Handelsbanken

Handelsbanken plc

Board Audit Committee

Terms of Reference

Version 10

Approved by Board: 25 June 2025

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Board Audit Committee – Terms of Reference

1 Purpose

1.1 The Board Audit Committee (the Committee) shall be accountable to the board of directors of Handelsbanken plc (the Board). The Committee shall, having regard to the matters set out in the steering guidelines issued by the group chief executive on behalf of the shareholder, assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the internal system of financial controls and the internal and external audit process.

2 Membership

2.1 The Committee shall comprise at least three members who shall be appointed by the Board, on the recommendation of the Board Nomination Committee in consultation with the Chair of the Committee.

2.2 At least two members of the Committee shall be independent non-executive directors. The Committee shall include one member of the Board Risk and Compliance Committee. At least one of the members shall have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which Handelsbanken plc operates. The chair of the Board shall not be a member of the Committee.

2.3 Only members of the Committee have the right to attend Committee meetings. However, the chief finance officer, chief risk officer, chief credit officer, chief audit executive and the external audit lead partner will be invited to attend meetings of the Committee on a regular basis. Other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

2.4 The Board shall appoint the chair of the Committee. The chair must have recent and relevant financial experience, with competence in accounting and/or auditing. In the absence of the chair and/or an appointed deputy at a committee meeting, the remaining members present shall elect one of themselves to chair the meeting.

3 Secretary

3.1 The company secretary, or a nominee of the company secretary, shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

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4 Quorum and voting

4.1 The quorum necessary for the transaction of business shall be two members.

4.2 Decisions of the Committee require majority approval unless otherwise specified.

4.3 If members are unavailable for a particular meeting, the remaining member(s) may co-opt an independent non-executive director to constitute a quorum.

5 Frequency of meetings

5.1 The Committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

5.2 Outside of the formal meeting programme, the chair will maintain a dialogue with key individuals involved in Handelsbanken plc's governance, including the chairman of the Board, the chief executive officer, the chief finance officer, the external audit lead partner and the chief audit executive.

6 Notice of meetings

6.1 Meetings of the Committee shall be convened by the secretary of the Committee at the request of the chair or any of its members, or at the request of the external audit lead partner, the chief financial officer or chief audit executive, if they consider it necessary.

6.2 Unless otherwise agreed by the Committee, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee and any other person required to attend, no later than five working days before the date of the meeting. The agenda shall be circulated together with relevant supporting papers to Committee members and other attendees as appropriate, at the same time.

7 Minutes of meetings

7.1 The secretary shall minute the proceedings and decisions of all Committee meetings, including the names of those present and in attendance.

7.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the Board unless in the opinion of the chair it would be inappropriate to do so.

8 Duties

The Committee shall carry out the following duties on behalf of the Board:

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8.1 Financial reporting

8.1.1 The Committee shall monitor the integrity of the financial statements of Handelsbanken plc, including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the Board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.

8.1.2 In particular, the Committee shall review and challenge where necessary:

8.1.2.1 the application of significant accounting policies and any changes to them

8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible

8.1.2.3 whether Handelsbanken plc has adopted appropriate accounting policies and made appropriate estimates and judgements, including a report from Internal Audit on the effectiveness of model risk management for the financial reporting, taking into account the external auditor's views (if any) on the financial statements

8.1.2.4 the clarity and completeness of disclosures in the financial statements and the context in which statements are made

8.1.2.5 all material information presented with the financial statements, including any strategic report and any corporate governance statements relating to the audit and to risk management

8.1.3 Prior to Board approval, the Committee shall perform an initial review of any other statements containing financial information (where to carry out such review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation).

8.1.4 Where the Committee is not satisfied with any aspect of the proposed financial reporting by Handelsbanken plc, it shall report its views to the Board.

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8.2 Narrative reporting

8.2.1 Where requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board on whether, taken as a whole, the financial statements are fair, balanced, understandable, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit and loss of the Bank and provide the information necessary for the stakeholder to assess Handelsbanken plc's performance.

