

## Auditing of Swedish Enterprises and Organisations

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### 1 General

#### ***Application***

**1.1** These General Terms govern the relationship between the auditor (“the Auditor”) and the client (“the Enterprise”) (jointly “the Parties”) in the Auditor’s performance of auditing and supplementary engagements which are governed by law, and audit advice which can be attributed to such engagements, unless otherwise follows from mandatory provisions in law or other statutory instrument.

**1.2** Auditor is understood to mean either a personally elected auditor or an elected registered audit firm.

#### ***Engagement Contract***

**1.3** These General Terms, together with the Engagement Letter, constitute the engagement contract (“the Engagement Contract”) between the Parties. The Engagement Letter shall be confirmed by the Enterprise in writing.

#### ***Order of Precedence***

**1.4** In the event of a conflict between the Engagement Letter on the one hand and these General Terms on the other, the Engagement Letter shall take precedence.

#### ***The Concept of “the Management”***

**1.5** “The Management” is understood below to mean the person or persons who is or are responsible for the Enterprise’s organisation and administration of the Enterprise’s affairs and the person or persons attending to its day-to-day administration.

### **2 The Responsibility of the Auditor to Follow Generally Accepted Auditing Standards and Professional Ethics for Accountants**

#### ***Objective of the Audit***

**2.1** The audit is intended, among other things, to review the Enterprise’s financial information to the market. The Auditor reviews both the Enterprise’s annual financial statements, or where appropriate solely the annual accounts and bookkeeping (audit of accounts) and the administration by the Management (management audit).

#### ***The Execution of the Audit***

**2.2** The Auditor shall execute the audit

engagement and any statutory supplementary engagements in accordance with the requirements which follow from the Auditing Act (1999:1079) or other applicable association law, the Auditors Act (2001:883), International Standards on Auditing and generally accepted auditing standards and professional ethics for accountants in Sweden. The Auditor shall inform the Enterprise of any changes to the requirements which are of material significance to the objective and scope of the work. The Auditor plans and performs the audit in order to obtain reasonable assurance that the financial statements, and where appropriate, the group financial statements or the annual accounts do not contain material misstatement. The Auditor performs the review to the extent that the Auditor deems necessary to be able to express an opinion. An audit includes examining a sample of the evidence supporting the amounts and other disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Management and significant accounting estimates made by the Management when preparing the financial statements and where appropriate, the group financial statements or the annual accounts, as well as evaluating the overall presentation of information in the financial statements and where appropriate the group financial statements or the annual accounts. The engagement also includes, where mandatory, issuing a statement on the administration of the Enterprise by the Management and, where appropriate, a statement on the discharge from liability of the Management or on the liability of the Management for compensation to the Enterprise. As the basis of its statement on discharge from liability or liability for compensation, the Auditor will examine material decisions, actions and circumstances in the Enterprise. The Auditor will also examine whether the Management has acted in contravention of applicable association law, the Annual Reports Act (1995:1554), the Accounting Act (1999:1078) or, where appropriate, the articles of association/statutes/assignment or equivalent provisions.

### ***Limitations of the Audit***

**2.3** The audit is to some extent executed on a test basis and also incorporates other inherent limitations. This circumstance, together with the limitations built into the accounting and internal control systems, entails a risk that misstatements arise in the financial statements, and where appropriate in the group financial statements or the annual accounts, which are of a material nature and which are due to irregularities or error not being detected. Equivalent considerations apply to irregularities and error in administration by the Management.

## **3 The Responsibilities and Involvement of the Enterprise and Management**

### ***Responsibilities of the Management***

**3.1** The Management is responsible, among other things, for

- administering the Enterprise and protecting the Enterprise's assets,
- establishing and applying appropriate accounting principles,
- taking measures so that the Enterprise's accounting records are maintained in accordance with law and are checked in a satisfactory manner. The same also applies with regard to the Enterprise's obligations in relation to taxes and duties,
- establishing and maintaining internal control deemed necessary for the preparation of financial statements,
- preventing and detecting irregularities and errors by introducing appropriate accounting systems and systems for internal control,
- identifying and analysing business risks in the Enterprise's activities,
- preparing financial statements, and where appropriate group financial statements or annual accounts, within the statutory time and with the disclosures required,
- inform the Auditor of identified or suspected non-compliance with laws and regulation
  - a) involving financial irregularities,
  - b) having a direct effect on the determination of material amounts and disclosures in the Enterprise's financial statements and/or

