



**REGULATIONS OF THE RISK AND AUDIT COMMITTEE OF  
SAFETECH INNOVATIONS S.A.**

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**SAFETECH INNOVATIONS S.A.**



These Terms of Reference (the “**Terms of Reference**”) have been established and approved by the Board of Directors of SAFETECH INNOVATIONS S.A. (the “**Company**”) and are intended to define and detail the corporate governance principles, rules, and practices applied by the Company’s Risk and Audit Committee (the “**Committee**”) with regard to its role, organization, and functioning. The Terms of Reference aim to promote transparency, continuity, consistency, and efficiency in the manner in which the Committee operates.

These Terms of Reference shall be supplemented by: (i) the applicable legal provisions, (ii) the provisions of the Company’s Articles of Incorporation, (iii) the provisions of the Corporate Governance Code of the Bucharest Stock Exchange (the “**BVB Code**”), as well as (iv) the provisions of other internal regulations approved by the Company’s corporate bodies. They are intended to operate as an adjustable and dynamic document, to be continuously adapted to the requirements and needs of the Board of Directors, and may be amended at any time by a resolution of the Board of Directors.

## **1. PURPOSE OF THE COMMITTEE**

The Committee’s role is to assist the Board of Directors in the performance of its responsibilities in the area of internal audit, as well as to perform an advisory function with respect to the Company’s strategy and policies relating to the internal control system, internal audit, external audit, and the oversight of how significant risks are managed.

The Audit Committee aims to:

- oversee all matters relating to audit and risk at the Company level;
- monitor the manner in which the Company complies with applicable legislation, regulations, and its own internal rules, ensuring the existence of a robust compliance framework;
- support the Board of Directors in the annual assessment of the effectiveness and adequacy of the Company’s risk management and internal control systems (including operational and compliance controls) and submit recommendations and proposals for improvement;
- review and assess the adequacy, independence, and effectiveness of the internal audit function and submit recommendations to the Board of Directors;
- review and verify the accuracy of the Company’s financial statements, as well as other significant reports;
- monitor and assess the independence, objectivity, and effectiveness of the external auditor;
- review and assess the adequacy, independence, and effectiveness of the risk management function;
- closely monitor the Company’s risk profile and major exposures and report relevant information to the Board of Directors on a periodic basis;
- oversee the preparation of sustainability-related reports and the information



included therein.

## **2. COMPOSITION, EXPERIENCE AND INDEPENDENCE**

- 2.1. As a rule, the members of the Committee shall be appointed and removed by the Board of Directors from among the non-executive directors of the Company.
- 2.2. The Committee shall be composed of at least two (2) members. The majority of the members shall be independent, within the meaning of the BVB Code.
- 2.3. The Board of Directors shall appoint a Chairman of the Committee from among the independent members of the Committee (within the meaning of the BVB Code). The Chairman of the Committee shall have the skills and experience necessary to oversee matters relating to audit and risk management reviewed by the Committee. In the absence of the Chairman of the Committee and/or of a designated deputy, the other members present shall elect one of their number to chair the meeting.
- 2.4. The Chairman of the Board of Directors shall be different from the Chairman of the Committee. The Chairman of the Risk and Audit Committee shall also be different from the chairmen of the other committees of the Board of Directors.
- 2.5. The Committee shall be composed in such a manner that its members collectively possess the financial expertise and knowledge necessary and relevant to the field in which the Company operates. At least one member of the Committee shall have the knowledge and experience required in financial management and accounting or auditing. This member must have the following attributes:
  - an understanding of generally accepted accounting principles and financial statements;
  - the ability to assess the general application of such principles in relation to accounting estimates and provisions;
  - experience in the preparation, auditing, analysis, and evaluation of financial statements involving complex and significant accounting matters;
  - an understanding of internal controls and financial reporting procedures; and
  - an understanding of the functions of the Committee.
- 2.6. During their term of office, the members of the Committee shall not hold positions, capacities, nor engage in transactions that could be considered incompatible with the mission of the Committee.
- 2.7. If a member of the Committee becomes aware of any circumstance that may prejudice or reasonably be perceived to affect his/her independence, such member shall immediately inform the Chairman of the Committee or, in the case of the Chairman, the other members of the Committee of such circumstance. The Committee shall consult with the Board of Directors in order to determine whether there are sufficient grounds for the waiver of, or termination of, membership in the Committee.
- 2.8. The head of the Company's finance department (to the extent that he/she is not a member of the Committee), the internal auditor, and the external auditor may attend



