



Terms of Reference for the Audit Committee

Appendix to the Code of Governance, setting out the principles and best practices to be followed by SIDN's Supervisory Board

These Terms of Reference have been drawn up on the basis of Article 5.2 of the Code of Governance, setting out the principles and best practices to be followed by SIDN's Supervisory Board.

Article 1

Remit of the Audit Committee

- 1.1. Notwithstanding the provisions of Article 5.1 of the Code of Governance of SIDN's Supervisory Board, the Audit Committee is to advise the Supervisory Board on matters relevant to its remit and is to make preparations for decision-making by the Supervisory Board on such matters.
- 1.2. The Audit Committee is to generally support the Supervisory Board in the discharge of its supervisory responsibilities with regard to the integrity of SIDN's financial reporting and the system for monitoring SIDN's compliance with applicable legislation, regulations and codes of conduct. The Audit Committee is also to support the Supervisory Board in the discharge of its supervisory responsibilities with regard to the financing of SIDN and the application of its information and communications technology. The Audit Committee is to report its findings to the Supervisory Board.
- 1.3. More specifically, the Audit Committee is to concern itself with at least the following matters:
 - a. compliance with statutory and other legal requirements and regulations relating to the assessment, content or presentation of financial information and reports, or audit reports;
 - b. substantial discrepancies between financial targets and actual financial performance;
 - c. significant changes in the way financial reports are presented;
 - d. developments in relevant financial ratios and changes in the way SIDN presents certain financial information;
 - e. the principles adopted by the Management Board for the formulation and analysis of prognoses or assessments of SIDN's future financial performance; and
 - f. significant business risks and the recommendations and commentary of SIDN's external accountant and auditor.
- 1.4. The Audit Committee is to assess, prior to its publication, financial and non-financial information prepared for inclusion in SIDN's annual and interim reports and such like, including statements containing analysis of SIDN's financial performance; the Audit Committee is to assess the accuracy and completeness of such information in consultation with SIDN's external accountant and advisers. The Audit Committee is to report its findings to, and discuss such reports and information with, the Supervisory Board before the relevant documents are approved by the Supervisory Board or published by SIDN.
- 1.5. Where appropriate, the Audit Committee is to discuss analyses made by and correspondence between the Management Board and/or the external accountant, which deal with significant (annual or interim) reporting issues and policies relating to preparation of the financial reports.
- 1.6. The Audit Committee is to consider all matters that the external accountant is required to draw to the attention of the Supervisory Board or Management Board in accordance with generally accepted accounting or auditing guidelines.
- 1.7. With regard to the external audit and in preparation for definitive decision-making by the Supervisory Board, the Audit Committee is to:



- a. review the annual audit plan prepared by the external accountant, including plans for coordination with the auditor;
 - b. formally review the independence of the external accountant at least once a year, record the conclusion of that review in writing and, if appropriate, concern itself with changes to SIDN's policy on the independence of the external accountant;
 - c. assess the performance of the external accountant against measurable criteria set out in a formal mandate agreement, and regularly advise the Supervisory Board regarding the (re)appointment of the external accountant and the rotation of the managing audit partners;
 - d. approve in advance all audit and permitted non-audit services to be provided by the external accountant in accordance with SIDN's policy regarding the independence of the external accountant and in accordance with applicable law;
 - e. approve changes to SIDN's policy regarding the independence of the external accountant;
 - f. define a policy on SIDN's employment of people currently or previously employed by the external accountant;
 - g. discuss the external accountant's year-end report and internal audit report with the external accountant, and advise the Supervisory Board accordingly;
 - h. discuss with the external accountant the ramifications of all essential accounting policies, all alternative ways of handling financial information discussed with the auditor and the approach adopted by the external accountant;
 - i. take any other action to regulate the relationship between SIDN and its external accountant that is required under the applicable law; and
 - j. act as the first point of contact for the external accountant, if the external accountant comes across any irregularity in SIDN's financial reporting.
- 1.8. Once a year, the Audit Committee is to discuss with the Management Board SIDN's business management policy, the principal areas of risk and the way that SIDN assesses and manages the risk to which it is exposed.
- 1.9. Once a year, the Audit Committee is to review the effectiveness and results of the investigation and follow-up procedures adopted by the Management Board. The Audit Committee is also to receive regular updates from the Management Board, the external accountant and the auditor.
- 1.10. In preparation for decision-making by the Supervisory Board, the audit committee is to provide the Supervisory Board with all the information and documentation that it may reasonably require in order to perform the supervisory tasks referred to in this article or that the Supervisory Board has requested.
- 1.11. The Supervisory Board delegates to the Audit Committee only powers relating to matters specifically referred to in these Terms of Reference or rightly required and powers relating to other matters identified by the Supervisory Board.

