

APPENDIX 4 - TERMS OF REFERENCE OF THE AUDIT COMMITTEE

THROMBOGENICS NV

TABLE OF CONTENTS

Article	Page
1. Composition	3
2. Powers	3
3. Operation.....	6
4. Miscellaneous.....	8

Schedule

1. Guideline for the monitoring of financial reporting	9
2. Guideline for the evaluation of the effectiveness of the internal audit function, of the internal control, of the risk management systems and of the systems for guaranteed compliance	10
3. Guideline for the monitoring of the relationships between the company and the external auditor and of the external auditor's independence	11

INTRODUCTION

These terms of reference are part of the CG Charter of the Company.

The meaning of a number of terms, whether or not capitalised, used but not defined in these terms of reference is given in the list of terms included in article 1 of the CG Charter.

1. COMPOSITION

- 1.1 The members of the Audit Committee are appointed and may at any time be dismissed by the Board.
- 1.2 The Audit Committee must be composed of at least three directors.¹ All members of the Audit Committee must be non-executive directors.² At least the majority of the Audit Committee must be independent directors.³
- 1.3 The Audit Committee must be chaired by one of the members of the Audit Committee. The Chairman of the Board may not be the chairman of the Audit Committee.⁴
- 1.4 At least one of the independent members of the Audit Committee must have sufficient accounting and auditing expertise.⁵ This expertise in accounting and auditing implies a degree of higher studies in economics or finance or relevant professional experience in those matters.
- 1.5 The duration of the mandate of a member of the Audit Committee may not exceed the duration of his or her mandate as a director.⁶
- 1.6 The Secretary of the Company acts as secretary of the Audit Committee. The Secretary of the Company can delegate some or all of his or her duties under these terms of reference to a substitute appointed by him or her in consultation with the chairman of the Audit Committee.

2. POWERS

2.1 Role of the Audit Committee

The Audit Committee must support the Board in fulfilling its monitoring responsibilities in respect of control in the broadest sense.⁷

2.2 Duties of the Audit Committee

The Audit Committee is the main contact point of the External auditor.⁸ Without prejudice to the legal duties of the board, the Audit Committee is entrusted with the development of a long-term audit programme encompassing all activities of the Company, and is in particular entrusted with the oversight of:

- (a) Monitoring the financial reporting process:

The Audit Committee monitors the integrity of the financial information provided by the Company: the Audit Committee ensures that the financial reporting provides a true, honest and

¹ Provision 5.5 CGC

² Provision 5.2/1 CGC

³ Provision 5.2/4 CGC

⁴ Provision 5.2/3 CGC

⁵ Article 526bis BCC

⁶ Provision 5.5 CGC

⁷ Provision 5.2 CGC

⁸

clear picture of the situation and the prospects of the Company. For this monitoring, the Audit Committee in particular reviews the relevance and consistency of the accounting standards.

The Audit Committee assesses the accuracy, completeness and consistency of the financial information.⁹

This review should also cover periodic information before this information is made public¹⁰ and the relevance and consistency of the accounting standards used, the impact of new accounting rules, the treatment of “balancing items” in the financial statements, prognoses, the work of the External auditor, etc.

The Audit Committee discusses significant financial reporting issues both with the Executive Team and with the External auditor.¹¹

Schedule 1 contains guidelines for the monitoring of the financial reporting by the Audit Committee.

(b) Monitoring the effectiveness of the Company's internal control and risk management systems:

At least once a year, the Audit Committee must review the internal control and risk management systems set up by the Executive Team. It must ensure that the main risks are properly identified, managed and disclosed in accordance with the framework approved by the Board.¹²

Internal control also includes review and approval of the statements on internal control and risk management included in the CG statement¹³ as well as review of the specific arrangements in place which the staff of the Company may use, in confidence, to raise concerns about possible improprieties in financial reporting or other matters (whistle-blowers' order).¹⁴ The Audit Committee must ensure that this arrangement is brought to the notice of all staff members of the Company and its Subsidiaries. If deemed necessary, the Audit Committee must make arrangements for independent investigation and appropriate follow-up of these matters in proportion to their alleged gravity.¹⁵

(c) Monitoring the internal audit and its effectiveness:

The Audit Committee must annually review the need for or the preservation of the internal audit function and advise the Board on the Audit Committee's annual assessment of such need.¹⁶

If an independent audit function has been set up, the Audit Committee must ensure that the available resources and skills are adapted to the Company's nature, size and complexity.¹⁷

The Audit Committee assesses the work programme of the head of internal audit having regard to the complementary role of the internal and external audit functions. The Audit Committee must be provided with internal audit reports or a periodic summary of such reports.¹⁸ It reviews the effectiveness of the internal audit function.¹⁹

