

# Audit Committee Charter of

Pharming Group N.V.

**Effective date: 03AUG2022**

## INTRODUCTION

### Article 1. Introduction

- 1.1** This charter, together with the relevant provisions of the Board Rules, govern the organization, decision-making and other internal matters of the Committee. In performing their duties, the Committee Members shall comply with this charter and the relevant provisions of the Board Rules.
- 1.2** This charter shall be posted on the website.

### Article 2. Definitions and Interpretation

- 2.1** Unless otherwise defined in this charter, capitalized terms shall have the meanings ascribed to them in the Board Rules.
- 2.2** Without prejudice to Article 2.1, the following definitions shall apply in this charter:
- **Article:** an article of this charter;
  - **Board:** the Company's board of directors;
  - **Board Rules:** the internal rules of the Board;
  - **CFO:** the Company's chief financial officer;
  - **Committee:** the Company's audit committee;
  - **Committee Chairperson:** the chairperson of the Committee;
  - **Committee Member:** a member of the Committee;
  - **Company:** Pharming Group N.V.;
  - **Exchange Act:** the United States Securities Exchange Act of 1934, as amended;
  - **Internal Audit Function:** the Company's internal audit function, if and when established;
  - **Internal Controls:** the Company's internal risk management and control systems;
  - **Regulation S-K:** Regulation S-K promulgated under the Securities Act;
  - **SEC:** the United States Securities and Exchange Commission;
  - **Securities Act:** the United States Securities Act of 1933, as amended.
- 2.3** Terms that are defined in the singular have a corresponding meaning in the plural.
- 2.4** Words denoting a gender include each other gender.

## CHAPTER I. COMMITTEE CHARTER

### Article 3. Composition

- 3.1** The Committee consists of at least three Non-Executive Directors.
- 3.2** The Committee Members shall be appointed and dismissed by the Board.
- 3.3** More than half of all Committee Members, including the Chairperson, shall be independent within the meaning of the Dutch Corporate Governance Code.
- 3.4** All Committee Members shall be independent within the meaning of Nasdaq Rule 5605(a)(2) and shall meet the criteria for independence set forth in Rule 10A-3(b)(1) of the Exchange Act, subject to the applicable exceptions provided in Rule 10A-3(c) of the Exchange Act.

- 3.5** At least one Committee Member must have competence in accounting and/or auditing.
- 3.6** Subject to any available exceptions under applicable law and stock exchange requirements:
- a.** each Committee Member 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 years; and
  - b.** at least one Committee Member shall be an audit committee financial expert under Item 407(d)(5)(ii) and (iii) of Regulation S-K.
- 3.7** The Committee shall elect a Committee Member to be the Committee Chairperson. The Committee may dismiss the Committee Chairperson, provided that the Committee Member so dismissed shall subsequently continue his/her term of office as a Committee Member without having the title of Committee Chairperson.
- 3.8** The Committee Chairperson shall not be the Chairperson or a former Executive Director.

#### **Article 4. Duties and Organization**

- 4.1** The Board may allocate from time to time certain of its tasks and duties to the Committee pursuant to a resolution to that effect. The Committee can validly pass resolutions in respect of matters which fall under the tasks and duties allocated to the Committee.
- 4.2** The Committee is charged with, and shall be able to present recommendations to the Board and, to the extent applicable, pass resolutions relating to, the following matters:
- a.** the monitoring of the financial-accounting process and the safeguarding of the integrity of said process;
  - b.** the monitoring of the effectiveness of the internal management system, the internal audit system and the internal risk management and control systems with respect to financial reporting;
  - c.** the review of intended material financial disclosures, including the Annual Report and the 20F, as well as the interim figures of the Company, including:
    - i.** review and discuss with the Board and the External Auditor the Annual Report and the 20F, including disclosures made in management interviews, analyses and the like.
    - ii.** review and discuss with the Board and the External Auditor the interim financial statements prior to their release, including the results of any review by the External Auditor of the interim financial statements.
    - iii.** determine whether and, if so, how the External Auditor should be involved in the content and publication of financial reports other than the (interim) financial statements.
    - iv.** discuss 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.

- d.** monitoring the Board with respect to:
  - i.** the relations with, and the compliance with recommendations and follow-up of comments made by, the Internal Audit Function and the External Auditor;
  - ii.** the Company's funding;
  - iii.** the application of information and communication technology by the Company, including risks relating to cybersecurity; and
  - iv.** the Company's tax policy;
- e.** the Company's compliance with applicable legal and regulatory requirements;
- f.** the operation of the Company's code of business conduct and ethics and its other internal policies;
- g.** issuing recommendations concerning the appointment and the dismissal of the head of the Internal Audit Function, as relevant, and reviewing and discussing the performance of the Internal Audit Function;
- h.** reviewing and discussing the Company's audit plan, including with the Internal Audit Function and the External Auditor;
- i.** providing the external audit results in relation to the Company's annual accounts and annual report to the Board, indicating how the audit has contributed to the integrity of such financial reporting and which role the Committee had in that process;
- j.** reviewing and discussing the essence of the audit results, also with the Internal Audit Function, including:
  - i.** flaws in the effectiveness of the Internal Controls;
  - ii.** findings and observations with a material impact on the Company's risk profile; and
  - iii.** failings in the follow-up of recommendations made previously by the Internal Audit Function;
- k.** monitoring the Company's risk environment at least annually and providing direction to the Board to mitigate, to an acceptable level, the risks that may adversely affect the Company's ability to achieve its goals, facilitating continuous improvement of the Company's capabilities around managing its priority risks.in order to:
  - i.** identify and prioritize business risks, by reviewing the Company's risk management assessment overview to understand the current risk environment, including a review of emerging risks, the interrelationships between risks, and the risk appetite and tolerance within the Company's context;
  - ii.** evaluate the effectiveness of risk mitigation activities, by reviewing risk mitigating strategies for effectiveness and consistency with the Company's risk tolerance;



