

Schedule no. 1

Policy and procedure for the selection of an audit firm by the Company

§ 1

DEFINITIONS

The terms used in this document shall have the following meanings:

- 1) **Committee** – the Audit Committee of the Company;
- 2) **Policy** – the Policy for the selection of an audit firm to audit the Company's financial statements developed by the Committee and adopted by the Supervisory Board, contained in this document;
- 3) **Policy for providing non-audit services** – the Company's Policy for providing the Company with services by an audit firm that audits the Company's financial statements, entities associated with that firm, and by a member of the audit firm's network, that are not auditing the Company's financial statement;
- 4) **Procedure** – the Procedure for the selection of an audit firm to audit the Company's financial statements developed by the Committee and adopted by the Supervisory Board;
- 5) **Supervisory Board** – the Supervisory Board of the Company;
- 6) **EU Regulation** – Regulation (EU) No. 537/2014 of the European Parliament and of the European Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC;
- 7) **Company** – „Captor Therapeutics” Spółka Akcyjna with its registered office in Wrocław;
- 8) **Act** – act of 11 May 2017 on Statutory Auditors, Audit Firms and Public Oversight;
- 9) **Accounting Act** – the Accounting Act of 29 September 1994;
- 10) **Prohibited Services** – services listed in §2 point 4 of the Policy for providing non-audit services which, pursuant to Art. 136(1) of the Act, cannot be provided in favour of the Company by an auditor or an auditing company conducting the statutory audit of the Company or any member of a network that auditor or the auditing company is affiliated with;
- 11) **Team** – the team to carry out the tender procedure in the composition specified in this Procedure.

Any terms which are not specified above shall have the meaning assigned to them in applicable laws, in particular in the Act.

§ 2

GENERAL PROVISIONS

1. The purpose of the Policy is to set out the principles and guidelines of conduct in the process of selecting the audit firm authorized to conduct a statutory audit and review of the Company's financial statements.
2. The purpose of the Procedure is to define transparent and non-discriminatory rules for the process leading to submission by the Committee, free from any influence by third parties, recommendations regarding the audit firm, and the selection by the Supervisory Board of an independent and competent audit firm to conduct the audit.
3. According the Articles of Association of the Company, an audit firm is selected by the Supervisory Board of the Company, i.e. a body other than the body competent to approve the financial statements.
4. The tender procedure for the selection of the audit firm is conducted by the Team composed of:
 - a) the Member of the Management Board of the Company responsible for financial matters;
 - b) other persons indicated by the Management Board of the Company.

The persons mentioned in the preceding sentence may delegate other employees of the Company or persons otherwise engaged with the Company having knowledge and experience necessary to participate in the work of the Team. The Committee shall supervise the proper conduct of the procedure. The Committee supervises the proper application of the Policy and the Procedure during the selection process.

4. The selection of an audit firm to conduct a statutory audit of the Company's financial statements shall be made in accordance with the Act, EU Regulation, the Procedure and the Policy.
5. The selection of an audit firm is performed taking into account the following principles:
 - a) impartiality;
 - 2) independence;
 - 3) non-discrimination; and
 - 4) professional ethics and standards relating to audits.