⁹ Provision 5.2/11 CGC

¹⁰ Provision 5.2/11 CGC

¹¹ Provision 5.2/13 CGC

¹² Provision 5.2/14 CGC

¹³ Provision 5.2/15 CGC

¹⁴ Provision 5.2/16 CGC

¹⁵ Provision 5.2/17 CGC

¹⁶ Provision 5.2/17 CGC

¹⁷ Provision 5.2/10 CGC

¹⁸ Provision 5.2/18 CGC

¹⁹ Provision 5.2/18 CGC

The Audit Committee makes recommendations to the Board on the selection; the (re)appointment and removal of the head of internal audit function, as well as on the budget allocated to internal audit and should monitor management's responsiveness to the Audit Committee's findings and recommendations.

The chairman of the Audit Committee must be available at all times to the head of the internal audit function to discuss issues relating to the Company's internal audit.

Schedule 2 contains a guideline for the evaluation by the Audit Committee of the effectiveness of the internal audit function, of the internal controls, of the risk management systems and of the systems for guaranteed compliance.

- (d) Monitoring the statutory audit of the annual accounts, including any follow-up on any questions and recommendations made by the External auditor:

Without prejudice to the legal provisions which require that the External auditor provides reports or warnings to the administrative bodies of the Company, the External auditor must report to the Audit Committee on the key matters arising from the statutory audit of the financial statements, and in particular on material weaknesses in internal control in relation to the financial reporting process.²⁰

The Audit Committee must monitor the External auditor's work programme and review the effectiveness of the external audit process and the responsiveness of the management to the recommendations made by the External auditor in his or her management letter.²¹

The Audit Committee must determine the manner in which the External auditor is involved in the content and the publication of financial information on the Company other than the financial statements.

Schedule 3 contains a guideline for the monitoring by the Audit Committee of the relationships between the Company and the External auditor and of the External auditor's independence.

- (e) Reviewing and monitoring of the independence of the External auditor, in particular regarding the provision of additional services to the Company.

The Audit Committee must make a proposal to the Board on the selection, the appointment and the reappointment of the External auditor as well as on the terms for his or her engagement. The Board must submit a proposal to the shareholders for approval.²² The Audit Committee's proposal on the appointment of the External auditor must be included on the agenda of the general shareholders' meeting.²³ The same applies for the renewal of this appointment.²⁴

The Audit Committee must investigate the issues giving rise to the resignation of the External auditor and may make recommendations as to any required action.²⁵

The External auditor must:

- annually confirm, in writing, to the Audit Committee his or her independence from the Company;

²⁰ Provision 5.2/25 CGC; art. 526bis § 5 of the BCC

²¹ Provision 5.2/26 CGC

²² Provision 5.2/20 CGC

²³ Provision 5.2/21 CGC

²⁴ Provision 5.2/21 CGC, cfr. Art. 130 BCC, art. 533 BCC

²⁵ Provision 5.2/27 CGC

- annually inform the Audit Committee about the additional services provided to the Company;
- examine with the Audit Committee the risks relating to his or her independence and the safety measures taken to decrease these risks as documented by him or her.²⁶

The Audit Committee must monitor the independence of the External auditor. The External auditor must therefore provide the Audit Committee with a report containing a description of all relationships between the External auditor and the Company and its group.²⁷

The Committee must assess the efficiency of the external audit in general, taking into account the relevant regulatory and professional standards.

The Audit Committee must monitor the nature and extent of all additional services which have been provided by the External auditor. The Audit Committee must also propose to the Board and apply a formal policy specifying the types of additional services that are:

- excluded;
- permissible after review by the Committee; and
- permissible without referral to the Audit Committee, taking into account the specific requirements of the Belgian Company Code.

3. OPERATION

3.1 Meetings

- (a) The Audit Committee meets at least three times a year. It must regularly (and at least every two to three years) review its terms of reference and its own effectiveness and recommend any necessary changes to the Board.²⁸
- (b) In principle, meetings of the Audit Committee are convened by the secretary of the Audit Committee in consultation with the chairman of the Audit Committee. Each member of the Audit Committee can convene an Audit Committee meeting. Except where urgent issues have arisen (as determined by the chairman of the Audit Committee), the agenda of the meeting must be sent to all Audit Committee members at least two working days prior to the meeting. Every agenda item must be accompanied by as much written information as possible and relevant documents must be appended.
- (c) If all members are present, the Audit Committee can deliberate validly and compliance with the formalities for convening the meeting need not be verified. The quorum is two members attending the meeting in person or by telephone conference. Decisions must be taken by a majority of the votes cast by the members of the Committee.
- (d) The Chairman of the Board has a permanent invitation to attend the meetings of any Audit Committee of which the Chairman of the Board is not a member. The Committee may invite other persons to attend its meetings.²⁹