- r. reviewing and discussing the effectiveness of the design and operation of the Internal Controls with the Board, the CEO and the CFO, including:
  - i. identified material failings, deficiencies or material weaknesses in the Internal Controls, including whether there are significant deficiencies and material weaknesses in the design or operation of the Internal Controls which are reasonably likely to affect the Company's ability to record, process, summarize and report financial information and fraud involving the Company's management or other employees with a significant role in the design or operation of the Internal Controls; and
  - ii. material changes made to, and material improvements planned for, the Internal Controls;
- s. assisting the Company in preparing the disclosure to be included in the Company's applicable filings as required by the Securities Act, the Exchange Act and their related rules;
- t. reviewing and monitoring the independence of the External Auditor, also considering any non-audit services rendered by the External Auditor to the extent permitted under applicable law;
- u. determining the procedure for selecting the External Auditor and for proposing the appointment of the External Auditor to the General Meeting;
- v. evaluating annually the External Auditor's performance;
- w. advising the Board regarding the External Auditor's nomination for (re)appointment or dismissal (including confirmation and evaluation on the rotation of the audit partners on the audit engagement team as required by applicable law and stock exchange requirements) and preparing the selection of the External Auditor for such purpose, as relevant;
- x. reviewing and discussing the terms of engagement of the External Auditor to audit the Company's financial statements, to prepare or issue an audit report, or to perform other audit, review or attest services, submitting proposals to the Board concerning the External Auditor's engagement to audit the Company's financial statements, in each case including the scope of the audit, the materiality standard to be applied and the External Auditor's compensation and causing the Company, without further action, to pay the compensation of the External Auditor as approved by the Committee;
- y. engagement of such independent legal, accounting and other advisors as the Committee deems necessary or appropriate to carry out its responsibilities, including causing the Company, without further action, to pay the reasonable compensation of such advisors as approved by the Committee;
- z. causing the Company to pay, without further action, the ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its responsibilities;
- aa. 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);
- bb.** establishing policies for the Company's hiring of current or former employees of the External Auditor;
  - cc.** establishing procedures for:
    - i.** the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
    - ii.** the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
  - dd.** reviewing potential conflicts of interest involving Directors, including whether they may take part in the deliberations and the decision-making on any issue as to which there may be a conflict; and
  - ee.** developing and recommending to the Board the Company's related person transaction policy.
- 4.3** The Committee shall pre-approve all audit services to be provided to the Company, whether provided by the External Auditor or other firms, and all other services (review, attest and non-audit) to be provided to the Company by the External Auditor, to the extent permitted under applicable law, provided, however, that de minimis non-audit services may instead be approved in accordance with applicable SEC rules.
- 4.4** The Committee shall meet as often as it determines is appropriate to carry out its responsibilities, but not less frequently than quarterly, and each meeting shall be presided over by the Committee Chairperson and, in the absence of the Committee Chairperson, one of the other Committee Members shall be designated as the acting chair of the meeting.
- 4.5** The CFO, the head of the Internal Audit Function and the External Auditor should attend all meetings of the Committee, unless the Committee determines otherwise. The Committee may decide whether and, if so, when, the Chairperson should attend its meetings.
- 4.6** 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.
- 4.7** The Committee may delegate all or part of its authority to subcommittees or to the Committee Chairperson.
- 4.8** The Committee shall regularly report on its deliberations and findings to the Board. At least annually, such reports should include the following information:
- a.** the methods used to assess the effectiveness of the design and operation of the Internal Controls and the Company's internal and external audit procedures;
  - b.** the Committee's material considerations regarding the Company's financial reporting;
  - c.** the manner in which material risks and uncertainties that are relevant to the expectation of the Company's continuity have been analysed and discussed, along with a description of the most important findings of the Committee in this respect; and
  - d.** the functioning of, and the developments in, the Company's relationship with the External Auditor.

- 4.9** At least annually, the Committee shall evaluate its own performance and report to the Board on such evaluation. The Committee shall also review and assess the adequacy of this charter at least annually and recommend any proposed changes to the Board.

## **Article 5. Internal Audit Function**

- 5.1** The Internal Audit Function shall have direct access, and shall report directly, to the Committee and Committee shall ensure that the Internal Audit Function shall also have direct access to the External Auditor.
- 5.2** Provisions in this charter relating to the Internal Audit Function shall only apply if and when such Internal Audit Function has been established.
- 5.3** If and for as long as there is no Internal Audit Function, the Committee shall make recommendations to the Board in order for the Board to assess at least annually whether:
- a.** adequate alternative measures have been taken; and
  - b.** it is necessary or desirable to establish an Internal Audit Function.

## **CHAPTER II. OTHER PROVISIONS**

### **Article 6. Amendments and Deviations**

Pursuant to a resolution to that effect, the Board may amend or supplement this charter and allow temporary deviations from this charter, subject to ongoing compliance with applicable law and stock exchange requirements.

### **Article 7. Governing law and Jurisdiction**

This charter shall be governed by and shall be construed in accordance with the laws of the Netherlands. Any dispute arising in connection with this charter shall be submitted to the exclusive jurisdiction of the competent court in Amsterdam, the Netherlands.