
TERMS OF REFERENCE OF THE AUDIT
COMMITTEE

SCHMID GROUP N.V.

ADOPTED BY THE BOARD ON 30 APRIL 2024

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TERMS OF REFERENCE OF THE AUDIT COMMITTEE SCHMID GROUP N.V.

These are the terms of reference (the "**Terms of Reference**") of the audit committee (the "**Audit Committee**") of the board of SCHMID Group N.V. (the "**Board**") (the "**Company**") adopted by the Board on 30 April 2024. These Terms of Reference are posted on the Company's website.

INTRODUCTION

- (1) These Terms of Reference have been drawn up by the Board pursuant to clause 14.6 of the Articles of Association and clause 7.3 of the Board rules (the "**Board Rules**").
- (2) The Audit Committee is a standing committee of the Board.
- (3) Certain capitalised or uncapitalised terms used but not defined in these Terms of Reference have the meanings given to them in the Board Rules and the List of Definitions attached to the Board Rules as Annex 1 (*List of Definitions*).
- (4) Words and expressions expressed in the masculine form include all forms and genders.

1. COMPOSITION

- 1.1 The Board determines the size of the Audit Committee, provided that the Audit Committee shall consist of at least three (3) members.
- 1.2 All members of the Audit Committee must be Non-Executive Directors and shall be independent within the meaning of applicable rules and regulations (including the CGC as well as SEC rules and NASDAQ rules).
- 1.3 Subject to any available exceptions under applicable law and stock exchange requirements:
 - (a) each member of the Audit Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement and may not have participated in the preparation of the financial statements of the Company or any of its subsidiaries in the last three (3) years;
 - (b) at least one member of the Audit Committee shall be an audit committee financial expert under Item 407(d)(5)(ii) and (iii) of Regulation S-K promulgated under the United States Securities Act of 1933, as amended; and
 - (c) otherwise meet the financial sophistication standard established by the requirements of the New York Stock Exchange rules.
- 1.4 The members of the Audit Committee shall be appointed, and may be replaced from their position at any time, by the Board. The Board shall appoint one of the members of the Audit Committee as chairperson of the Audit Committee, provided that the Audit Committee shall not be chaired by the Chairperson or by a former Executive Director.

- 1.5 The term of office of a member of the Audit Committee will generally not be set beforehand. It will, *inter alia*, depend on the composition of the Board as a whole and that of other Committees from time to time.
- 1.6 The Company Secretary, his deputy as designated by the Company Secretary in accordance with the Board Rules, or any other person as may be designated by the chairperson of the Audit Committee, shall act as secretary to the Audit Committee.

2. DUTIES AND POWERS

- 2.1 The Audit Committee prepares the Board's decision-making in relation to the integrity of the Company, the quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems and is, within the Board, especially charged with the following:

General

- (a) informing the Board of the result of the statutory audit of the Annual Accounts, with an explanation of the way in which the statutory audit contributed to the integrity of the financial reporting and the role of the Audit Committee in this process;
- (b) monitoring of the financial accounting process and making proposals to safeguard the integrity of said process;
- (c) monitoring of the efficiency of the internal management system, the internal audit system and the risk management system with respect to financial reporting;
- (d) monitoring of the statutory audit of the Annual Accounts, and in particular the process of such audit;
- (e) assessing and monitoring of the independence of the External Auditor, with a special focus on other services provided to the Company, in accordance with the External Auditor Independence Policy as referred to in Annex 1 (*External Auditor Independence Policy*);
- (f) adopting of a procedure for the selection of the External Auditor and the nomination for appointment of the External Auditor with respect to the statutory audit of the Annual Accounts; and
- (g) undertaking preparatory work for the Non-Executive Directors decision-making regarding the supervision of the integrity and quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems, and in that light, it focuses on monitoring the Executive Directors with regard to:
 - (i) relations with, and compliance with recommendations and following up of comments by, the Internal Audit Function and the External Auditor and any other external party involved in auditing the sustainability reporting;
 - (ii) the funding of the Company;

- (iii) the application of information and communication technology (ICT) by the Company, including risks relating to cyber security; and
- (iv) the Company's tax policy;