- c) that do not have a direct effect on amounts and disclosures in the financial statements, but compliance with may be fundamental to the operations of the Enterprise's business, its ability to continue its business, or to avoid material penalties,
- inform the Auditor when aware of
    - a) unauthorized access to IT systems that either occurred or there are reasons to assume they have occurred up to the date of the Auditor's report, to the extent that such unauthorized access, in each case or in the aggregate if it consists of several incidents, is reasonably likely to have a material effect on the financial statements, in each case or in the aggregate if it consist of several incidents, and
    - b) ransomware attacks against the Enterprise's IT system where the Enterprise paid or is contemplating paying the ransom, regardless of the amount of the ransom,
  - promptly inform the Auditor if the Enterprise intends to list its securities on a regulated market or on a multilateral trading facility (MTF) outside of Sweden, and
  - promptly inform the Auditor if the Enterprise intends to send a report or letter that the Auditor has provided to the Enterprise regarding the annual financial statements and, where applicable, the group financial statements to an authority or the equivalent outside of Sweden, regardless of whether such report or letter may be disclosed to third parties in accordance with paragraph 7.3 below.

### ***Involvement of the Management***

**3.2** The Management shall

- provide the Auditor with an opportunity to execute the audit and supply to the Auditor in good time all disclosures and the assistance which the Auditor deems necessary to allow the engagement to be executed in accordance with law and generally accepted auditing standards,

- assist towards such statements being produced in a timely manner as the Auditor must obtain from the Enterprise in accordance with generally accepted auditing standards,
- be responsible for notifying the Auditor in a timely manner of such circumstances as the Management deems to be of significance to the audit, and
- give the Auditor access to those persons in the Enterprise from whom the Auditor deems it necessary to obtain information.

### ***Responsibilities of the Enterprise***

**3.3** The Enterprise is responsible for the information which the Management and other representatives of the Enterprise supply to the Auditor being correct and complete, and for ensuring that such information is sufficient to form the basis of the Auditor's work in accordance with the engagement.

**3.4** The Enterprise shall not take measures which limit the ability of the Auditor to execute the audit engagement in accordance with applicable laws and generally accepted auditing standards.

### **4 Actions under the Money Laundering and Terrorist Financing Act**

**4.1** Under the Act on Measures against Money Laundering and Terrorist Financing (2017:630), the Auditor is obliged, prior to accepting the audit engagement, to identify the Enterprise's representative(s) and each physical person who, directly or indirectly, owns more than 25 percent of the Enterprise or for other reason has control over the Enterprise ("beneficial owner") and collect and retain relevant documentation concerning this. The Enterprise shall, without delay, supply the information requested by the Auditor and inform the Auditor of the changes which take place with regard to the Enterprise's representative(s) and beneficial owner in relation to the information which has been supplied to the Auditor prior to acceptance of the engagement.

**4.2** The Auditor shall, in accordance with law, to the extent justified in consideration of identified risks of money laundering and terrorist financing, check and document that the transactions which are carried out agree with the knowledge the Auditor has of the Enterprise, its business and

risk profile and, if necessary, the origin of its financial resources. If money laundering or terrorist financing is suspected, the Auditor is obliged to report such suspicions to the police authority. The Auditor cannot be held liable for any damage caused to the Enterprise, directly or indirectly, as a consequence of the Auditor fulfilling his or her statutory duty.

### **5 Processing of Personal Data**

**5.1** Prior to the acceptance of and as a consequence of the engagement, the Auditor, any network firms or others engaged by the Auditor may collect, use, transfer, store or in some other way process information which may relate to an identified or identifiable physical person ("Personal Data") in the jurisdictions in which they operate. The Auditor undertakes to process the Personal Data in accordance with the requirements that follow from applicable law.

### **6 Assignment of Personnel to the Audit Engagement, etc.**

#### ***Management of the Engagement***

**6.1** If the Enterprise has appointed a registered audit firm as auditor, the audit firm shall appoint one of the auditors in the audit firm to be the auditor in charge. The audit firm has the right, after consulting the Enterprise, to appoint a new auditor in charge. If the Enterprise has appointed an authorised or approved public accountant as auditor, the engagement will be led by this person.

#### ***The Audit Team***

**6.2** The Auditor appoints the persons who are to be included in the audit team and has the right to consult specialists where necessary. The Auditor also has the right to engage a network firm or others to perform parts of the audit.

### **7 Documentation, etc.**

#### ***Engagement Documentation***

**7.1** The Auditor shall document his or her work in accordance with applicable law and generally accepted auditing standards and retain the documentation for at least ten (10) years after the engagement has been completed. It shall be kept in such a way that it is not accessible to unauthorised persons.

### ***Right of Ownership of the Documentation***

**7.2** The documentation is the property of the Auditor. The Auditor is not obliged to disseminate the documentation to the Enterprise, or anyone else, unless this follows from statutory regulations or the decision of an authority.