meetings of the Committee, unless the Committee decides otherwise. The Committee shall decide whether and, if so, when the Chairman of the Board of Directors (to the extent that he/she is not a member of the Committee) and the Chief Executive Officer (to the extent that he/she is not a member of the Committee) should attend its meetings.

- 2.9. The Committee may also invite other individuals to attend all or part of the Committee's meetings.

### **3. DUTIES OF THE COMMITTEE**

The Committee shall be responsible for the preparatory work supporting the decision-making activity of the Board of Directors in relation to the oversight of the integrity and quality of the Company's financial reporting, the effectiveness of the Company's risk management and internal control systems, and the assessment of any conflicts of interest.

#### **3.1. Financial Reporting**

- 3.1.1. The Committee shall review and monitor the accuracy of the Company's annual and interim financial statements, interim management reports, announcements regarding preliminary financial results, and any other official reports relating to the Company's financial performance, by examining the key issues and decisions relating to financial reporting contained therein, prior to their submission to the Board of Directors.
- 3.1.2. In reviewing the accuracy, integrity, and quality of the Company's financial reporting, the Committee shall focus primarily on the following aspects: a) compliance with accounting standards and with the requirements set out by law and any other applicable regulations; b) the extent to which the financial statements are affected by any significant or unusual transactions carried out during the year and the manner in which such transactions are reported; c) the methods used to justify significant or unusual transactions, where multiple approaches are possible; d) the clarity, completeness, and adequacy of the reporting; e) any significant adjustments proposed by the external auditor; f) the consistency of accounting policies and any changes thereto; and g) all significant information presented together with the financial statements, such as the operational and financial review and the corporate governance statement (to the extent relevant to audit and risk management).
- 3.1.3. The Committee shall review the effectiveness of the Company's financial reporting procedures, in order to ensure that all material financial information is brought to the attention of the Board of Directors, so as to guarantee that external financial reporting is timely, complete, and accurate.
- 3.1.4. The Committee shall oversee the Board of Directors' compliance with the applicable internal procedures required for the preparation and publication of the annual report, the financial statements, the semi-annual financial reports, and the current financial reports.

#### **3.2. Internal Control and Risk Management Systems**



- 3.2.1. The Committee shall monitor and review the effectiveness and adequacy of the Company's internal control systems and shall analyze the relevant reports provided by the executive management.
- 3.2.2. The Committee shall have the role of monitoring the risk management function, ensuring that it identifies relevant risks accurately, comprehensively, and in a timely manner, and that appropriate and realistic risk control measures, as well as effective monitoring procedures, are implemented. The Committee shall also propose candidates for the position of Chief Risk Officer (CRO) and shall monitor the CRO's activity through the periodic review of the reports prepared by him/her.
- 3.2.3. The Committee shall be responsible for examining, overseeing, and advising the Board of Directors with respect to the Company's and its subsidiaries' internal financial controls, internal control systems, and risk management systems, including operational and reporting activities, as well as the statements to be included in the annual report regarding the internal control and risk management systems, and, in particular, shall review:
- a) the policies and processes for identifying, assessing, and managing the business risks of the Company and its subsidiaries, including periodic reports on internal control, risk management matters, and the effectiveness of corrective actions undertaken by management;
  - b) the periodic assurance reports from management, the internal auditor, the external auditor, and others in relation to risk and control matters, where the findings of the internal auditor's review should include, at a minimum, the following:
    - i. any deficiencies affecting the adequacy, responsiveness, and effectiveness of the internal control and risk management systems;
    - ii. any findings and observations that have a significant impact on the risk profile of the Company and its affiliated undertakings;
    - iii. any instances of non-compliance with the recommendations made by the internal auditor; and
    - iv. the application of codes of conduct, the conditions, and the effectiveness of internal controls and risk management systems.
- 3.2.4. The Committee shall inform the Board of Directors of the main risks assumed by the Company, shall monitor such risks, and shall ensure that they are effectively managed, by adopting a systematic approach to monitoring the main categories of major risks.

