

SENSYNE HEALTH LIMITED

(the Company)

TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE

(approved at a meeting of the board of directors of the Company held on 19 July 2018)

1. CONSTITUTION

The board of directors of the Company (the **Board**) has resolved to establish a committee of the Board to be known as the Audit and Risk Committee (the **Committee**).

2. MEMBERSHIP

2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Company's nomination committee (the **Nomination Committee**) in consultation with the chairman of the Committee (the **Committee Chair**), in accordance with the Company's articles of association.

2.2 All members of the Committee shall be independent non-executive directors. The Committee shall consist of a minimum of three members and one member, where possible, shall be a member of the Company's remuneration committee (the **Remuneration Committee**). At least one Committee member shall have recent and relevant financial experience and competence in accounting and/or auditing. The Committee as a whole shall have competence relevant to the sector in which the Company operates. The chairman of the Board (the **Chairman**) shall not be a member of the audit committee.

2.3 The first members of the Committee shall be Mary Hardy, Dr. Vishal Gulati and Dr. Anna Lisa Jenkins.

2.4 The Committee Chair shall be an independent non-executive director and shall be appointed by the Board on the recommendation of the Nomination Committee from among the members of the Committee and shall be Mary Hardy. In the absence of the Committee Chair (and/or an appointed deputy or alternate chairman), the members present at any meeting of the Committee shall elect one of their number who would qualify under these terms of reference to be appointed to that position by the Board to chair the meeting.

2.5 The Committee Chair and members shall be listed each year in the Company's annual report.

2.6 Each member shall hold office as a committee member for a period of up to three years, which may be extended by no more than two additional periods of up to three years, so long as the member continues to be an independent non-executive director.

2.7 If any member of the Committee is unable to act for any reason, the Committee Chair may appoint another independent non-executive director of the Company agreed by the other members of the Committee to act as that member's alternate.

2.8 The Company Secretary or his or her nominee shall be the secretary of the Committee (the **Secretary**). The Secretary shall ensure that members of the Committee receive information and papers in a timely manner to enable full and proper consideration to be given to issues and that,

where members have concerns on any matters raised or any proposed action, those concerns are recorded in the Committee minutes.

2.9 Each member of the Committee shall disclose to the Committee:

- (a) any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee; or
- (b) any potential conflict of interest arising from a cross-directorship,

and any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Committee.

3. QUORUM

The quorum for meetings of the Committee shall be two members present throughout the meeting. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

4. MEETINGS

4.1 The Committee shall meet at least three times a year, to coincide with key dates within the financial reporting and audit cycle and otherwise as the Committee Chair shall require. A meeting shall be held as soon as reasonably practicable upon a request for such meeting by any Committee member or by the Company's internal or external auditor.

4.2 Outside of the formal meeting programme, the Committee Chair and, to a lesser extent, the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance, including the Chairman, the Chief Executive Officer, the Chief Financial Officer, the external lead audit partner and the head of internal audit.

4.3 No one other than the members of the Committee is entitled to be present at a meeting of the Committee. The members of the Committee shall, however, have the discretion to decide if other individuals such as the Chairman, the Chief Executive Officer, the Chief Financial Officer, other directors, the heads of risk, compliance and internal audit, and representatives from the finance function of the Company may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

4.4 It is expected that the external audit lead partner will be invited regularly to attend meetings, as well as the finance director. At least once a year, the Committee shall meet with the external and internal auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

4.5 Meetings of the Committee shall be called by the Secretary at the request of any member or at the request of the external or internal auditor if they consider it necessary.

4.6 Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers, where appropriate, shall be forwarded to each member of the Committee and any person invited to attend no later than five working days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Committee to all members of it and to arrange such meetings so that members are able to attend them.