### ***Release of Reports and Written Communications to Third Parties***

**7.3** Those reports and written communications which the Auditor supplies to the Enterprise under the engagement, with the exception of audit reports and other opinions intended for third parties, shall be used by the Enterprise solely for internal use and therefore shall not be released to third parties without the written consent of the Auditor. Release may take place if it follows from a statutory regulation or the decision of an authority that the reports and written communications are to be released. In such cases, the Enterprise undertakes to inform the Auditor of the release.

### ***Draft reports and letters***

**7.4** Draft reports and letters provided by the Auditor to the Enterprise do not constitute the Auditor's final opinion. The Enterprise does not have the right to rely on draft reports and letters or calculations made on preliminary information. The Auditor is not responsible for any damages that may arise due to the Enterprise, in any aspect, has relied on a draft.

### ***Return of Property***

**7.5** When the engagement ceases, the Parties shall return property, for example documents, software and other equipment which belongs to the other Party.

## **8 Confidentiality**

### ***General***

**8.1** The Auditor has a duty of confidentiality under legislation and generally accepted professional ethics for accountants concerning such information about the Enterprise as emerges in connection with the audit. Information that is generally known or becomes generally known in some other way than through breach of the Auditor's duty of confidentiality is exempt from the duty of confidentiality.

**8.2** In addition, the Auditor has the right, and in certain cases an obligation, to disclose

information about the Enterprise

- if this follows from statutory regulations, professional obligation (for example towards FAR or others engaged by FAR in connection with disciplinary matters and quality controls) or authority decisions,
- to any network firms or others engaged by the Auditor or a network firm or a network firm
  - to perform the engagement,
  - in order to control and maintain the Auditor's impartiality and independence and perform quality control reviews and other risk management procedures, and
  - for administrative purposes (such as internal accounting, financial reporting, utilisation of IT services and/or to execute administrative support services),
- to the Auditor's insurance companies or legal advisers prior to, or in connection with, a legal procedure, insofar as is required for the Auditor to be able to safeguard his or her legal interests.

### ***Duty of Confidentiality of Personnel, etc.***

**8.3** The Auditor is responsible for personnel and specialists, as well as any network firms, external IT suppliers, etc., who receive access to information about the Enterprise complying with the duty of confidentiality.

## **9 Fees, Disbursements, etc.**

### ***General***

**9.1** Unless specifically agreed in the engagement letter, the following shall apply to fees, disbursements and expenses, additional taxes and charges etc.

### ***Calculation of Fees***

**9.2** The fee for the engagement will be charged according to the basis of calculation stated in the engagement letter. In the absence of such a basis of calculation, the Auditor will charge a reasonable fee and in so doing will consider, among other things, the resources employed, including specialist knowledge, the complexity of the engagement, research and know-how which has been developed by the Auditor, use of technology and structural capital. Account will also be taken of whether the engagement has been so urgent that the work has been



required to be executed after normal working hours, at weekends or during holiday periods.

**9.3** If the engagement letter states a calculated fee, the Auditor shall inform the Enterprise if the calculated fee will be materially exceeded.

**9.4** Increased work load as a consequence of the Enterprise having breached its undertakings, for example by providing incomplete or inadequate information or incomplete or inadequate material or having provided the information or material too late, is not included in a calculated fee.

#### ***Price Adjustment, Disbursements and Taxes***

**9.5** The Auditor has the right, as regards ongoing engagements, to make such price adjustments as can be attributed to general changes in prices or costs.

**9.6** In addition to a fee, the Auditor is entitled to compensation for disbursements and expenses in connection with the engagement such as application and registration charges, charges levied by supervisory authorities for quality control and disbursements for travel and board and lodging.

**9.7** Enterprise shall pay to the Auditor the value-added tax or other tax paid arising from the engagement.

#### **10 Invoicing and Terms of Payment, etc.**

##### ***Invoicing and Terms of Payment***

**10.1** The following shall apply unless otherwise agreed in the engagement letter. The Auditor shall invoice the Enterprise on an on-going basis, for the work performed and expenses incurred. The Enterprise shall provide payment not later than ten (10) days from date of invoice. In the event of delay in payment, penalty interest shall be payable in accordance with the Interest Act (1975:635).

**10.2** The Auditor may, however, always invoice the Enterprise on account, monthly or quarterly, based on estimated annual fee. The Auditor shall always inform the Enterprise of any changes to the invoicing terms.