Regarding the Internal Audit Function

- (h) issuing recommendations to the Board regarding the appointment and dismissal of the Senior Internal Auditor;
- (i) annually formulating an opinion to the Board regarding the way in which the Internal Audit Function fulfils its responsibilities;
- (j) being involved in the Internal Audit Function's process of drawing up the Company's audit plan, in which plan attention should be paid to the interaction with the External Auditor;
- (k) keeping records of how the Audit Committee is informed by the Internal Audit Function;
- (l) reviewing the essence of the audit results of the Internal Audit Function; and
- (m) if the Company does not have an internal audit function, recommending to the Non-Executive Directors whether adequate alternative measures have been taken;

Regarding the External Auditor

- (n) advising the Board regarding the External Auditor's nomination for (re)appointment or dismissal and preparing the selection of the External Auditor, as reflected in Annex 2 (*Selection Procedure regarding the External Auditor*);
- (o) submitting a proposal to the Board for the External Auditor's engagement to audit the financial statements, taking into account the scope of the audit, the materiality to be used and remuneration for the audit;
- (p) monitoring (the functioning of) the External Auditor, and in that light:
 - (i) assessing and evaluating the functioning of, and the developments in the relationship with, the External Auditor and the lead partner of the audit team of the External Auditor (also in preparation of its reporting to the Board on an annual basis). The Audit Committee shall give the External Auditor a general idea of the contents of the reports relating to its functioning;
 - (ii) obtaining and reviewing the report(s) from the External Auditor (at least annually) regarding (i) the External Auditor's internal quality control procedures, (ii) any material issues raised by the most recent internal quality control review, or peer review, of the External Auditor's firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five (5) months with respect to one or more independent audits carried out by the External Auditor's firm, (iii)

any steps taken to deal with any such issues and (iv) all relationships between the External Auditor and the Company;

- (iii) obtaining and reviewing the report(s) from the External Auditor to oversee that it contains the matters which the External Auditor wishes to bring to the attention of the Board in relation to its audit of the Annual Accounts and the related audits;
- (iv) evaluating the qualifications, performance and independence of the External Auditor, including considering whether the External Auditor's quality controls are adequate, and taking into account the opinions of the Executive Directors and the Senior Internal Auditor;
- (v) ensuring the rotation of the lead (or co-ordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit, as well as the other members of the External Auditor, as required by law, regulation or the Company's External Auditor Independence Policy;
- (vi) reviewing and discussing annually with the External Auditor, the independence of the External Auditor and the audit process;
- (vii) meeting with the External Auditor prior to the audit to discuss the planning, scope and staffing of the audit;
- (viii) discussing with the External Auditor and the Board the Internal Audit Function's responsibilities, budget and staffing and any recommended changes in the planned scope of the internal audit; and
- (ix) discussing annually with the External Auditor (i) the scope and materiality of the audit plan and the principal risks of the financial statements identified by the External Auditor in the audit plan and (ii) based also on the documents from which the audit plan was developed, the findings and outcomes of the audit work on the financial statements and the management letter;
- (q) determining whether and, if so, how the External Auditor should be involved in the content and publication of financial reports of the Company other than the Annual Accounts; and
- (r) discussing with the Board a possible early termination of the relationship with the External Auditor;

Regarding financial reporting and publications

- (s) monitoring the Company's financial reporting and publications in this respect, and in that light:
 - (i) reviewing and discussing with the Board and the External Auditor the Annual Accounts and the Report of the Board, including disclosures made in management interviews, analyses and the like;

- (ii) reviewing and discussing with the Board and the External Auditor the interim financial statements prior to their release, including the results of any review by the External Auditors of the interim financial statements;
- (iii) discussing with the Board and the External Auditor significant financial reporting issues and judgements made in connection with the preparation of the Company's financial statements, including the quality of earnings, significant deviations between planned and actual performance, any significant changes in the Company's selection or application of accounting principles, any issues as to the adequacy of the Company's internal controls and any special steps adopted in light of control deficiencies;
- (iv) reviewing and discussing reports of the External Auditor on (i) all major elements of the accounting policies and the methods used, (ii) all alternative treatments of financial information within generally accepted accounting principles that have been discussed with the Board or any Director, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the External Auditor and (iii) other important written communications between the External Auditor and the Board or one of the Directors (e.g. management letters);
- (v) discussing with the Board the Company's (i) earnings press releases, including the use of non-IFRS or non-GAAP information and (ii) plans and policies of the Company with respect to comments on financial information and earnings guidance given by analysts and rating agencies;
- (vi) discussing with the Board and the External Auditor the consequences of legislative or regulatory initiatives as well as of off-balance sheet structures for the financial reporting by the Company;
- (vii) discussing with the Board the Company's major financial risk exposures and the steps the Board has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies; and
- (viii) assisting the Company in preparing the disclosure to be included in the Company's applicable filings as required by the United States Securities Act of 1933, as amended, the United States Securities Exchange Act of 1934, as amended, and their related rules; and
- (t) resolving disagreements between the Board and the External Auditor regarding the Company's financial reporting;