### **3.3. Compliance, Conduct and Conflicts of Interest**

- 3.3.1. The Committee shall review the mechanisms in place within the Company and its subsidiaries that enable employees to confidentially raise concerns regarding potential irregularities in financial reporting or other matters. The objective shall be to ensure that mechanisms exist for the conduct of balanced and independent investigations into such matters and for the implementation of appropriate follow-up actions.



- 3.3.2. The Committee shall ensure that the Company's policies and practices comply with local and international laws and regulations, the recommendations of regulatory authorities, and best practices.
- 3.3.3. The Committee shall oversee the manner in which the Company's policies relating to conflicts of interest and related-party transactions are developed and implemented.
- 3.3.4. The Committee shall review any situation that may give rise to a conflict of interest in transactions involving the Company, its subsidiaries, and their respective affiliates. The Committee shall examine the implementation of the conflict of interest policy (or equivalent provisions).
- 3.3.5. The Committee shall issue binding opinions on any transaction of the Company with any of its affiliated entities (related parties) whose value is equal to or greater than 5% of the Company's net assets (as per the most recent financial report), prior to the approval of such transaction by the Board of Directors.

#### **3.4. Internal Audit**

3.4.1. The Committee shall:

- a) monitor the application of statutory and generally accepted internal audit standards;
- b) monitor and analyze the role, functioning, and effectiveness of the Company's internal audit function within the context of the overall risk management system of the Company, ensuring that it is effective, independent from the Company's management, and that its members perform their duties impartially, competently, and with due professional care;
- c) develop, in cooperation with the internal auditor, the annual internal audit plan, receive and review relevant reports and updates on key audit matters, monitor the implementation of the recommendations made, and provide the necessary guidance in this process;
- d) submit to the Board of Directors, for approval, the internal audit charter, which defines the responsibilities and authority of the internal audit function, its structure and remuneration, the annual budget, and the working procedures;
- e) decide on the appointment and removal of the person coordinating the internal audit function;
- f) review and approve the mandate of the internal audit function, ensure that it has adequate resources and appropriate access to information enabling it to perform its duties effectively and in accordance with the relevant professional standards, and that the function has an appropriate status and is free from restrictions imposed by management or otherwise;
- g) meet with a representative of the internal audit function at least once a year, without members of management being present, in order to discuss its mandate and any issues arising from internal audit reviews, and to grant the head of the internal audit function direct access to the Committee;



- h) keep records of the manner in which the Committee is informed by the internal auditor;
- i) oversee, review, and annually evaluate the internal audit function, without prejudice to the administrative reporting obligation to the Chief Executive Officer and the necessary communication with the Company's executive management, in accordance with applicable legal requirements and professional standards;
- j) receive, prior to each meeting of the Committee, a report from the internal auditor containing all recent findings and recommendations and the status of their implementation;
- k) promptly review all internal audit reports relating to the Company;
- l) examine and monitor management's responsiveness and compliance with the findings and recommendations of the internal auditor;
- m) coordinate the external and internal auditors; and
- n) make recommendations regarding the appointment and removal of the internal auditor.

3.4.2. The Committee shall be involved in the development of the internal audit plan. The internal auditor shall have access to the external auditor and to the Committee.