§ 3

THE POLICY

1. When selecting an audit firm, the Supervisory Board shall act on the basis of the below criteria and recommendations from the Committee referred to in point 9 of the Procedure (§ 4 point 9 below).
2. Where the statutory audit is concerned, the first audit contract with an audit firm shall be concluded for a period of not less than two years, renewable for further periods of at least two years.
3. In order to ensure the independence of the statutory auditor and the audit firm, the selection of the audit firm shall be made taking into account the rules of rotation of the audit firm and the key statutory auditor resulting from the Act and the EU Regulation according to which in particular:
 - a) engagement of particular statutory auditor or audit firm shall not exceed a maximum duration of 10 years;
 - b) the key statutory auditor may not carry out the statutory audit in the Company for more than 5 years; and
 - c) the key statutory auditor may re-audit the Company after at least 3 years from the end of the last statutory audit.
4. In the event of a justified suspicion that the selection of an audit firm under this Policy and Procedure may lead to violation of the principles set forth in the Act, the EU Regulation and this Policy or Procedure, in particular in violation of the principles of impartiality and independence, the Committee may, by way of a resolution, at any time during the tender procedure, terminate the procedure without issuing the recommendation referred to in point 9 of the Procedure (§ 4 point 9 below), and immediately initiate a new tender procedure under which the guidelines of the Committee will be taken into account.
5. The Supervisory Board, when selecting an audit firm, and the Committee, when issuing the recommendation, can take into account in particular the following criteria (the details shall be determined in the tender documentation):
 - a) the audit firm's knowledge of the sector the Company operates in and the specific nature of the Company's business, in particular legal, tax and financial reporting specificities applicable to the Company, which are important for assessing the risk of auditing the financial statements, based on the previous experience in conducting audits of financial statements of entities of a similar business profile;
 - b) the audit firm's prior experience in conducting audits of financial statements and consolidated financial statements of public companies;
 - c) the audit firm's capacity, including in terms of HR and organisation, to ensure full range of services specified by the Company in the request for proposal;

- d) professional qualifications of the persons engaged directly in the audit of the Company;
 - e) the price proposed for conducting an audit;
 - f) a possibility to conduct the audit within the time limit specified by the Company in the request for proposal;
 - g) the audit firm's impartiality and independence in relation to the Company, within the meaning of the Act, in particular Art. 69–73 of the Act;
 - h) having the rights and authority to conduct the audit in accordance with the Act;
 - i) satisfying the conditions to be able to issue an unbiased opinion in accordance with the Act;
 - j) compliance with the conditions for the rotation of the audit firm and the key statutory auditor in accordance with the Act and the EU Regulation;
 - k) compliance with the standards pertaining to the audit of financial statements;
 - l) the insurance level of the audit firm; and
 - m) other justified criteria, indicated at the discretion of the Audit Committee and the Supervisory Board.
6. An auditor or an auditing company conducting the statutory audit of the Company or any member of a network that auditor or the auditing company is affiliated with, cannot provide the Company with the Prohibited Services, in accordance with the Policy for providing non-audit services.
 7. According to Art. 16(6) of the EU Regulation any clause of a contract entered into between the Company and a third party, restricting the choice to certain categories or lists of statutory auditors or audit firms, as regards the appointment of a particular statutory auditor or audit firm to carry out the statutory audit of that entity shall be null and void.
 8. The Committee shall be obliged to take into account any findings or conclusions contained in the annual report of the Audit Supervision Committee referred to in Art. 90(5) of the Act, which may affect the selection of an audit firm.

§ 4

THE PROCEDURE

1. The tender procedure for selection of an audit firm shall consist of the following stages:
 - a) preparation of the tender documentation and the request for proposal;
 - b) collection of offers;
 - c) preliminary evaluation of submitted offers;
 - d) direct negotiations with the selected tenderers;
 - e) preparation of the report by the Team;
 - f) recommendation of the Committee;
 - g) selection of an audit firm by the Supervisory Board.
3. The Company may invite any audit firms to submit their proposals for a statutory audit provided that:
 - a) it does not violate Article 17(3) of the EU Regulation, which applies to the maximum duration of an audit engagement with a particular audit firm;
 - b) organisation of the tender procedure does not preclude the participation in the selection procedure of firms which received less than 15% of the total audit fees from public interest entities in the Member State concerned in the previous calendar year, as specified in the list of audit firms referred to in Art. 91 of the Act; and