Regarding compliance with legislation and regulations

- (u) monitoring the Company's compliance with applicable legislation and regulations, and in that light:

- (i) obtaining reports from the Board, the Senior Internal Auditor and the External Auditor to the effect that the Company and its subsidiaries comply with the applicable legislation and regulations and the internal rules of the Company;
- (ii) advising the Board on policy and procedures of the Company for compliance with applicable legislation and regulations;
- (iii) reviewing reports and intended disclosures on insider and related party transactions;
- (iv) discussing with the Board and the External Auditor any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies;
- (v) discussing with the general counsel of the Company the legal issues that may materially affect the financial reports or the policy of the Company regarding its compliance with legislation and regulations;
- (vi) discussing matters being the subject of legal action against or by the Company or otherwise litigious which might have a material impact on the business of the Company; and
- (vii) preparing the Committee report that the SEC rules require to be included in the Company's annual proxy statement (if and when the Company would become subject to those rules); and

Regarding financing and finance related strategies

- (v) supervising the Company's financing and its finance related strategies, and in that light:
 - (i) reviewing and discussing with the Board at least once a year the general financial strategy of the Company in relation to, amongst other things, capital allocation and capital structure; and
 - (ii) reviewing and discussing with the Board the financial policy and financial procedures of the Company, including its currency policies and procedures;

2.2 The Audit Committee's authority does not include the right to adopt resolutions on behalf of the Board.

2.3 While the Audit Committee has the responsibilities and powers set forth in these Terms of Reference, it is not the duty of the Audit Committee to plan or conduct audits, or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations.

2.4 The Audit Committee may only exercise such powers as are explicitly attributed to it by the Board and may never exercise powers beyond those exercisable by the Board as a whole.

3. MEETINGS

3.1 The Audit Committee shall meet as often as required for a proper functioning of the Audit Committee, but at least four times a year. The Audit Committee shall meet with the External Auditor outside the presence of the Executive Directors at least once a year. The Audit Committee shall furthermore meet if this is deemed necessary by the chairperson of the Audit Committee, or by two other members of the Audit Committee.

3.2 Meetings of the Audit Committee are, in principle, called by the Company Secretary, in consultation with the chairperson of the Audit Committee, at a reasonable notice period. Save in urgent cases (to be determined by the chairperson of the Audit Committee), the agenda for a meeting shall be sent to all members of the Audit Committee at least seven (7) calendar days before the meeting. To the extent possible, for each item on the agenda an explanation in writing shall be provided, and/or, where possible, other related documentation will be attached.

3.3 Meetings of the Audit Committee are generally held at the offices of the Company, but may also take place elsewhere. In addition, meetings of the Audit Committee may be held by telephone, video conference or other means of communication (whether or not electronic), provided all participants can communicate with each other simultaneously.

3.4 The Senior Internal Auditor, the External Auditor and the chief financial officer of the Company shall attend the meetings of the Audit Committee, unless the Audit Committee decides otherwise. The Audit Committee may furthermore decide if and when the CEO should attend its meetings. In addition, independent experts may be invited to attend the meetings of the Audit Committee. Each Non-Executive Director may attend meetings of the Audit Committee.

3.5 The Committee shall meet with the External Auditor as often as it considers necessary, but no less than annually, outside the presence of the Executive Directors.

3.6 Meetings of the Audit Committee are chaired by the chairperson of the Audit Committee, or, in his absence, by any other member of the Audit Committee elected by a majority of the members of the Audit Committee present at the meeting.

3.7 Each member of the Audit Committee has the right to cast one (1) vote in meetings.

3.8 All resolutions shall be adopted by an absolute majority of the votes validly cast. If there is a tie of votes, the chairperson of the Audit Committee shall have a decisive vote.

3.9 The Company Secretary, or any other person designated for such purpose by the chairperson of the meeting, shall draw up minutes of the meeting. The minutes should provide insight into the decision-making process at the meeting. The minutes shall in evidence of their adoption be signed by the chairperson of the meeting at the same meeting, or the next meeting.