##### ***Right to Advance Payment, etc. in the Event of Delayed Payment***

**10.3** If the Enterprise fails to pay due invoices on time, the Auditor may request advance payment of the estimated fee for remaining audit work pertaining to the financial year concerned. The Auditor has the right not to start the audit work

relating to a new financial year until all of the Auditor's receivables for the audit work for the previous financial year have been fully settled by the Enterprise.

**10.4** The Auditor also has the right to advance payment of an estimated fee for statutory supplementary engagements. The Auditor has the right not to start work on such supplementary engagements until the Enterprise has provided the advance payment.

##### ***Specification***

**10.5** The Auditor shall, at the request of the Enterprise, supply a specification of work performed.

#### **11 Solicitation and hiring of personnel**

**11.1** The Auditors impartiality and independence may be threatened if the Enterprise commence to solicit or hires a person who has participated or participates in the audit engagement. This may either delay the performance of the audit engagement or result in the Auditor having to terminate the Engagement in advance in accordance with paragraph 12.2. The Enterprise undertakes not to appoint any auditor that has participated in the audit engagement as a member of the Board of Directors, the Managing Director or any other senior executive of the Enterprise unless a period of at least one year has elapsed since he or she ceased to participate in the audit engagement. If the Enterprise is a public-interest entity the prohibition applies to the Auditor or auditor in charge of the Engagement until at least two years have elapsed since he or she ceased to participate in the Engagement.

#### **12 Termination of the Engagement**

**12.1** The Enterprise has the right to terminate the engagement in advance if there are objective grounds for doing so.

**12.2** The Auditor has the right, and in certain cases, the obligation under law and professional ethics for accountants to terminate the engagement in advance. If the Auditor has terminated the engagement in advance under such circumstances, the Auditor shall receive full compensation from the Enterprise for work performed and costs accrued on the basis of the audit engagement.

**12.3** The Auditor has the right to withdraw

from the audit engagement in advance if the Enterprise is in arrears in payment of the audit fee or fees for other engagements which the Auditor has undertaken to perform for the Enterprise. The Auditor also has the right to withdraw from the engagement if the Enterprise commits another material breach of contract towards the Auditor. If the Auditor withdraws from the engagement in accordance with this paragraph, the Enterprise shall compensate the Auditor in accordance with paragraph 12.2.

**12.4** If the engagement ceases for such reasons as are stated in paragraph 12.2 or 12.3, the Enterprise is not entitled to any compensation from the Auditor.

**12.5** If the Auditor withdraws from the engagement in advance without any objectively acceptable reason, the Enterprise is entitled to reasonable compensation for any direct loss incurred on behalf of the Enterprise. The obligation to pay compensation is, however, limited in such cases to 25 per cent of the fee for a financial year, but to a maximum of 25 price base amounts according to the Social Insurance Code (2010:110).

### **13 Liability and Insurance**

**13.1** The Auditor's liability for compensation as a consequence of any negligence in the Engagement is governed by Section 37 of the Auditing Act or by for the Engagement applicable association law. No other penalties than damages can be issued. The Auditor shall have insurance for liability for compensation which the Auditor may incur in his or her auditing activity. Such insurance shall fulfil the requirements of the Swedish Inspectorate of Auditors. Any claim for compensation shall be submitted promptly in writing, and the basis of the claim shall be stated.

### **14 Other terms**

**14.1** None of the Parties may transfer their rights, obligations or claims under the Engagement Contract. However, the Auditor has the right to transfer claims regarding invoiced fees to the audit firm, a network firm or others hired to collect claims.

**14.2** Neither party may use or refer to the logos or trademarks of the other Party without first obtaining the other Party's consent. The Auditor may, however, announce that the Enterprise is an audit client to the Auditor and the Enterprise

may provide information on who's the auditor of the Enterprise.

### **15 Notifications and Electronic Communication**

#### ***Notifications***

**15.1** Complaints, terminations and other notifications regarding application of the Engagement Contract and changes of address shall be sent by messenger, registered letter or e-mail to the most recently indicated addresses of the Parties.

#### ***Electronic Communication***

**15.2** Electronic transfer of information between the Parties cannot be guaranteed to be secure or free of viruses or errors, and such information may therefore be improperly intercepted, distorted, lost, destroyed, delayed, arrive in incomplete form, be damaged in some other way or incur risk in being used for some other reason. The Parties are aware that systems and routines cannot guarantee that transfers will not be subject to risks, but both Parties consent to using commercially reasonable methods for virus checking and secrecy prior to information being sent electronically. The Parties accept these risks and approve electronic communication between them.

### **16 Applicable Law**

**16.1** Swedish law, with the exception of the rules on choice of law, shall be applicable to the engagement.

### **17 Disputes**

**17.1** Disputes arising from the engagement shall be subject to the exclusive jurisdiction of the Swedish Courts.