

**Annex 4 of the Organizational Regulations**

**CHARTER  
OF  
THE AUDIT AND RISK COMMITTEE (ARC)  
OF  
THE BOARD OF DIRECTORS OF POLYPEPTIDE GROUP AG**

13 April 2023

## 1. **BASIS**

This charter (the "**Charter**") of the Audit and Risk Committee ("**ARC**") has been adopted as set forth in clause 1.2(b) of the organizational regulations of the Board of Directors of 13 April 2023 (the "**Organizational Regulations**"). Unless defined otherwise herein, capitalized terms have the same meaning as in the Organizational Regulations.

## 2. **MISSION**

- (a) The purpose of the ARC is to support the Board in fulfilling its responsibilities defined by applicable law, the Articles of Association, this Charter and other applicable laws and regulations with respect to matters involving the financial and risk management aspects of governance of the Company and the Group.
- (b) In particular, the ARC shall support the Board in fulfilling its oversight responsibility to the shareholders, potential shareholders, the investment community and others relating to (i) the integrity of the Company's and Group's financial statements, (ii) the effectiveness of the internal control over financial reporting of the Company and the Group, (iii) the compliance by the Company and the Group with legal and regulatory requirements, (iv) the independent auditor's qualification and independence, (v) the performance of the Company's and Group's external auditors and other assurance providers, (vi) the effectiveness of the Company's and Group's risk management, compliance and quality assurance systems and processes, (vii) oversight of the internal audit activity and (viii) providing relevant guidance on the Company's governance structure.
- (c) The ARC shall consist of at least two members appointed by the Board. The chair of the ARC shall be independent. The members of the ARC shall have the necessary qualifications and skills and shall possess financial literacy and keep themselves up to date regarding risk management best practices.

## 3. **AUTHORITY**

The Charter sets out the authority of the ARC to carry out the responsibilities established for it by the Board as articulated within this Charter.

The ARC is entitled to receive any explanatory information that it deems necessary to discharge its responsibilities. The Group's management and staff should cooperate with ARC requests.

In discharging its responsibilities, the ARC will have unrestricted access to members of management, employees, and any relevant information it considers necessary to discharge its duties. The ARC also will have unrestricted access to records, data, and reports. If access to requested documents is denied due to legal or confidentiality reasons, the ARC and/or Head of Internal Audit will follow a prescribed, Board approved mechanism for resolution of the matter.

The ARC may engage independent counsel and/or other advisors it deems necessary to carry out its duties.

The ARC is empowered to:

- (a) pre-approve and oversee all audit and non-audit services and fees performed by external auditors, including the work of any registered public accounting firm employed by the Company or the Group;
- (b) assess the work performed by the external auditors and approving the budget for auditing and non-auditing fees;
- (c) review the external audit reports with the external auditors, and issuing the necessary applications and recommendations to the Board;
- (d) resolve any disagreements between management and the external auditor regarding financial reporting and other matters; and
- (e) propose the appointment, removal and compensation of the Head of Internal Audit.

#### **4. DUTIES AND RESPONSIBILITIES**

The ARC has the following roles and responsibilities:

- (a) assessment of the adequacy and effectiveness of the Group's internal and prudential systems and controls in respect of both financial and non-financial risks, including the risk of fraud, the Company's and the Group's compliance with legal obligations, workplace health and safety, environmental, insurance and other regulatory requirements and other relevant compliance matters, as well as with policies issued by the Company, including through discussions with and reviewing reports from the external auditor, internal officers (including in particular the GRC Officer) and management and through the consideration of and adaptation to major legislative and regulatory developments with significant impact on the Group, local management's procedures to comply with local laws, and the Company's and the Group's system to handle external and internal complaints;
- (b) obtain reasonable assurance with respect to work of the Internal Audit activity, the ARC will provide oversight related to: (i) Internal Audit charter and resources, (ii) Head of Internal Audit performance, (iii) Internal Audit strategy and plan, (iv) internal audit engagement and follow up, and (v) conformance to the Standards (as defined in the Internal Audit Charter).
- (c) evaluating the external auditors, regarding the fulfilment of the necessary qualifications and independence according to the applicable legal provisions, and making proposals to the Board concerning the choice of the external auditors;
- (d) examining, reviewing and approving the Company's accounting policies and changes thereto, as well as monitoring compliance with such accounting policies;
- (e) reviewing the interim financial statements and annual audited financial statements (including material items not shown on the annual balance sheet) of the Company and the Group with the external auditor and the relevant members of the Executive Committee as well as issuing the necessary applications and

recommendations to the Board prior to the publication of the financial statements; thereby the ARC shall review (including the review from the external auditors): (i) the Company's selection or application of accounting principles and the adequacy and effectiveness of internal control over financial reporting, (ii) significant financial reporting issues and judgments applied by management, (iii) effects of significant regulatory and accounting initiatives, and (iv) the completeness and clarity of the disclosures in the financial statements;