- c) this is not in breach of the respective EU Regulation's, Act's and Policy's for providing non-audit services provisions regarding Prohibited Services.
4. The Team shall prepare the tender documentation, in particular a request for proposal. The request for proposal shall in particular:
 - a) include an indication of the financial statements to be audited;
 - b) include the list of entities to be audited (if applicable);
 - c) indicate the transparent and non-discriminatory selection criteria of the audit firm, which have been developed with consideration of the quality standards of functioning of audit firms on the Polish audit market;
 - d) describe the offers' collection method;
 - e) include key information allowing tenderers to learn about the Company's business;
 - f) provide for the way of communication between the Company and the tenderers;
 - g) provide for the schedule of the tender procedure specifying the planned dates of: (i) the last day for the submission of the offers, (ii) completion of preliminary evaluation of the submitted offers, (iii) negotiations with the selected tenderers;
 - h) indicate the formal requirements for the offers and the manner and place of their submission;
 - i) include other requirements on information to be presented by tenderers in order to enable comparison of the offers.
5. When preparing the tender documentation, the Team may specify weights to be allocated to individual selection criteria.
6. The Team shall make a preliminary evaluation of the submitted offers, which shall result in the invitation to negotiate directly with the selected tenderers. Where possible, the Team should invite a minimum of two tenderers to direct negotiations.
7. The Team conducts direct negotiations with the selected tenderers, in particular in order to make preliminary arrangements for remuneration and contract conditions, to learn about the working methodology, the project approach to be applied and the persons dedicated to conduct the audit. The Team may meet with any tenderer more than once at Team's discretion.
8. Upon the completion of the stage of direct negotiations with the selected tenderers, the Team shall draw up a report containing the conclusions of the tender procedure and submit it to the Committee for approval. The report shall include in particular the following information:
 - a) summary of all received offers;
 - b) the tenderers selected for direct negotiations along with a justification for such selection;
 - c) the course and final arrangements of direct negotiations with the selected tenderers;
 - d) the Team's recommendations concerning the selection of the audit firm to conduct the audit with the justification.
9. On the basis of the report referred to in the previous point, the Committee draws up and submits to the Supervisory Board a recommendation of the audit firm to be selected. At the request of the Committee, the Team is obliged to provide for or ensure the provision of additional information needed to prepare the above mentioned recommendation.
10. In the case of selection of an audit firm to conduct a statutory audit for the Company, except in the situation when the audit engagement is extended, the Committee's recommendation referred to in point 9 above shall:
 - a) contain at least two possible choices for the audit engagement with justification and a duly justified preference for one of them;

- b) contain a statement that the recommendation is free from any undue influence by third parties;
 - c) contain a statement that the Company has not entered into any agreements containing clauses referred to in Art. 66(5a) of the Accounting Act; and
 - 4) be prepared in accordance with this Procedure.
11. In the case the selection of an audit firm relates to an extension of the audit engagement with the existing audit firm, pursuant to Art. 130(2) of the Act, the Committee's recommendation referred to in point 9 above shall include:
- a) an indication of the audit firm to be reappointed to conduct the audit;
 - b) a statement that the recommendation is free from any undue influence by third parties; and
 - c) a statement that the Company has not entered into any agreements containing clauses referred to in Art. 66(5a) of the Accounting Act.
- If not, the audit firm authorised to carry out a statutory audit of the Company shall be selected by way of a tender, in accordance with the procedure set out in points 1 - 10 above.
12. The Supervisory Board selects an audit firm by way of resolution.
13. In the event the Supervisory Board's decision regarding the selection of an audit firm is different from the Committee's recommendation, the Supervisory Board justifies the reasons for not following the Committee's recommendation and communicates such justification to the body approving the Company's financial statements.

§ 4

FINAL PROVISIONS

1. The Policy and the Procedure shall not replace or limit the applicable general rules of law, in particular included in the Act, Accounting Act or the EU Regulation.
2. The content of the Policy and the Procedure may be changed at the request of the Committee, by way of a resolution of the Supervisory Board.
3. The Policy and the Procedure, as well as its amendment, shall enter into force upon its adoption by the Supervisory Board.