- 4.7 Members of the Committee may participate and be included in any quorum in any Committee meetings by means of conference telephone or similar communication equipment whereby all persons participating in the meeting can hear each other, provided the meeting is quorate. Such meetings shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Committee Chair is.
- 4.8 In the event of an equality of votes, the Committee Chair shall have a casting vote.
- 4.9 The Secretary shall prepare minutes of proceedings and decisions for all meetings of the Committee, including the names of those present and in attendance, and, after approval and signature by the Committee Chair, shall circulate the minutes to all members of the Committee and, once agreed, to all other members of the Board, unless it would be inappropriate to do so in the opinion of the Committee Chair. The Secretary shall also ascertain at the beginning of each meeting of the Committee the existence of any conflicts of interest and minute them accordingly.
- 4.10 The Committee Chair shall be available to answer questions about the Committee's activities at the annual general meeting of the Company. All members of the Committee shall also attend the annual general meeting.

5. AUTHORITY

- 5.1 The Board authorises the Committee to:
- (a) seek any information it requires from any employee of the Company or any one of the Company, its subsidiaries, its holding company or any subsidiary of its holding company (in each case as defined in section 1159 of the Companies Act) (the **Group**) in order to perform its duties and shall have access to the head of internal audit (if there is one);
 - (b) obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter it reasonably believes it necessary to do so;
 - (c) call any employee to be questioned at a meeting of the Committee, as and when required; and
 - (d) have the right to publish in the Company's annual report, details of any issues that cannot be resolved between the Committee and the Board.

6. DUTIES

- 6.1 The Committee shall make available these terms of reference, explaining its role and the authority delegated to it by the Board, by including the information on the Company's website.
- 6.2 The Committee should have oversight of the Group as a whole and, unless required otherwise by regulation, should carry out the duties below for the parent Company, major subsidiary undertakings and the Group as a whole, as appropriate.
- 6.3 The duties of the Committee shall be:
- (a) **External Audit**
 - (i) to consider and make recommendations to the Board, for it to put to the shareholders for their approval in general meeting in relation to the appointment, re-appointment and removal of the external auditor;

- (ii) if the Board does not accept the Committee's recommendation on the appointment, re-appointment and removal of the external auditor, to prepare a statement explaining the Committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the Board's reasons for taking a different position;
- (iii) to develop and oversee the selection procedure for the appointment of the audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
- (iv) to oversee the relationship with the external auditor, including:
 - (A) negotiating and agreeing the remuneration and terms of engagement of the external auditor, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (B) ensuring the level of fees payable for audit services is appropriate to enable an effective and high quality audit to be conducted;
 - (C) approving fees for non-audit services; and
 - (D) ensuring co-ordination where more than one audit firm is involved;
- (v) to meet regularly with the external audit lead partner and other audit partners and staff including once at the planning stage before the audit and once after the audit at the reporting stage and, at least once a year, meet with the external auditor without management being present, to discuss the external auditor's remit and any issues arising from the external audit;
- (vi) to review and monitor the audit of the Company and consolidated financial statements;
- (vii) to assess annually the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK law, regulation, the Ethical Standard published by the Financial Reporting Council and other professional and regulatory requirements, and the relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats, and including the provision of any non-audit services;
- (viii) to ensure that the audit services contract is put out to tender at timely intervals and that the Company changes its auditor periodically in line with applicable legislation;
- (ix) in respect of any tender of the audit contract, to oversee the auditor selection process and to ensure that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- (x) to satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- (xi) to agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard published by the

Financial Reporting Council and legal requirements, and monitor the implementation of this policy;

- (xii) to monitor the external auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard published by the Financial Reporting Council, including guidance on the rotation of the audit partner and staff;
- (xiii) to monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard published by the Financial Reporting Council;
- (xiv) to assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on its own internal quality procedures;
- (xv) to seek to ensure co-ordination with the activities of the internal audit function;
- (xvi) to evaluate the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee;
- (xvii) to develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the external auditor, including approval of non-audit services by the Committee and specifying the types of non-audit service to be pre-approved, and the assessment of whether non-audit services have a direct or material effect on the audited financial statements, and including consideration of the following matters:
 - (A) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (B) the nature of the non-audit services;
 - (C) whether the external audit firm is the most suitable supplier of the non-audit service;
 - (D) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (E) the criteria governing compensation;
- (xviii) to monitor the planned programme of audits and to ascertain the reason for any change or delay in the programme;
- (xix) to discuss with the external auditor the factors that could affect audit quality and review and approve the annual and any interim audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- (xx) to review with the external auditor (in the absence of management if necessary) the results of its work in conducting the annual and any interim audit, including:
 - (A) any major issues that arose during the course of the audit;

