

**Annex 6 of the Organizational Regulations**

**CHARTER  
OF  
INTERNAL AUDIT**

**10 March 2022**

## 1. ABOUT THIS CHARTER

This Internal Audit Charter provides the framework for the conduct of the PolyPeptide Group AG, together with its consolidated subsidiaries, (“**PolyPeptide**”) internal audit (“**Internal Audit**”) and has been approved by the Board of Directors and the Audit and Risk Committee (“**ARC**”). It has been created with the objective of formally establishing the role and responsibilities of the internal audit function (the “**Internal Audit Function**”).

Internal auditing can best be defined as an independent, objective assurance and consulting activity designed to add value to and improve an organization’s operation. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

## 2. MISSION

Internal Audit’s mission is to ensure that PolyPeptide’s operations are conducted according to the highest standards by providing an independent, objective assurance function and by advising on best practice.

Through a systematic and disciplined approach, Internal Audit helps the organization accomplish its objectives by evaluating and improving the effectiveness of its risk management, control and governance processes.

## 3. AUTHORITY

PolyPeptide’s Board of Directors authorizes Internal Audit, within the scope of its responsibilities, to:

- (a) have full and unrestricted access to all Group functions, records, property and staff;
- (b) have full and unrestricted access to the Board of Directors;
- (c) allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish internal audit objectives;
- (d) obtain the necessary assistance of staff in business units where they perform internal audits, as well as other specialized services from within or outside the Company and the Group; and
- (e) obtain external legal or other professional advice, subject to the appropriate delegations.

All employees are asked to assist Internal Audit in fulfilling its role. Documents and information given to Internal Audit during a review will be handled in the same prudent and confidential manner as by those employees normally accountable for them.

#### **4. ACCOUNTABILITY**

The Head of Internal Audit is accountable to the Executive Committee and the ARC to:

- (a) provide an annual assessment on the adequacy and effectiveness of PolyPeptide's processes for controlling its activities and managing its risks in the areas listed under the mission and scope of internal audit work;
- (b) report significant issues related to the processes for controlling the activities of PolyPeptide, including potential improvements to those processes, and providing information concerning such issues through resolution;
- (c) periodically provide information on the status and results of the annual internal audit plan and the adequacy of resources; and
- (d) coordinate with other control and monitoring functions (Risk, Compliance & Governance, Quality Assurance, Legal, external audit, etc.).

#### **5. INDEPENDENCE**

Independence is essential to the effectiveness of the Internal Audit Function.

Internal Audit has no direct authority or responsibility for the activities it reviews. It has no responsibility for developing or implementing procedures or systems and does not prepare records or engage in original line processing functions or activities.

Internal Audit functionally reports to the ARC. Only the Board of Directors, upon proposal of the ARC, can appoint, remove and determine the compensation of the Head of Internal Audit, as set out in the Organizational Regulations and ARC Charter.

The Head of Internal Audit is accountable to the CFO for the efficient and effective operation of the function.

#### **6. ROLES AND RESPONSIBILITY**

Internal Audit is responsible for:

- (a) developing a flexible annual internal audit plan using an appropriate risk-based methodology and including any risks or control concerns identified by the Executive Committee, and submitting that plan to the ARC for review and approval;
- (b) implementing the approved plan, including any special tasks or projects requested by the Executive Committee and/or the ARC;
- (c) maintaining a professional internal audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter;
- (d) establishing a quality assurance program by which the Head of Internal Audit assures the operation of internal audit activities;

- (e) evaluating and assessing significant merging/consolidating functions and new or changing services, processes, operations, technologies and control processes at the time of their development, implementation or expansion;
- (f) issuing periodic reports to the ARC and the Executive Committee summarizing results of internal audit activities;
- (g) keeping the ARC informed of emerging trends and successful practices in internal auditing;
- (h) giving the ARC a list of significant performance metrics, targets and results;
- (i) helping in the investigation of significant suspected fraudulent activities and notifying the Executive Committee and the ARC of the results;
- (j) assisting the General Counsel in any investigation prompted by the whistleblower program and ensuring that any new or changed risks derived from this are made part of the Internal Audit risk assessment; and
- (k) monitoring and ensuring that management actions for significant observations or recommendations have been effectively implemented or that the Executive Committee has accepted the risk of not taking action.

## **7. SCOPE OF AUDIT WORK**

Internal Audit's scope of work is based on an approved internal audit plan and encompasses examining and evaluating the adequacy and effectiveness of PolyPeptide's governance, risk management process, system of internal control structure and quality of performance in carrying out assigned responsibilities to achieve PolyPeptide's stated goals and objectives. This includes:

- (a) reviewing the systems established to ensure compliance with policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and assessing whether PolyPeptide is in compliance;
- (b) reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- (c) reviewing the means of safeguarding assets, and verifying the existence of such assets;
- (d) reviewing operations or programs, apart from production, to determine whether they are being carried out as planned and whether results are consistent with established objectives and goals;
- (e) reviewing specific operations at the request of the ARC and/or the Executive Committee;
- (f) monitoring and evaluating governance processes; and

- (g) monitoring and evaluating the effectiveness of the risk management system and framework.

The scope of Internal Audit work includes periodic testing of transactions, best practice reviews, special investigations and measures to help prevent and detect fraud.

## **8. PROFESSIONAL STANDARDS**

The Internal Audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (collectively, the "**Standards**"). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' Practice Advisories, Practice Guides and Position Papers will also be adhered to as applicable to guide operations. In addition, the Internal Audit activity will adhere to PolyPeptide's relevant policies and procedures and the internal audit activity's standard operating procedures manual.

## **9. ANNUAL INTERNAL AUDIT PLAN**

Each year, the Head of Internal Audit will provide the Executive Committee and the ARC a summary of the internal audit plan, staffing plan, and budget for the following fiscal year. The audit work schedule is to be developed using a risk-based methodology. Any significant deviation from the approved plan must be communicated to the Executive Committee and the ARC through periodic reporting.

## **10. REPORTING**

At the end of each internal audit, the Head of Internal Audit or the designated auditor will prepare a written report and distribute it as appropriate.

The internal audit report should include the auditee's response, and corrective action taken or planned in regard to the findings and recommendations. The Executive Committee's response should include a timetable for completing the actions, the responsible person, and an explanation for any recommendations not addressed.

In cases where a response is not included, the Executive Committee should respond in writing within 30 days to Internal Audit and those on the distribution list.

Internal Audit will be responsible for appropriate follow-up on internal audit findings and recommendations. All significant findings will be monitored until cleared by the Head of Internal Audit and/or the ARC.

## **11. REVIEW OF CHARTER**

This charter will be reviewed at least annually by the ARC and any substantive changes will be formally approved.