8.3 Internal controls and risk management systems

The Committee shall:

8.3.1 keep under review Handelsbanken plc's internal financial controls systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems, taking into account the external auditor's communications with the Committee.

8.3.2 review and approve the statements to be included in the annual report concerning internal control and risk management, including the assessment of principal risks and emerging risks.

8.4 Whistleblowing

8.4.1 The Committee shall review the adequacy and security of Handelsbanken plc's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

8.5 Internal Audit

The Committee shall:

8.5.1 approve the appointment or termination of appointment of the chief audit executive, taking account of the views of the group chief audit executive.

8.5.2 review and annually approve the internal audit charter ensuring it is appropriate for the current needs of Handelsbanken plc.

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8.5.3 review and approve the annual internal audit plan, taking account of the requirements of the shareholder and the annual Group audit plan, to ensure it is aligned to the key risks of the business, and receive regular reports on work carried out.

8.5.4 ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure that there are clear channels in place to allow for different functions to communicate effectively with each other and that the internal audit function evaluates the effectiveness of these functions in performing each of their roles as part of its internal audit plan and ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors.

8.5.5 ensure the chief audit executive has direct access to the chair of the Board and to the chair of the Board Audit Committee, providing independence from the executive and accountability to the Committee.

8.5.6 carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:

8.5.6.1 meet with the chief audit executive without the presence of management to discuss the effectiveness of the function

8.5.6.2 review and assess the annual internal audit work plan

8.5.6.3 receive a report on the results of the work of the internal audit function

8.5.6.4 determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business

8.5.6.5 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function

8.5.7 review, monitor and assess the role, mandate and effectiveness of the internal audit function in the overall context of Handelsbanken plc's risk management systems and the work of compliance, finance and the external auditor, and consider whether an independent, third party review of processes is appropriate.

8.5.8 consider whether an independent, third party review of processes is appropriate.

8.5.9 oversee internal audit's compliance with the CIIA Code of Practice and Global Internal Audit Standards through the:

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8.5.9.1 receipt and review of the annual independence and objectivity statement from the internal audit function

8.5.9.2 annual review of the strategy and performance objectives for the internal audit function, and the adequacy of the resources both in numbers and capabilities available to fulfil it

8.5.9.3 annual review of the effectiveness and efficiency of internal audit function based on the results of quality assurance and improvement programme and the performance of the internal audit function against agreed objectives

8.5.9.4 annual review of the chief audit executive's report to the Committee on how the principles in the Chartered Institute of Internal Auditors Code of Practice have been applied

8.6 External audit

The Committee shall, having due regard to any Group-wide audit tender:

8.6.1 consider and make recommendations to the Board (which following approval by the Board are to be agreed by the shareholder) in relation to the appointment, re-appointment and removal of Handelsbanken plc's external auditor.

8.6.2 in the context of a Group-wide audit tender, keep itself informed of the selection procedure for the appointment of the audit firm, and in the absence of a Group-wide audit tender develop and oversee such selection procedure in line with applicable regulatory requirements, in either case ensuring that all tendering firms have access to all necessary information and individuals during the tendering process.

8.6.3 if any such external auditor resigns, investigate the issues leading to this and decide whether any action is required.

8.6.4 oversee the relationship between Handelsbanken plc and the external auditor. In this context the Committee shall, having due regard to the views of the Group chief auditor:

8.6.4.1 approve their remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted

8.6.4.2 monitor the level of fees paid by Handelsbanken plc to the external auditor (in relation to both audit and non-audit work) compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the ethical standard

8.6.4.3 approve, and review annually, their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit

8.6.5 monitor and annually assess the external auditor's independence and objectivity taking into account:

8.6.5.1 relevant UK law, regulation, other professional requirements and the ethical standard

8.6.5.2 the Group's relationship with the auditor

8.6.5.3 guidance on rotation of audit partner and staff

8.6.5.4 any threats that could adversely affect the auditor's independence and objectivity

8.6.5.5 the safeguards and processes applied to mitigate those threats including the provision of any non-audit services

8.6.6 satisfy itself that there are no relationships between the auditor and the company (other than the ordinary course of business) which could adversely affect the auditor's independence and objectivity.

