

REDX PHARMA Plc

Audit, Risk and Disclosure Committee

Terms of reference

Introduction

1. The Audit, Risk and Disclosure Committee has been established in accordance with Redx Pharma Plc's articles of association by a resolution of the board passed on 7th February 2018 (the "Committee"). This document contains the Committee's terms of reference and was approved by the board on the same date.
2. References in this document to:
 - (a) "RPPlc" are references to Redx Pharma Plc and also apply, where appropriate, to the group of undertakings of which RPPlc is the parent; and
 - (b) "members" are to the Committee's members; and
 - (c) "meetings" and the "chairman" are to the Committee's meetings and chairman, except where the context requires otherwise; and
 - (d) "board" are to the board of RPPlc.

Membership

3. The Committee shall have at least two members. All of them shall be non-executive directors.
4. The Committee's members shall be appointed by the board in consultation with the Committee's chairman.
5. At least one member shall have recent and relevant financial experience and competence in accounting and/or auditing. The members as a whole must have competence relevant to the biotech/life sciences sector in which RPPlc operates.

Chairman

6. The board shall appoint a Committee member who is "independent" for the same purposes to be its chairman. The chairman shall chair each meeting. In the chairman's absence, those members present at a meeting shall elect one of themselves to chair that meeting.
7. The chairman's responsibilities include:
 - (a) preparing the agenda for each meeting; and
 - (b) ensuring the timely distribution of the agenda and any supporting papers for each meeting; and
 - (c) reporting to the board on the Committee's activities, decisions and recommendations and on any unresolved matters considered by the Committee.

Secretary

8. The company secretary of RPPIc shall act as the Committee's secretary. The secretary shall ensure that all members receive information and papers prepared for each meeting well in advance, so far as it is practical to do so, and otherwise in a timely manner to enable full and proper consideration to be given to the issues.

Authority

9. The Committee is authorised:
- (a) to seek any information it requires from any RPPIc director and/or employee in order to perform the tasks delegated to it under these terms of reference;
 - (b) to obtain, at RPPIc's expense, outside legal, accounting or other professional advice on any matter within these terms of reference;
 - (c) to call any RPPIc director and/or employee to be questioned at any meeting; and
 - (d) to include in the annual report details of any unresolved issues between it and the board.

Resources, training and self-assessment

10. The Committee shall:
- (a) be provided with sufficient resources in order to carry out the tasks delegated to it under these terms of reference, including sufficient access to the company secretary for assistance as required;
 - (b) 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; and
 - (c) review its performance, its membership and these terms of reference to ensure it is operating at maximum effectiveness and recommend any changes to its membership or these terms that it considers necessary or appropriate to the board.

Annual general meeting

11. All Committee members, as with all other directors, are expected to attend RPPIc's annual general meeting and any other general meeting of RPPIc shareholders. The Committee's chairman shall attend RPPIc's annual general meeting and any other general meeting of RPPIc shareholders, and should be prepared to answer any shareholder questions on the Committee's activities that are asked at that meeting.

Meetings

12. The provisions of RPPIc's articles of association relating to board meetings apply also to Committee meetings, except to the extent that other provisions relating to them are included in this document.
13. The number of members required to be present at a meeting of the Committee in order for it to be quorate for the transaction of business is two. Directors and other individuals who are not members

may attend all or part of any meeting if invited to do so by the Committee or its chairman.

In relation to Audit Committee matters, the finance director and the external audit partner will normally be invited to attend meetings on a regular basis.

In relation to Disclosure matters, the Chairman, the Chief Executive, the Chief Financial Officer and the Company Secretary would normally be invited to attend the relevant parts of the meeting.

14. The Committee shall meet at least twice a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required. Its chairman, in consultation with the company secretary, shall decide the frequency and timing of its meetings. A sufficient interval should follow after a meeting before the next board meeting so as to allow any work arising from the meeting to be carried out and reported on at the next board meeting.
15. In relation to Disclosure matters, the Committee shall meet (including by telephone or other electronic means of communication) at such times as shall be necessary or appropriate, as determined by the Committee Chairman and will follow its procedures in order to comply with the Listing Rules and the Disclosure Guidance and Transparency Rules.

In addition, the Committee will meet at least once annually to review the operation, adequacy and effectiveness of the Company's Disclosure Procedures (as defined below) and its own procedures.