Article 2

External accountant

- 2.1 The Audit Committee is to make a recommendation regarding the appointment of an external accountant, which under SIDN's Constitution requires the approval of the Supervisory Board. The Audit Committee is to consider the appropriateness of retaining the external accountant and to recommend replacement if appropriate.
- 2.2 The external accountant is required to confirm his independence in a written statement. This statement has to explain the basis on which independence is asserted and to address all relevant matters, including the



external accountant's internal quality control arrangements and procedures for gathering and tracing information, related assessment procedures or findings and conflicts with any policy that SIDN may have on the independence of the external accountant. The statement is also to report any important matters that have come to light in the previous five years in the context of the external accountant's internal quality control procedures or in the light of investigations made by a governmental or professional body in connection with any audit undertaken by the external accountant. Where such matters are reported, the statement must also describe the corrective action undertaken.

Article 3

Whistle-blowers

The Audit Committee is to ensure that complaints about monitoring, accounting or audit matters are dealt with properly and that whistle-blowers' procedures are in place to enable employees to anonymously report to the Audit Committee cases of alleged wrongdoing involving monitoring, accounting or audit matters.

Article 4

Composition, expertise and independence of the Audit Committee

- 4.1. The Audit Committee is to have two members.
- 4.2. Notwithstanding the provisions of Article 3.3 of the Code of Governance of SIDN's Supervisory Board, the composition of the Audit Committee is to satisfy the following requirements:
 - a. At least one of the Audit Committee's members must have relevant knowledge and experience of bookkeeping and financial administration within large companies and/or large (semi-) public organisations.
 - b. Neither the chairman of Supervisory Board nor any member or former member of the Management Board may (simultaneously) act as chairman of the Audit Committee.

Article 5

Chairmanship

In accordance with the provisions of Article 4 of these Terms of Reference, the Audit Committee is to appoint a chairperson from among its own members. The chairman is to be primarily responsible for ensuring that the Audit Committee operates correctly. He/she is to act as the Audit Committee's spokesperson and principal contact for the Supervisory Board.

Article 6

Audit Committee meetings (agendas, participants and minutes)

- 6.1. The Audit Committee is to meet at least once per year and as often as one or more of its members consider necessary. The meetings will ordinarily be held at SIDN's offices, but may be held elsewhere.
- 6.2. Under appropriate circumstances, SIDN's external accountant may ask the chairman of the Audit Committee for permission to attend an Audit Committee meeting. The Audit Committee will decide whether and, if so, when members of the Management Board or members of SIDN's administrative staff or the external accountant or the auditor may attend its meetings.
- 6.3. Each Audit Committee meeting is to be convened by the person that wishes it to take place. Insofar as is practicable, the notice of the meeting and the agenda are to be sent to committee members at least seven days before the meeting.



- 6.4. Audit Committee meetings are to be minuted. The minutes will ordinarily be approved at the next meeting; however, if all members of the Audit Committee agree with the content of the minutes, they may be approved before the next meeting. Approved minutes are to be signed by the chairman and copies sent to the other members of the Audit Committee at the earliest opportunity.

Article 7

Appointment of experts

The Audit Committee may appoint an independent adviser and/or other expert assistants, if it considers this necessary to enable it to fulfil its remit.

Article 8

Investigations

The Audit Committee may undertake any investigations that it considers necessary or desirable for the fulfilment of its remit. In the context of such an investigation, the Audit Committee may inspect any of SIDN's written or electronic financial records or documentation, or have them inspected.

Article 9

The Audit Committee's expenses

All expenses incurred by the Audit Committee or by its appointed external advisers and/or other expert assistants, and all expenses incurred in the context of any investigation undertaken by the Audit Committee are to be met by SIDN.

Article 10

Applicability of the Code of Governance of SIDN's Supervisory Board

The provisions of the Code of Governance of SIDN's Supervisory Board apply equally to the Audit Committee and to its individual members. However, in the event of any conflict between the provisions of these Terms of Reference and the provisions of the Code of Governance, the former shall prevail.

The English-language version of these Terms of Reference is a translation of an original Dutch-language text. In the event of any discrepancy between the two, the Dutch version will prevail.