8.6.7 agree with the Board a policy on the employment of former employees of the company's auditor, taking into account the ethical standard and legal requirements, and monitor the application of this policy.

8.6.8 assess annually the qualifications, expertise and resources of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures.

8.6.9 seek to ensure coordination of the external audit with the activities of the internal audit function.

8.6.10 evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee.

8.6.11 develop and recommend to the Board, taking into account the policy of the shareholder, Handelsbanken plc's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:

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8.6.11.1 threats to the independence and objectivity of the external auditor and any safeguards in place

8.6.11.2 the nature of the non-audit services

8.6.11.3 whether the external audit firm is the most suitable supplier of the non-audit service

8.6.11.4 the fees for the non-audit services, both individually and in aggregate, relative to the audit fee

8.6.11.5 the criteria governing compensation

8.6.12 meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss the auditor's remit and any issues arising from the audit.

8.6.13 discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

8.6.14 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:

8.6.14.1 a discussion of any major issues which arose during the audit

8.6.14.2 the auditor's explanation of how the risks to audit quality were addressed

8.6.14.3 key accounting and audit judgements

8.6.14.4 the auditor's view of their interactions with senior management

8.6.14.5 levels of errors identified during the audit

8.6.15 review any representation letter(s) requested by the external auditor before they are signed by management.

8.6.16 review the management letter and management's response to the auditor's findings and recommendations.

8.6.17 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor's response to questions from the Committee.

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9 Reporting responsibilities

9.1 The chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall formally report to the Board on how it has discharged its responsibilities. This report shall include:

9.1.1 the significant issues that it considered in relation to the financial statements (required under paragraph 8.1.1) and how these were addressed

9.1.2 its assessment of the effectiveness of the external audit process (required under paragraph 8.6.8), the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans

9.1.3 any other issues on which the Board has requested the Committee's opinion

9.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

9.3 If required, the Committee shall compile a report for inclusion in the annual report about its activities and how the Committee has addressed the effectiveness of the external audit process, the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor and such other information requirements.

10 Other matters

The Committee shall:

10.1 in line with Handelsbanken plc's policy governance review, recommend and approve, as appropriate, any updates to policies within its remit.

10.2 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for advice and assistance as required.

10.3 be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

10.4 give due consideration to laws, regulations and any other applicable rules relevant to the matters within its terms of reference, as appropriate.

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10.5 be responsible for oversight of the coordination of the internal and external auditors.

10.6 oversee any investigation of activities, which are within its terms of reference.

10.7 work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees.

10.8 arrange for periodic reviews of its own performance and constitution and, at least annually, review its terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board.

11 Authority

The Committee is authorised to:

11.1 seek any information it requires from any employee/director of Handelsbanken plc in order to perform its duties.

11.2 obtain, at Handelsbanken plc's expense, independent legal, accounting or other professional advice on any matter it believes it necessary to do so.

11.3 call any employee to be questioned at a meeting of the Committee as and when required.

11.4 have the right to notify the shareholder of any issues that cannot be resolved between the Committee and the Board.

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Version	Amendments	Approved by Board
1	Initial adoption	20 November 2018
2	Annual review	20 February 2020
3	Addition of clause 4.3 (re quorum)	19 March 2020
4	Annual review. Alignment with latest ICSA model wording for audit committees based on UK Corp Gov Code and FRC guidance.	24 February 2021
5	Updates reflecting increase in members and changes to their appointment period.	19 January 2022
6	Update reflecting a report from Internal Audit on the effectiveness of model risk management for the financial reporting	30 January 2023
7	Annual review. No changes.	27 June 2024
8	Annual review. Inclusion of the Committee's responsibility to oversee internal audit's compliance with the CIIA Code of Practice and Global Internal Audit Standards. Included consideration by the Committee that independent reviews of internal audit take place.	29 January 2025
9	Update to section 2.2 following changes to composition across all committees and reflect that at least two members shall be ineds (in line with Board decision 12 March 2025).	12 March 2025