3.4.3. Internal auditors shall report functionally to the Board of Directors through the Committee. For administrative purposes and within management's obligations to monitor and mitigate risks, they shall report directly to the Chief Executive Officer.

### **3.5. External Audit**

3.5.1. The Committee shall:

- a) review, oversee, and make appropriate recommendations to the Board of Directors, to be presented to the General Meeting of Shareholders, regarding the appointment, remuneration, or removal of the Company's external auditors, including the presentation of the circumstances leading to such removals and the decisions required in order to undertake the relevant actions.
- b) act as the primary point of contact for the external auditor in the event that the latter identifies irregularities in the preparation and content of the financial reporting.
- c) oversee the external auditor and report annually to the Board of Directors, and earlier, if necessary, on the functioning and evolution of the relationship with the external auditor.
- d) oversee the relationship with the external auditor, including (but not limited to):
  - i. formulating a proposal regarding the engagement of the external auditor to audit the financial statements; when setting the terms of the engagement, due consideration shall be given to the scope of the audit, the materiality threshold to be applied, and the auditor's remuneration;



- ii. annually evaluating, reviewing, and monitoring the independence and objectivity of the external auditor, taking into account relevant professional and regulatory requirements and the overall relationship with the external auditor; the Committee's findings regarding the independence of the external auditor shall be disclosed in the annual report;
  - iii. approving the policy regarding the provision of permitted non-audit services by the external auditor, in accordance with applicable legal provisions, and monitoring the manner in which such policy is implemented;
  - iv. conducting an annual assessment of the qualifications, expertise, resources, and effectiveness of the audit process; and
  - v. reviewing the risk of withdrawal of the Company's current external auditor from the market.
- e) meet regularly with the external auditor, including once during the pre-audit planning stage (to discuss the annual work plan covering the scope and materiality of the audit activities to be performed) and once during the post-audit reporting stage, as well as whenever necessary to discuss identified issues and to monitor the quality of the services provided. The Committee shall meet with the external auditors at least once per year without the presence of management, in order to discuss their mandate and any issues arising from the audit;
- f) discuss with the external auditor the audit plan and the auditor's conclusions, based on the work performed by the external auditor, including, but not limited to: a) the scope and materiality threshold of the audit plan and the main annual reporting risks identified by the external auditor in the audit plan; and b) taking into consideration the documents on the basis of which the audit plan was prepared, the findings and results of the audit of the financial statements, and the management letter;
- g) review and approve the annual audit plan and ensure that it complies with the scope of the audit engagement;
- h) review the audit conclusions together with the external auditor, including, but not limited to:
- i. a discussion of any significant matters that arose during the audit;
  - ii. any accounting and auditing judgments;
  - iii. the level of errors identified during the audit;
  - iv. compliance with the relevant financial reporting standards and applicable financial reporting and corporate governance requirements.
- i) review any representation letter requested by the external auditors prior to its execution by management, as well as the management letter and management's response to the findings and recommendations of the external auditor.

### **3.6. Other Duties**

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- 3.6.1. The Committee shall regularly review the Company's information and communications technologies, understanding emerging developments related to information technology and artificial intelligence, in order to mitigate cybersecurity risks.
- 3.6.2. The Committee shall review any other information and documents as may be indicated by the Board of Directors.
- 3.6.3. At the end of each calendar year, the Committee shall prepare an annual activity program for the following year and submit it to the Board of Directors for approval.
- 3.6.4. In the performance of its duties, the Committee shall have access to adequate resources to fulfill its responsibilities and shall benefit from appropriate and timely training.