- (f) reviewing and approving all related-party transactions required to be disclosed;
- (g) reviewing and discussing the reporting on non-financial matters and other legally required reporting obligations;
- (h) reviewing and discussing earnings press releases, as well as financial information and earnings guidance provided to analysts, the investment community and rating agencies;
- (i) reviewing and discussing with management and the external auditor any deficiencies in internal control, including internal control over financial reporting, as well as management's respective remediation measures and their implementation;
- (j) establishing and reviewing the Group's treasury policy, and reviewing the Company's and Group's funding strategy and position, as well as the Company's and Group's liquidity risk management, foreign exchange risk management, interest risk management and counterparty credit risk management processes;
- (k) reviewing the Company's and Group's tax planning and tax compliance processes, including the design and implementation of transfer pricing guidelines;
- (l) reviewing the status of material legal proceedings that the Company and/or Group is/are party to, including measures taken by management to protect the interests of the Company and the Group;
- (m) reviewing the Group's insurance programs;
- (n) reviewing the Group's Enterprise Risk Management System, management's assessment of the Group's major risks, as well as evaluating the respective measures taken by the Group;
- (o) obtaining reasonable assurance with respect to the Group's procedures for the prevention and detection of fraud;
- (p) reviewing of the Group's short-term incentive and long-term incentive targets, calculations and adjustments; and
- (q) generally assessing the yearly business expenses of the members of the Executive Committee.

The ARC may retain the services of independent counsel and other advisers as deemed appropriate, to request full and detailed information for any party within the Group or from the external auditor, and to conduct or authorize investigations (including

inspection of any relevant documents) into any matters within the scope of its duties.

## **5. MEETINGS AND REPORTING**

- (a) The ARC shall meet at such frequency as it deems necessary to fulfil its duties, normally ahead of ordinary Board meetings, which are expected to take place four times per year. Additional meetings may be held and may be convened at the request of either the Board or any ARC member. The ARC shall further meet upon request of the GRC Officer.
- (b) ARC meetings shall be convened by the chair of the ARC. Meetings of the ARC will be chaired by the chair of the ARC or in his or her absence by another member elected as chair of the day by the present members.
- (c) The ARC may invite to meetings and shall communicate periodically with the CEO, the CFO, the GRC Officer, the Head of Internal Audit and the external auditor as well as such other persons as the ARC deems appropriate.
- (d) Unless specifically stated otherwise in this Charter, the organizational rules applicable to Board meetings as set out in clause 2.1.2 (*Meetings, Calling of Meetings and Agenda*), 2.1.3 (*Quorum, Passing of Resolutions and Minutes*), and 2.1.4 (*Information and Reporting*) of the Organizational Regulations apply by analogy to meetings of the ARC.

## **4.2 MISCELLANEOUS**

- (a) The ARC shall annually:
  - (i) review its own performance and assess whether it is functioning effectively and efficiently;
  - (ii) review and reassess the adequacy of the provisions applicable to it; and
  - (iii) take, or propose the Board to take, the appropriate measures to cure any deficiencies detected and to implement possible improvements.
- (b) The ARC shall ensure that it has appropriate timely training, both in the form of an induction program for new members and on an ongoing basis for all members.
- (c) Unless provided specifically otherwise in this Charter, Clauses 9.2 (*Confidentiality, Return of Documents*), 9.3 (*Conflicts of Interest*), and 9.4 (*Other Offices or investments*) of the Organization Regulations shall apply by analogy.
- (d) In case of any conflict between this Charter on the one hand and the Articles of Association, the Organizational Regulations or any applicable laws or regulations on the other hand, the latter prevail.

Approved upon recommendation of the ARC by the Board on the set forth on the cover page with immediate effect.