16. A meeting shall be called by the secretary at the chairman's request or at the request of any other member. A meeting shall also be called by the secretary at the request of an external audit partner or the internal auditor if that person considers such request to be appropriate. Notice of each meeting confirming the venue, time and date and with the agenda and supporting papers shall be provided to each member, and any other person required to attend the meeting as appropriate, normally at least five working days before the meeting.
17. The secretary shall minute the proceedings of all meetings and the decisions taken at them. Draft minutes of meetings shall be circulated to members within a week following a meeting. Once approved, minutes should be circulated to all directors other than where in the chairman's view, there is a conflict of interest or it would be inappropriate to do so.
18. Outside of the formal meeting programme, the chairman, and to a lesser extent the other members, will maintain a dialogue with key individuals involved in the governance and management of RPPlc, including the board chairman, the chief executive, the finance director, the external audit partner, and if appropriate the head of internal audit. The Committee's chairman shall report on a meeting to the board at the next following board meeting or, if he is not present at that board meeting, another member shall do so.

Delegated tasks

19. The Committee should have oversight of the RPPIC's group as a whole and, unless required by regulation, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole. The specific tasks which the board has delegated to the Committee are set out below.

External audit

20. The Committee shall:
- (a) consider and make recommendations to the board, to be put to shareholders for approval at RPPIC's annual general meeting, in relation to the appointment, re-appointment and removal of RPPIC's external auditor;
 - (b) develop and oversee the selection procedure for the appointment of the external audit firm, ensuring that all tendering firms have access to all necessary information and individuals during the tendering process;
 - (c) approve the external auditor's remuneration and terms of engagement;
 - (d) review and monitor the external auditor's independence and objectivity;

- (e) review the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- (f) oversee the relationship with the external auditor including through (to the extent not covered above):
 - (i) making recommendations to the board on the external auditor's remuneration (for all services) and assessing whether the level of fees is appropriate to enable an effective, high quality audit to be conducted;
 - (ii) approving the external auditor's written terms of engagement at the start of an audit and approving the scope of the audit;
 - (iii) reviewing, monitoring and assessing on an annual basis the external auditor's independence and objectivity, taking into account relevant UK legal, professional and regulatory requirements;
 - (iv) reviewing, monitoring and assessing the effectiveness of the external audit process;
 - (v) reviewing, monitoring and assessing the effectiveness of the external audit process and, in doing so, obtain a report from the external auditor on its own internal quality procedures and review the external auditor's 'transparency report' issued in compliance with the Audit Regulation (EU) 537/2014; and
 - (vi) assessing the external auditor's qualifications, expertise and resources;
 - (vii) monitoring the auditor's processes for maintaining independence, its compliance with relevant UK law, regulation, other professional requirements and the current "Ethical Standard" for auditors issued by the Financial Reporting Council (including the guidance on the rotation of audit partner and staff) and the level of fees paid by RPPIC compared to the external auditor's overall fee income;
 - (viii) agreeing with the board a policy on the employment of former employees of the external auditor, taking into account the Ethical Standard and legal requirements and monitoring the implementation of this policy;
 - (ix) monitoring the level of fees paid by RPPIC 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;
 - (x) seeking to ensure coordination of the external audit with the activities of the internal audit function;
 - (xi) evaluating the risks to the quality and effectiveness of the financial reporting process in light of the external auditor's communications with the Committee; and

- (xii) reviewing and monitoring management's responsiveness to the external auditor's findings and recommendations;
- (g) meet the external auditor at least once a year, without management being present, to discuss both the remit of the external auditor and the Committee and any issues arising from the previous or current audit;
- (h) discuss with the external auditor the factors that could affect audit quality and review and approve the annual external audit plan and ensure that it is consistent with the scope of the audit engagement having regard to the seniority, expertise and experience of the external audit team;
- (i) review the findings of the audit with the external auditor, including through:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) the auditor's view of how the risks to audit quality were addressed;
 - (iii) the auditor's view of their interactions with senior management;
 - (iv) key accounting and audit judgments; and
 - (v) a review of levels of errors identified during the audit;
- (j) review management's responsiveness to the external auditor's findings and recommendations;
- (k) review any representation letter(s) requested by the external auditor before they are signed on RPPIC's behalf;
- (l) review the external auditor's management letter and management's response to the auditor's findings and recommendations;
- (m) if the external auditor resigns, investigate the issues giving rise to the resignation and decide whether any action is required; and
- (n) oversee the selection process for a new external auditor.

