider important issues in the field of reporting, including recent rulings of professional and regulatory organisations, as well as the impact of these issues on the annual accounts. Changes in accounting principles will be explicitly submitted to the AC;
- c) assess the findings of any investigations by regulatory and/or supervisory authorities;
- d) devote special attention to complex and/or unusual transactions that are reflected in the Company's reports;
- e) discuss the annual accounts and the outcomes of audits of the annual accounts with the management and the external auditor;
- f) assess the other sections of the Annual Report prior to publication, and determine whether the information is transparent and consistent with the committee members' knowledge of the company and its activities;
- g) prepare Supervisory Board decisions regarding the Company's annual accounts, annual budget and major capital investments;
- h) assess the quarterly and half-year figures and the annual accounts and determine whether they are complete and consistent with the information known to the committee members, assess whether the half-year figures and annual accounts are based on the right accounting principles; and
- i) assess press releases on half-year figures and the annual accounts prior to publication and determine whether the information is transparent and consistent with the committee members' knowledge of the Company and its activities.

- II Ensuring supervision and (prior) control and systematic audit of the management of the risks and control systems related to the bank's business activities, and advising the management on the operation of these systems.

To this end, the AC will:

- a) assess (changes in) the design and effectiveness of the system for compliance with legislation and regulations within the areas that fall under the responsibility of the AC;

- b) assess whether the management communicates the right 'management culture' by highlighting the importance of internal control and risk management, and whether it ensures that all employees understand their roles and responsibilities;
- c) ask the management and internal and external auditors about significant risks and exposures and about plans for adequate control of such risks;
- d) supervise compliance with Internal Audit points for improvement and recommendations, and the follow-up to comments from external auditors;
- e) ensure that the Supervisory Board is aware of matters that could affect the Company's financial position or activities;
- f) supervise the Company's tax policy;
- g) supervise the funding of the Company;
- h) supervise the application of information and communication technology, including risks relating to cybersecurity, consider the reliability and continuity of the automated systems; and
- i) assess how the management accounts for the security of computer systems, data and applications, and the emergency plans with regard to the processing of financial data in the event of serious system malfunctions.

### III Assessing the activities and adequacy of the size and organisational structure of Internal Audit.

To this end, the AC will:

- a) supervise the functioning of Internal Audit, in particular its task of assessing whether internal control measures have been designed properly, are present and are working effectively, including the quality and effectiveness of the system of governance, risk management and the bank's control procedures, the provision of a central, independent and objective review and assurance of any performance management and remuneration principle, policy or practice, the approval of the Audit Plan of Internal Audit and noting of its considerations and findings;
- b) ensure that no unfair restrictions are imposed on Internal Audit's independent position or on the required capacity and budget;
- c) ensure that Internal Audit has access to information that is important for the performance of its work, with Internal Audit having unrestricted access to the AC and the external auditor;
- d) assess the qualifications of the Internal Audit employees, and recommend the Supervisory Board on the appointment and the dismissal of the Head of Internal Audit;
- e) assess the effectiveness of Internal Audit on the basis of an annual review and approval of the Internal Audit Charter, a three-year evaluation of the Internal Audit function, periodic external quality assessments, the regular progress reports from Internal Audit and the relevant reports of the external auditor;
- f) ensure that important findings, conclusions and points for improvement are received from Internal Audit and discussed in time;
- g) supervise that the essence of Internal Audit's audit results are reported to the AC and shared with the external auditor, including any flaws in the effectiveness of the internal risk management and control systems, any findings and observations with a material impact on the risk profile of the Company, and failings in the follow up of recommendations made by Internal Audit;
- h) ensure that Internal Audit, external auditor and AC consult periodically, including the risk analyses and the audit plan of both Internal Audit and the external auditor.
- i) ensure that Internal Audit initiates a discussion about the audit plan, risk analysis and findings of both Internal Audit and external auditor with 'De Nederlandsche Bank' at an early stage.

- Furthermore,
- j) periodically, the AC Chairman will conduct bilateral talks with the Head of Internal Audit.

#### IV Assessing the external auditor's performance.

To this end, the AC will:

- a) Maintain regular contact with and supervise relations with the external auditor, in particular including:
- (i) the assessment of the external auditor's independence, remuneration and any non-audit work performed for the Company;
  - (ii) the determination of the external auditor's involvement in the content and publication of the Company's financial reports, other than the annual accounts; and
  - (iii) acting as the first point of contact for the external auditor, if the latter detects irregularities in the contents of financial reports and these are not corrected after they have been drawn to the attention of the Managing Board Chairman and the Chief Financial Officer.
- b) evaluate the audit process and assess the external auditor's performance and fees on an annual basis;
- c) advise the Supervisory Board on the nomination for (re)appointment or dismissal and prepare for the selection of the external auditor and the external auditor's engagement to audit the financial statements, giving due consideration to the Managing Board's observations during the aforementioned work;
- d) assess the scope and audit method proposed by the external auditor and ensure that no unreasonable restrictions or limitations are imposed in relation to that scope;
- e) assess audit and non-audit instructions issued to the external auditor (after the event) that do not relate to the audit of the annual accounts; and
- f) as part of the general audit assignment for the financial statements, discuss with the external auditor the scope and materiality of its audit plan, the principal risks of the annual reporting identified by the external auditor in its audit plan, and its findings and outcomes of the audit work on the financial statements, and management letter each year, which shall contain the external auditor's findings concerning the quality and effectiveness of the system of governance, risk management and the bank's control procedures.

#### **Article 9**

At least once a year, the AC will report to the Supervisory Board, together with the Managing Board, on the functioning of, and developments in, the relationship with the external auditor, in particular including the latter's independence and the desirability of the rotation of the responsible partners within a firm of external auditors instructed to perform the audit and non-audit work for the Company. The selection and nomination of the external auditor will depend largely on the outcomes of this report.

#### **Article 10**

At least once every four years, the AC and the Managing Board shall make a thorough joint assessment of the performance of the external auditor in the various entities and capacities in which the latter operates. The General Meeting of Shareholders will be notified of the main conclusions of the assessment, for the purpose of the nominations for an external auditor.

**Article 11**

The external auditor shall receive the financial information underlying the adoption of the half-year figures and other interim reports, and shall be given an opportunity to respond to all information.

**Article 12**

The AC shall ensure that the Managing Board processes important findings and recommendations of the external and internal auditors in good time.