3.10 In general, resolutions of the Audit Committee are adopted at a meeting.

3.11 Resolutions of the Audit Committee may also be adopted without holding a meeting, provided that (i) all members of the Audit Committee have been given the opportunity to express their opinion on the proposed resolution, (ii) the required majority of the members of the Audit Committee has expressed themselves in favour of the relevant proposal in writing and (iii) none of them have objected, on reasonable grounds, to this manner of decision-making process. Adoption of resolutions without holding a meeting shall be effected by statements in writing from all members of the Audit Committee. A statement from a member of the Audit Committee who wishes to abstain from voting on a particular resolution which is to be adopted in writing, or who wishes to vote against a particular resolution, must reflect the fact that he or she does not object to this manner of decision-making process.

4. REPORTING TO THE BOARD

4.1 The Audit Committee must inform the Board in a clear and timely manner about the way it has used its powers and of major developments in the area of its responsibilities.

4.2 The Board shall receive from the Audit Committee a report of its deliberations and findings. In addition, to ensure that all Non-Executive Directors will have all relevant information, the minutes of the meetings of the Audit Committee shall be circulated among all Non-Executive Directors as soon as possible after each meeting.

4.3 The report referred to in Clause 4.2 must, at least, include the following information:

- (a) the methods used to assess the effectiveness of the design and operation of the internal risk management and control systems;
- (b) the methods used to assess the effectiveness of the internal and external audit processes;
- (c) material considerations regarding financial reporting; and
- (d) the way material risks and uncertainties that are relevant to the Company's continuity have been analysed and discussed, along with a description of the most important findings of the Audit Committee.

4.4 The Audit Committee shall report annually, and earlier if required, to the Board on the functioning of, and the developments in the relationship with, the External Auditor.

4.5 If requested, the chairperson of the Audit Committee shall, at Board meetings, provide the Board with further information on the deliberations and findings of the Audit Committee.

5. MISCELLANEOUS

5.1 Each member of the Audit Committee shall have unrestricted access to all relevant books, records and offices of the Company to the extent necessary or useful for the proper performance of his duties. Members of the Audit Committee shall exercise this right in consultation with the chairperson of the Audit Committee and the Company Secretary.

- 5.2 The chairperson of the Audit Committee (or one of the other members of the Audit Committee) shall be available to answer questions regarding the Audit Committee's activities at the General Meeting.
- 5.3 The Audit Committee shall annually perform a review and evaluation of (i) the performance of its members, (ii) the compliance of the Audit Committee with these Terms of Reference and (iii) the adequacy of these Terms of Reference. The Audit Committee shall report its review and evaluation, and recommend, where appropriate, any proposed changes to the Board.
- 5.4 The Audit Committee may occasionally decide not to comply with these Terms of Reference, but only to the extent that the non-compliance with these Terms of Reference does not contradict the Articles of Association and the Board Rules, with due observance of applicable laws and regulations and with the prior approval of the Chairperson.
- 5.5 These Terms of Reference may be amended by the Board and/or any powers granted by the Board to the Audit Committee may be revoked by it, by means of a resolution adopted with an absolute majority of the votes validly cast, provided that in any case an affirmative vote of the CEO is required.

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ANNEX 1
EXTERNAL AUDITOR INDEPENDENCE POLICY

1. INTRODUCTION

- 1.1 This policy applies in respect of External Auditors of the Company, including all its Subsidiaries.
- 1.2 The Company and its Subsidiaries use the services of the External Auditor to the extent this does not prejudice the independence of the External Auditor.

2. INDEPENDENCY

- 2.1 The External Auditor must be independent within the meaning of:
- (a) EU-Regulation 537/2014 on specific requirements regarding statutory audit of public-interest entities, the Supervision audit firms act (*Wet toezicht accountantsorganisaties*) and the Regulation on the independence of auditors with respect to assurance assignment (*Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten*) of the Royal Dutch Professional Organisation of Auditors (*Koninklijk Nederlandse Beroepsorganisatie van Accountants*); and
 - (b) the ethics and independence rules and standards adopted by the Public Company Accounting Oversight Board and approved by the SEC.
- 2.2 The Audit Committee assesses and monitors that the External Auditor complies with all relevant recommendations and (statutory) provisions, and may request more detailed explanations and written confirmations from the External Auditor that these provisions are followed.

