

SENSYNE HEALTH PLC

(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 9th March 2020)

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 The Committee Chair shall be appointed by the Board on the recommendation of the Company's nomination committee (the **Nomination Committee**). Members shall be appointed by the Board, on recommendation of the nomination committee and in consultation with the Committee Chair. The Committee shall consist of at least three members, all of whom should be independent non-executive directors. One member, where possible, shall be a member of the Company's remuneration committee (the **Remuneration Committee**).
- 2.2 At least one member shall have recent and relevant financial experience and competence in accounting and/or auditing and the Committee as a whole shall have competence relevant to healthcare technology. The chairman of the Board (the **Chairman**) shall not be a Committee member.
- 2.3 In the absence of the Committee Chair (and/or an appointed deputy or alternate chairman), the remaining members shall elect one of themselves to chair the meeting.
- 2.4 Appointments to the committee shall be for a period of up to three years, which may be extended by up to three years, so long as the member continues to be an independent non-executive director.
- 2.5 If any member of the Committee is unable to act, the Chair may appoint another independent non-executive director of the Company agreed by other Committee members as that member's alternate.
- 2.6 The Company Secretary or their nominee shall be the secretary of the Committee (the **Secretary**). The Secretary shall ensure that Committee members receive timely information and papers and prepare minutes for all meetings of the Committee. Minutes shall be approved by the Committee Chair, the Committee and circulated to the Board if the Committee Chair deems this appropriate.
- 2.7 The Secretary shall ascertain and minute any conflicts of interest at the beginning of the meeting
- 2.8 Each member of the Committee shall disclose any personal financial interest (other than as a shareholder) in any matter to be decided by the Committee or any potential conflict of interest arising from a cross-directorship.
- 2.9 Any such member shall abstain from discussions of or voting on resolutions of the Committee in relation to such interests 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.

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.
- 4.2 Outside of formal meetings, the Committee Chair and other Committee members will regularly engage key governance individuals, including the Chairman, the Chief Executive Officer, the Chief Financial Officer, the external lead audit partner and the head of internal audit.
- 4.3 Only Committee members are entitled to attend meetings. The Chairman, the Chief Executive Officer, the Chief Financial Officer, other directors, the heads of risk, compliance and internal audit, and representatives from Finance may also be invited by Committee members to attend.
- 4.4 The external audit lead partner and Chief Financial Officer will be invited to attend meetings regularly. The Committee shall meet the external and internal auditors without management, at least annually.
- 4.5 Meetings of the Committee shall be called by the Secretary at the request of any member or the external or internal auditor and will be held as soon as reasonably practicable upon request.
- 4.6 Unless otherwise agreed, all reasonable efforts shall be made to give notice of meetings at least five working days prior, confirming the venue, date, time and meeting agenda with supporting papers.
- 4.7 Members of the Committee may participate and be included in the quorum by conference telephone or similar communication equipment. Such meetings shall be deemed to take place where the largest group participants are 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 All members of the Committee shall attend the annual general meeting and the Committee Chair shall be available to answer questions about the Committee's activities.

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; 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 on the Company's website.
- 6.2 The duties of the Committee, which will be carried out in relation to the Company and the Group as a whole, as appropriate, shall be:
 - (a) **External Audit**

- (i) to consider and make recommendations to the Board on the appointment, re-appointment and removal of the external auditor;
- (ii) to develop and oversee the selection procedure for the audit firm, ensure that the audit contract is tendered at timely intervals and all tendering firms have access to necessary information and individuals during tender; and
- (iii) to oversee the relationship with the external auditor, including:
 - (A) assessing annually the external auditors' independence, objectivity, qualifications, expertise and resources;
 - (B) negotiating and agreeing the remuneration and terms of engagement;
 - (C) developing policy on non-audit services and assessing the audit and non-audit services fees;
 - (D) ensuring co-ordination with internal audit and other audit firms;
 - (E) approving and monitoring the audit plan and effectiveness of the audit;
 - (F) reviewing the external auditors' management letter and management's responses to audit the findings and recommendations; and
 - (G) investigating the external auditors' resignation and if action is required;

(b) **Internal Audit**

- (i) at least annually to consider whether the firm's arrangements for internal audit are sufficient and where internal audit exists:
 - (A) to approve the internal audit mandate and charter;
 - (B) to monitor the annual internal audit work plan and effectiveness;
 - (C) to approve the appointment and termination of the head of internal audit and ensure they have direct access to the Committee Chair and Committee;
 - (D) to meet the head of internal audit without management and discuss internal audit's effectiveness;
 - (E) to review the internal auditors' report and the management's response to its recommendations; and
 - (F) to consider whether an independent, third party review of the effectiveness of internal audit is appropriate;

(c) **Financial reporting**

- (i) to monitor the financial reporting process, including reviewing annual and half-yearly reports and any other formal announcements relating to the Company's financial performance and to 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) for the Committee to focus particularly on:

- (A) significant accounting policies and any changes to them;
 - (B) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (C) whether the Company has adopted appropriate accounting standards, estimates and judgements, considering the views of the external auditor;
 - (D) monitoring the financial reporting process (including annual and half-yearly reports and formal financial performance announcements) and submitting recommendations and proposals; and
 - (E) reviewing the clarity and completeness of disclosures and material information presented in the financial reports and statements;
- (iii) to review any other statements containing financial information prior to Board approval where practicable and consistent with any prompt reporting requirements under any law or regulation; 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 annual report and accounts and advise whether, when taken as a whole, it is fair, balanced and understandable for shareholders to assess the Company's position and performance, business model and strategy; and
 - (ii) where requested by the Board, advise on how the prospects of the Company have been assessed, over what period, and whether that period is appropriate and there is a reasonable expectation that the Company will be able to continue in operation; and
- (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 to raise concerns confidentially and for proportionate and independent investigation and follow-up;
 - (iii) to review the Company's procedures for detecting fraud and systems and controls for the prevention of bribery and reports on non-compliance;
 - (iv) to review regular reports from the Money Laundering Reporting and Compliance Officers and assess the adequacy and effectiveness of the Company's anti-money laundering systems and controls and compliance function; and
 - (v) to consider the major findings of internal investigations and management's response.

6.3 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 to review all public statements by directors to be included in the half year and annual accounts. This includes but is not limited to:

- (a) the going-concern assumption;
- (b) the viability statement;
- (c) a statement on internal control and the management of risk for the Annual report; and
- (d) where 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 after each meeting on all matters within the Committee's duties and responsibilities.

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

- (a) how the Committee has assessed the effectiveness of the external audit process, appointed or reappointed the external auditor, the length of tenure of the current auditor, when a tender was last conducted and advance notice of any retendering plans; and
- (b) significant issues that the Committee considered in relation to the financial statements and how these were addressed with regard to matters communicated to it by the auditor.

7.4 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;
- (c) arrange for periodic reviews of its own performance and, at least annually, its constitution and terms of reference and recommend any changes if 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 LSE, and the FCA'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 co-ordination 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.