- (B) the external auditors' explanation of how the risks to audit quality were addressed;
 - (C) key accounting and audit judgements;
 - (D) the external auditors' view of their interactions with senior management;
 - (E) levels of errors identified during the audit, obtaining explanations from management and, where necessary, the external auditors as to why certain errors might remain unadjusted; and
 - (F) any reservations that the external auditors may have and other matters that they wish to raise;
- (xxi) to review the audit representation letter(s) before signature by management, giving particular consideration to matters where representation has been requested that relates to non-standard issues;
 - (xxii) to review the external auditors' management letter and management's response to the auditor's findings and recommendations;
 - (xxiii) to review the effectiveness of the external audit process, including an assessment of the quality of the external audit, the handling of key judgements by the external auditor and the external auditor's response to questions from the Committee; and
 - (xxiv) if the external auditor resigns, to investigate the issues leading to such resignation and to consider whether any action is required;

(b) **Internal Audit**

- (i) to review and approve the mandate of the internal audit function, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
- (ii) to ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, to ensure there is open communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and to ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (iii) to ensure that the head of internal audit has direct access to the Committee Chair and to the Committee and that the internal auditor has direct access to the Board and the Chairman, providing independence from the executive and accountability to the Committee;
- (iv) to carry out an annual assessment of the effectiveness of the internal audit function, and as part of this assessment to:
 - (A) meet with the head of internal audit without the presence of management to discuss the effectiveness of the function;
 - (B) review and assess the annual internal audit work plan;

- (C) receive a report on the results of the internal auditor's work;
 - (D) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - (E) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
- (v) to monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of finance, compliance and the external auditor;
 - (vi) to approve the appointment or termination of appointment of the head of internal audit;
 - (vii) to review and approve the annual internal audit plan to ensure it is aligned with the key risks of the business, and to receive regular reports on the work carried out;
 - (viii) to receive a report on the results of the internal auditor's work on a periodic basis;
 - (ix) to review reports addressed to the Committee from the internal auditor;
 - (x) to review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
 - (xi) to consider whether an independent, third party review of process is appropriate;
- (c) **Financial reporting**
- (i) to monitor the financial reporting process, including reviewing the Company's annual and half-yearly reports and any other formal announcements relating to the Company's financial performance and to consider and report to the Board on significant financial reporting issues and judgements contained in them, and to submit recommendations and proposals to ensure the integrity of the process;
 - (ii) the Committee shall focus particularly on:
 - (A) considering significant accounting policies, any changes to them and any significant estimates and judgements;
 - (B) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (C) where the accounting treatment is open to different approaches, considering whether the Company has adopted appropriate accounting standards and, where necessary, made appropriate estimates and judgements taking into account the views of the external auditor;
 - (D) reviewing the clarity and completeness of disclosures in the financial reports and statements and considering whether the disclosures made are set properly in context; and