3. AUDIT SERVICES

- 3.1 Audit services is the audit of the Annual Accounts, the assessment of interim financial reports that are disclosed, services that are traditionally provided by the External Auditor and that are related to filings and obligations under legislation or regulations, and services that only the External Auditor as such can reasonably provide.
- 3.2 The External Auditor that conducts the statutory audit of a public-interest entity shall not render any other services to this entity in addition to the audit services.
- 3.3 The External Auditor or any other member of the network to which the External Auditor belongs may, directly or indirectly, only render auditing services to the Company and the enterprises it controls during:
- (a) the period between the beginning of the period audited and the issuing of the audit report; and
 - (b) the financial year immediately preceding the period referred to in clause 3.3(a) in relation to non-audit services.

3.4 The External Auditor does not need to go through a tender process for each individual engagement.

4. ROTATION OF THE EXTERNAL AUDITOR AND PARTNERS RESPONSIBLE FOR AUDIT SERVICES

4.1 In order to prevent that the External Auditor and the Company become too close, the number of years an External Auditor may be engaged and a certain person may be part of the audit team of the External Auditor, is capped.

4.2 The External Auditor charged with the statutory audit must be replaced after a maximum period of 10 years after the start of their involvement. The External Auditor is not allowed to work on a new assignment for the Company until at least 4 years have passed from the date of its replacement.

4.3 Partners of the audit team of the External Auditor who are charged with essential audit tasks must be replaced after a maximum period of 5 years after the start of their involvement.

4.4 The Audit Committee shall also supervise the risks of dependency of other members of the audit team of the Company who are involved with the audit for a significant period. The Audit Committee shall consult the responsible partner of the External Auditor regularly on safeguards set up by the External Auditor to assess the risk of dependency and to reduce it to an acceptable minimum level.

5. APPOINTMENT OF THE EXTERNAL AUDITOR

The External Auditor shall be appointed in accordance with clause 20.4 of the Articles of Association. If the decision is taken to call in the services of another External Auditor, the tender process approved by the Audit Committee shall be followed.

6. COMPLIANCE WITH THIS POLICY

6.1 It shall be a condition to their engagement or continuation of engagement for External Auditors to agree to comply with this policy and to have appropriate compliance mechanisms in place for this purpose.

6.2 Any exception to this policy requires the prior approval of the Audit Committee.

6.3 The group controller shall oversee compliance with this policy and keep the Audit Committee informed thereof.

7. STAFF TRANSFER RESTRICTIONS

The Company and the External Auditor shall agree on a policy regarding the restriction of staff transfers from the Company and its group to the organisation of the External Auditor and *vice versa*, taking into account all relevant legislation and regulations. This policy shall be subject to the approval of the Audit Committee.

8. **ROLE OF THE AUDIT COMMITTEE**

The Audit Committee will review the auditor independence on an annual basis and document its position on the matter as well as address any changes to this policy or situation as needed. The Audit Committee will discuss the audit approach and the annual reporting of the External Auditor on internal controls and accounting. The Audit Committee is informed on the annual audit budget and other audit services and non-audit services for the year.

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ANNEX 2
SELECTION PROCEDURE REGARDING THE EXTERNAL AUDITOR

Unless it concerns the renewal of an audit engagement, the advice of the Audit Committee referred to in Clause 2.1(n) of these Terms of Reference shall be prepared following a selection procedure organised by the Company respecting the following criteria:

- (a) the Company shall be free to invite any audit firm to submit proposals for the provision of the statutory audit service on the condition that the cooling down period is respected;
- (b) the Company shall prepare tender documents for the attention of the invited statutory auditors or audit firms. Those tender documents shall allow them to understand the business of the Company and the type of statutory audit that is to be carried out. The tender documents shall contain transparent and non-discriminatory selection criteria that shall be used by the Company to evaluate the proposals made by statutory auditors or audit firms;
- (c) the Company shall be free to determine the selection procedure and is entitled to conduct direct negotiations with interested tenderers in the course of the procedure;
- (d) if applicable regulations require audit firms to comply with certain quality standards, those standards shall be included in the tender documents;
- (e) the Company shall evaluate the proposals made by the statutory auditors or the audit firms in accordance with the selection criteria predefined in the tender documents, and shall prepare a report on the conclusions of the selection procedure, which shall be validated by the Audit Committee; and
- (f) the Company shall be able to demonstrate, upon request, that the selection procedure was conducted in a fair manner.

The Audit Committee is responsible for the selection procedure referred to in this annex.

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