

BIOFRONTERA INC.

**Audit Committee Charter**  
**Adopted as of October 14, 2021,**  
**Subject to effectiveness of the Company's Registration Statement on Form S-1**

A. PURPOSE

To assist the board of directors (the "Board") in fulfilling its oversight responsibilities for Biofrontera Inc.'s (the "Company") accounting and financial reporting process, the system of internal control, the audit process, and the Company's process for monitoring compliance with laws and regulations and the code of conduct.

The committee's function is one of oversight only and does not relieve management of its responsibilities to (1) make and keep books, records and accounts, which, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (2) devise and maintain an effective system of internal accounting controls; (3) devise and maintain effective disclosure controls and procedures and internal controls over financial reporting; and (4) prepare financial statements that are accurate and complete and fairly present the financial condition, results of operations and cash flows of the company and further does not relieve the independent auditors of their responsibilities relating to the audit or review of financial statements

B. COMPOSITION

Except as otherwise permitted by the applicable rules of The Nasdaq Stock Market LLC ("Nasdaq"), the audit committee will consist of at least three members of the Board. The Board or its nominating and corporate governance committee will appoint committee members and the committee chair.

Except as otherwise permitted by Nasdaq rules, each committee member will be (i) "independent" as defined in Rule 5605(a)(2) under the Stock Market Rules of Nasdaq, (ii) meet the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities and Exchange Act of 1934, subject to the exemptions provided in Rule 10A-3(c), and (iii) be able to read and understand fundamental financial statements, including a company's balance sheet, income statement, and cash flow statement. At least one member shall be designated as the "financial expert," as defined by applicable legislation and regulation.

Subject to any requirements of the Nasdaq rules, the Board may appoint and remove committee members in accordance with the Company's by-laws. Committee members will serve for such terms as the board may fix, and in any case at the board's will, whether or not a specific term is fixed.

## C. COMPENSATION

A member of the Audit Committee may not, other than in his or her capacity as a member of the Audit Committee, the Board or any other committee established by the Board, receive directly or indirectly any consulting, advisory or other compensatory fee from the Company. A member of the Audit Committee may receive additional directors' fees to compensate such member for the significant time and effort expended by such member to fulfill his or her duties as an Audit Committee member.

## D. MEETINGS

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via tele- or video-conference. A majority of the members of the Audit Committee shall constitute a quorum for purposes of holding a meeting and the Audit Committee may act by a vote of a majority of the members present at such meeting. In lieu of a meeting, the Audit Committee may act by unanimous written consent. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors (see below) and executive sessions. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared.

## E. AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matters within its scope of responsibility. It is empowered to:

- Appoint, compensate, and oversee the work of any registered public accounting firm employed by the organization.
- Resolve any disagreements between management and the auditor regarding financial reporting.
- Pre-approve all auditing and non-audit services.
- Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation.
- Seek any information it requires from employees-all of whom are directed to cooperate with the committee's requests-or external parties.
- Meet with officers of the Company, external auditors, or outside counsel, as necessary.

## F. RESPONSIBILITIES

The committee will carry out the following responsibilities:

### Financial Statements

- Review and discuss with management and the independent auditor the results of the audit, including any difficulties encountered.

- Review the annual audited financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report and related regulatory filings before release and consider the accuracy and completeness of the information.
- Recommend to the Board whether the audited financial statements should be included in the Company's Form 10-K.
- Discuss with management and the independent auditor significant financial reporting issues, including complex or unusual transactions, and judgments made in connection with the preparation of the Company's financial statements, and understand their impact on the financial statements.
- Review interim financial reports with management and the external auditors before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.
- Recommend to the Board whether the interim financial reports should be included in the Company's Form 10-Q for the applicable interim period.

#### Internal Control and Internal Audit<sup>1</sup>

- Consider the effectiveness of the Company's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- Approve the internal audit charter.
- Approve decisions regarding the appointment and removal of the chief audit executive. Ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement, or dismissal of the chief audit executive.
- Approve the annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- Review with the chief audit executive, the internal audit budget, resource plan, activities, and organizational structure of the internal audit function.
- At least once per year, review the performance of the chief audit executive and concur with the annual compensation and salary adjustment.
- Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.
- On a regular basis, meet separately with the chief audit executive to discuss any matters that the committee or internal audit believes should be discussed privately.

#### Compliance and Risk Management

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<sup>1</sup> The following responsibilities are intended to align with the Company's internal auditing capabilities. To the extent that certain internal audit functions discussed above require development or implementation, the responsibilities of this committee shall be adjusted accordingly.

- Discuss with management major risk assessment and risk management policies.
- Inquire and discuss with management the Company's compliance with applicable laws and regulations.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to personnel of the Company, and for monitoring compliance therewith.
- Obtain regular updates from management and the Company's legal counsel regarding compliance matters.
- Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or reports which raise material issues regarding our financial statements or accounting policies.
- Review and approve all related party transactions.

#### External Audit

- Monitor the independence of the independent auditors by obtaining statements from the auditors on relationships between the auditors and the Company, including non-audit services, and discussing the relationships with the auditors.
- Verify the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law.
- Pre-approve all audit services and permitted non-audit services to be performed by the Company's independent auditor, including the fees and terms of the services to be performed.
- Review the performance of the external auditors, and exercise final approval on the appointment or replacement of the auditors.
- Determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

#### Reporting Responsibilities

- Regularly report to the Board about committee activities, issues, and related recommendations.
- Provide an open avenue of communication between internal audit, the external auditors, and the Board.

- Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- Review any other reports or press releases the Company issues that relate to committee responsibilities.

*Other Responsibilities*

- Perform other activities related to this charter as requested by the Board.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting Board approval for proposed changes, and ensure appropriate disclosure as may be required by law or regulation.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.