²⁶ Provision 5.2/22 CGC; art. 526bis §6 BCC

²⁷ Provision 5.2/24 CGC

²⁸ Provision 5.2/218 CGC

²⁹ Provision 5.5 CGC

- (e) At least twice a year, the Audit Committee must meet the External auditor and the head of the internal audit function / the internal auditor to discuss matters relating to its terms of reference, issues falling within the powers of the Committee and any issues arising from the audit process.³⁰
- (f) The External auditor may request the chairman of the Audit Committee to be authorised to attend a meeting of the Audit Committee.
- (g) The Audit Committee is automatically entitled to receive all information required for the performance of its duties from the Board, the Executive Team and the Company staff. Each member of the Audit Committee has access to the books, data and offices of the Company and may have conversations with executives and employees of the Company if this might be useful for the proper performance of its duties.
- (h) The Audit Committee should decide whether, and if so when, the CEO, the CFO (or senior employees responsible for finance, accounting, and treasury matters), the internal auditor and External auditor should attend its meetings. The Audit Committee is entitled to meet with any relevant person without any member of the Executive Team being present.³¹
- (i) In addition to maintaining an effective working relationship with executive management, the internal auditor and the External Auditor must be guaranteed free access to the Board. To this effect, the Audit Committee must act as the principal point of contact for the External auditor and the head of the internal audit function. The External auditor and the head of the internal audit function must have direct and unrestricted access to the chairman of the Audit Committee and to the Chairman of the Board.³²
- (j) The Audit Committee may seek external professional advice, at the Company's expense, about issues that fall within its powers, after informing the chairman of the Board.³³
- (k) Any member of the Audit Committee must inform the Audit Committee of :
 - any personal financial interest (except in his capacity as shareholder) in any matter on which the Audit Committee decides; or
 - any possible conflict of interests which may arise as a consequence of any other mandates he or she holds.

3.2 Reporting to the Board

- (a) The Audit Committee regularly reports to the Board, at least when the Board is making the financial statements and concise financial statements, that are to be published. The Audit Committee shall also regularly report to the Board on the exercise of its duties identifying any matters in respect of which it considers that action or improvement is needed, and making recommendations as to the steps to be taken.³⁴
- (b) The secretary of the Audit Committee or any other person designated by the chairman of the meeting must draw up a report of the findings and recommendations of the meeting of the Audit Committee. He or she must provide all members of the Board with the report as soon as possible after the meeting.³⁵

³⁰ Provision 5.2/20 CGC

³¹ Provision 5.2/30 CGC

³² Provision 5.2/31 CGC

³³ Provision 5.6 CGC

³⁴ Provision 5.2/9 CGC

³⁵ Provision 5.2/8 and 5.7 CGC

- (c) The Audit Committee reports to the Board annually or, if necessary, more frequently on the developments in the relationship with the External auditor, and in particular on the viewpoint of the Audit Committee on the External auditor's independence.
- (d) If requested, the chairman of the Audit Committee must provide more detailed information on the results of the discussions of the Audit Committee during the meetings of the Board.
- (e) The chairman of the Audit Committee (or any other member of the Audit Committee) must be available during the annual general meeting to answer questions about the activities of the Audit Committee.
- (f) Each member of the Board must be given unlimited access to all data of the Audit Committee and may exercise this right following consultation with the chairman of the Audit Committee and the Secretary of the Company.

4. MISCELLANEOUS

- 4.1 The Audit Committee must annually check and review the adequacy of these terms of reference and of its own effectiveness, report on the results of this review to the Board and recommend any necessary changes.³⁶
- 4.2 The Board may modify these terms of reference at all times and revoke the powers granted to the Audit Committee³⁷.
- 4.3 These terms of reference and the composition of the Audit Committee must be posted on the website of the Company.