#### **4. OPERATION OF THE COMMITTEE**

##### **4.1. Committee Meetings**

- 4.1.1. The Committee shall meet as often as it deems necessary, but in any event at least four (4) times per year, so that meeting dates coincide with key dates in the financial reporting and audit cycle, at the times and locations determined by the Chairman of the Committee.
- 4.1.2. Committee meetings shall take place prior to the scheduled meeting of the Board of Directors in the respective month, in order to allow for the timely preparation of reports to the Board of Directors.
- 4.1.3. Committee meetings shall be convened by the Chairman of the Committee, at the request of any of its members or at the request of the external or internal auditors, if they deem it necessary.
- 4.1.4. The Chairman of the Committee shall specify the agenda and duration of the meetings and shall ensure the effective performance of the Committee's duties.
- 4.1.5. The Committee may meet by videoconference or teleconference, if the Chairman of the Committee so decides. The Chairman of the Committee may also request the Committee to adopt decisions regarding certain documents by means of an exchange of emails or written correspondence.
- 4.1.6. Unless all members of the Committee agree otherwise, the meeting notice confirming the place, time, and date of the meeting, any details relating to teleconferencing arrangements, and the agenda shall be sent to each member of the Committee, to any other person required to attend, and to all other non-executive directors, as soon as practicable and, in any event, no later than five (5) business days prior to the meeting date.
- 4.1.7. Where necessary, the external auditor may request permission from the Chairman of the Committee to attend a Committee meeting. The external auditor shall receive the financial information underlying the adoption of the semi-annual reports and other interim financial reports, and shall be given the opportunity to have all questions addressed.
- 4.1.8. The internal auditor shall attend all meetings without voting rights, except where the



Chairman of the Committee considers that his/her participation is not necessary.

4.1.9. The Committee may invite other persons to attend its meetings, such as other directors, Company officers, or any other persons (employees, consultants, etc.), as it deems necessary or appropriate.

#### **4.2. Quorum and Majority**

4.2.1. Quorum shall be deemed met and the Committee shall be duly constituted when at least two (2) members are present (including the Chairman of the Committee). Participation by a member in a meeting through audio or video means shall be considered valid for the purpose of determining quorum.

4.2.2. The Committee shall adopt decisions by consensus. If consensus cannot be reached, decisions shall be adopted by a simple majority of the votes of the members present.

4.2.3. A written decision signed or approved by all members of the Committee by letter, e-mail, telegram, or fax shall be valid and shall have the same effect as a decision adopted at a meeting of the Committee.

#### **4.3. Minutes**

A member of the Committee shall be designated as secretary by the Chairman of the Committee and shall prepare the minutes of the Committee's meetings and the decisions adopted. The minutes shall indicate the time and place of the meeting, list the persons attending, record the existence of any conflicts of interest, and summarize the matters discussed during the meeting.

The minutes of the Committee's meetings shall be promptly communicated to all members of the Committee and shall be approved at the next meeting. Once approved, the minutes shall be communicated to all members of the Board of Directors, except where a conflict of interest exists.

### **5. REPORTING RESPONSIBILITIES**

5.1. The Chairman of the Committee shall formally report to the Board of Directors on the deliberations, findings, and procedures of the Committee after each meeting, covering all matters falling within its duties and responsibilities. This report shall include, at a minimum, the following information:

- a) the methods used to assess the effectiveness of the design and operation of the risk management and internal control systems;
- b) the methods used to assess the effectiveness of the internal and external audit processes;
- c) significant considerations relating to financial reporting; and
- d) the manner in which significant risks and uncertainties were reviewed and discussed, together with a description of the Committee's most important findings.

5.2. The Committee shall make recommendations to the Board of Directors, as it deems



necessary, in any area falling within its competence where actions or improvements are recommended.

- 5.3. Whenever the Terms of Reference provide for reviews or analyses to be carried out by the Committee, these shall be followed by periodic (at least annual) or ad-hoc reports to be submitted to the Board of Directors.

## **6. SELF-ASSESSMENT**

- 6.1. The Committee shall evaluate its performance, composition, and these Terms of Reference at least once per year and shall submit to the Board of Directors, for approval, recommendations regarding any amendments it deems necessary.