- (E) reviewing all material information presented with the financial statements, such as the strategic report, directors' report and the corporate governance statement (in so far as it relates to the audit and risk management);
 - (iii) to review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the AIM Rules for Companies of the London Stock Exchange and the Financial Conduct Authority's Disclosure Guidance and Transparency Rules sourcebook (insofar as it is applicable to AIM companies); and
 - (iv) to report its views to the Board where it is not satisfied with any aspect of the financial reporting by the Company;
- (d) **Narrative reporting**
- (i) where requested by the Board, to review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy and whether it informs the Board's statement on these matters that is required under the UK Corporate Governance Code;
 - (ii) where requested by the Board, to provide advice on the assessment of principal risks facing the Company, including the management and mitigation of those risks; and
 - (iii) where requested by the Board, to provide advice on how, taking account of the Company's position and principal risks, the prospects of the Company have been assessed, over what period, and why that period is appropriate, and whether there is a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the chosen period, drawing attention to any qualifications or assumptions as necessary;
- (e) **Internal Control and Risk Management**
- (i) to keep under review the adequacy and effectiveness of the Company's internal financial controls (that is, the systems established to identify, assess, manage and monitor financial risks);
 - (ii) to review the adequacy and security of arrangements by which staff and contractors of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, so as to ensure that arrangements are in place for the proportionate and independent investigation of such matters, and for appropriate follow-up action;
 - (iii) to review the Company's procedures for detecting fraud;
 - (iv) to review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
 - (v) to review regular reports from the Money Laundering Reporting Officer and the adequacy and effectiveness of the Company's anti-money laundering systems and controls;

- (vi) to review regular reports from the Compliance Officer and keep under review the adequacy and effectiveness of the Company's compliance function; and
- (vii) to consider the major findings of internal investigations and management's response.

6.4 The Committee is authorised by the Board to investigate any activity within the scope of its duties.

7. REPORTING RESPONSIBILITIES

7.1 The reporting responsibilities of the Committee shall be:

- (a) to review the statement by the directors to be included in the half yearly and annual accounts on the going concern status of the Company and the Group and any material uncertainties identified to the Company's ability to continue adopting the going concern assumption over a period of at least twelve months from the date of approval of the financial statements;
- (b) to review and recommend to the Board the viability statement;
- (c) to assist the Board by preparing a statement for inclusion in the annual report describing the roles and responsibilities of the Committee and actions taken by the Committee to discharge those responsibilities; as well as describing how the Committee composition requirements have been addressed and listing the names and qualifications of all members of the Committee, the number of Committee meetings and attendance by each member;
- (d) to review and recommend to the Board the statement for inclusion in the annual report in relation to internal control and the management of risk; and
- (e) if the external auditor provides non-audit services, to provide an explanation for inclusion in the annual report of how auditor objectivity and independence is safeguarded.

7.2 The Committee Chair shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also report formally to the Board on how the Committee has discharged its responsibilities. This report shall include:

- (a) the significant issues that it considered in relation to financial statements and how these were addressed;
- (b) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or re-appointment of the external auditor, length of tenure of the audit firm, when a tender was last conducted and advance notice of any retendering plans; and
- (c) any other issues on which the Board has requested the Committee's opinion.

7.3 The Committee shall compile a report on its activities to be included in the Company's annual report. The report should address all relevant information requirements of the UK Corporate Governance Code, including:

- (a) an explanation of how the Committee has assessed the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current auditor, when a tender was last conducted and advance notice of any retendering plans; and

- (b) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor.
- 7.4 In compiling its reports to the Board and to be included in the annual report, the Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern and the inputs to the Board's viability statement.
- 7.5 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

8. PERFORMANCE, RESOURCES AND TRAINING

8.1 The Committee shall:

- (a) consider other topics, as defined by the Board;
 - (b) work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees;
 - (c) arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval;
 - (d) be provided with appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members;
 - (e) give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code, the requirements of the AIM Rules for Companies of the London Stock Exchange, and the Financial Conduct Authority's Disclosure Guidance and Transparency Rules sourcebook (insofar as it is applicable to AIM companies), and any other applicable rules and guidance, as appropriate;
 - (f) be responsible for the coordination of the internal and external auditors; and
 - (g) oversee any investigation of activities which are within its terms of reference.
- 8.2 The Committee shall have access to sufficient resources in order to carry out its duties, including access to the services of the company secretariat on all Committee matters including (but not limited to) assisting the Committee Chair in planning the Committee's work, drawing up meeting agendas, maintenance of minutes, drafting of material about its activities for the annual report, collection and distribution of information and provision of practical support.