³⁶ Provision 5.2/28 CGC

³⁷ Provision 5.2/7 CGC

SCHEDULE 1

GUIDELINE FOR THE MONITORING OF FINANCIAL REPORTING

- (1) Discuss with the Board and the External auditor and review financial annual reports audited by the External Auditor, including statements made in management interviews, analyses etc.;
- (2) Discuss with the Board and the External auditor and review the interim financial reporting before it is published, including the results of a review by the External auditor of the interim financial reporting;
- (3) Discuss with the Board and the External auditor significant items in the financial reporting and remarks with regard to the financial statements of the Company, including the quality of the income, major differences between forecasted and actual performance, major changes in the selection or application by the Company of accounting principles, matters relating to the adequacy of the internal control systems of the Company and special actions taken in view of inadequacies of the control;
- (4) Review and discuss reports of the External auditor regarding :
 - (a) all key elements of the accounting policy and the methods used;
 - (b) any deviating treatment of financial information within the scope of the generally accepted accounting principles which were discussed with the Board or one of its members, the consequences of the use of such deviating disclosures or treatments, and the treatment desired by the External auditor; and
 - (c) other important written communication between the External auditor and the Board or one of its members, for instance management letters.
- (5) Discuss with the Board (i) press releases by the Company about its income, including the use of information which does not correspond to the generally accepted accounting principles and (ii) plans and policy of the Company relating to comments given on financial information and income by analysts and rating agencies;
- (6) Discuss with the Board and the External auditor the consequences of initiatives in the field of legislation and regulations as well as of "off-balance"-structures for the financial reporting of the Company;
- (7) Discuss with the Board the main financial risks to which the Company is exposed and the actions taken by the Board to monitor and control the risks, including the risk assessment and control policy.

SCHEDULE 2

GUIDELINE FOR THE EVALUATION OF THE EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION, OF THE INTERNAL CONTROL, OF THE RISK MANAGEMENT SYSTEMS AND OF THE SYSTEMS FOR GUARANTEED COMPLIANCE

- (1) Retrieve documents, reports and other relevant information on the internal audit process, the internal control, the risk management systems and the systems for guaranteed compliance;
- (2) Discuss with the employees of the Company responsible for the internal audit and the internal control, in order to obtain additional information and clarification, and record their responsibility for problems, defects or errors in the internal audit and the internal control;
- (3) Discuss with the executive management responsible for the risk management systems in order to obtain additional information and clarification, and record their responsibility for problems, defects or errors in the risk management systems;
- (4) Discuss with the compliance officer (i) the Rules for prevention of market abuse, (ii) the flaws in the Rules, (iii) possible violations of the Rules;
- (5) Obtain reports from the Board, the head of the internal audit function of the Company and the External Auditor confirming that the Company and its Subsidiaries comply with the existing legislation and regulations and with the Company's terms of reference;
- (6) Discuss with the Board and the External auditor any correspondence with legislative and government institutions as well as published reports mentioning significant matters relating to the financial notices of the Company or its accounting policy;
- (7) Discuss with the relevant members of the legal department of the Company any legal matters which may have a significant influence on the financial notices of the Company with regard to compliance with legislation and regulations;
- (8) Discuss with the Board the results of the investigation of the effectiveness of the internal audit function, of the internal control, of the risk management systems and of the systems for guaranteed compliance, and suggest improvements to the Board;
- (9) Provide advice to the Board about the policy and procedures of the Company for compliance with the applicable legislation and regulations.

SCHEDULE 3

GUIDELINE FOR THE MONITORING OF THE RELATIONSHIPS BETWEEN THE COMPANY AND THE EXTERNAL AUDITOR AND OF THE EXTERNAL AUDITOR'S INDEPENDENCE

- (1) Review and evaluate the External auditor and the main partner in the audit team of the External auditor;
- (2) Obtain and review a report of the External auditor (at least three times a year) relating to (i) the internal quality control procedures applied by the External auditor, (ii) significant matters pointed out following the last review of the internal quality control procedures carried out by the office of the External auditor or as a result of a comparison with other auditors or following an investigation carried out by the government or any professional association during the past few months on account of one or several audits performed by the office (iii) the corrective actions that have been taken, and (iv) all relationships between the External auditor and the Company;
- (3) Assess the qualifications, the operation and the independence of the External auditor, evaluate whether the External auditor's quality controls are adequate and whether the provision of permissible non-audit services is compatible with the guarantees concerning the independence of the External auditor, taking into account the viewpoint of the Board and the internal audit function;
- (4) Ensure the periodic rotation of the main (or co-ordinating) partner, who is the first person responsible for the audits, and of the partner responsible for the review of the audits as well as of the other partners in the office of the External auditor, with a view to ensuring the independence of the External auditor;
- (5) Review and annually discuss the internal guidelines and the independence (as laid down in the laws or regulations and in the policy of the Company with regard to the independence of the External auditor) of the control process with the External auditor, the internal audit function and the Board;
- (6) Discuss in advance with the External auditor the planning and scope of and the employees to be entrusted with the audit;
- (7) Review the appointment and replacement of the head of the internal audit function;
- (8) Review the main reports to the Board drawn up by the internal audit function, and the response of the Board;
- (9) Discuss with the External auditor and the Board the responsibilities of the internal audit function, the budget and the employees involved, as well as any suggested changes in the planned scope of the internal audit.