Internal audit

21. The Committee shall, for so long as RPPIC does not have an internal audit function, regularly review whether there is a need for RPPIC to establish such function and make a recommendation to the board accordingly. When RPPIC has such a function, the Committee shall:
- (a) monitor and review the effectiveness of the internal audit function and activities, taking into consideration the overall context of RPPIC's risk management system;
 - (b) review and approve the internal audit function's role and mandate;

- (c) review and assess the internal audit plan on an annual basis and ensure that the plan is appropriate for the current needs of the organisation and is aligned to the key risks facing RPPIC;
- (d) ensure the internal audit function has unrestricted scope, sufficient resources and access to information to enable it to perform its function effectively and in accordance with the relevant professional standards and 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 ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors;
- (e) approve the appointment and removal of the head of internal audit;
- (f) receive and assess a report on the results of the internal auditor's work;
- (g) ensure the internal auditor has direct access to the Committee chairman and to the chairman of the board, providing independence from the executive and accountability to the Committee;
- (h) meet the head of internal audit at least once a year, without management being present, to discuss that function's effectiveness;
- (i) carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:
 - (A) receive a report on the results of the internal auditor's work;
 - (B) determine whether it is satisfied that the quality, experience and expertise of the internal audit is appropriate for the business of RPPIC; and
 - (C) review the actions taken by management to implement the recommendations of the internal auditor and to support the effective working of the internal audit function; and
- (j) consider whether an independent, third party review of processes is appropriate and make a recommendation to the board, if so.

Financial reporting

22. The Committee shall:

- (a) monitor the integrity of RPPIC's financial statements, including its annual and interim reports, and any formal announcements and/or statements relating to its financial performance; and
- (b) review significant financial reporting issues and judgments which those reports and/or announcements contain, having regard to matters communicated to it by the external auditor.

23. The Committee shall review and, where appropriate, challenge:
- (a) the quality, appropriateness, consistency and application of significant accounting policies on a year on year basis and any changes to them;
 - (b) the methods used to account for significant or unusual transactions where different approaches are permitted;
 - (c) whether RPPIC has adopted and followed appropriate accounting standards and policies and (where necessary) made appropriate estimates and judgments, taking into account the views of the external auditor and integrity of the financial statements;
 - (d) the clarity and completeness of disclosures in RPPIC's financial reports and their sufficiency in the context in which they are made;
 - (e) all material information presented with the financial statements, such as the strategic report; and
 - (f) the statements on corporate governance relating to the audit and risk management.
24. The Committee shall 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.
25. The Committee shall report its views to the board on any aspect of RPPIC's financial reporting with which it is not satisfied.

Narrative reporting

24. The Committee shall, if so requested by the board:
- (a) review the content of the annual report and accounts; and
 - (b) report to the board on whether the annual report and accounts, taken as a whole:
 - (i) is fair, balanced and understandable; and
 - (ii) provides the information necessary for shareholders to assess RPPIC's financial position and performance, business model and strategy.
25. In preparing such report the Committee should assess whether the non-financial information in the annual report and accounts is consistent with the financial information in them.

Internal controls and risk management systems

26. The Committee shall:
- (a) keep under review RPPIC's:

- (i) systems for identifying, assessing, managing and monitoring financial risks {which are referred to in the UK Corporate Governance Code as "internal financial controls"); and
 - (ii) internal control and risk management systems; and
- (b) review and approve the statements to be included in the annual report and accounts concerning internal controls and risk management, prior to their consideration by the board.

Non-audit services

27. The Committee shall:

- (a) develop and implement a policy on the engagement of the external auditor to supply 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 assessment of whether non-audit services have a direct or material effect on the audited financial statements. The policy should include consideration of the following matters:
 - (i) any relevant ethical guidance on the subject;
 - (ii) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (iii) the nature of the non-audit services;
 - (iv) whether the external audit firm is the most suitable supplier of the non-audit service;
 - (v) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (vi) the criteria governing compensation; and
- (b) report to the board on the development and implementation of that policy, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations to as to the steps to be taken.

Bribery and fraud

28. The Committee shall:

- (a) review RPPIC's systems and controls for maintaining ethical behaviour generally and for the prevention of bribery;
- (b) review RPPIC's procedures for detecting fraud; and
- (c) receive reports on any alleged or suspected non-compliance with such procedures or systems and controls.

Whistleblowing

29. The Committee shall:
- (a) review the adequacy and security of RPPIC's arrangements for its directors, employees and contractors to raise concerns, in confidence, about possible improprieties in financial reporting or other matters;
 - (b) ensure that 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 ensure that the internal audit function is equipped to perform in accordance with appropriate professional standards for internal auditors; and
 - (c) ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

Disclosure

30. The FCA's Listing Rules and Disclosure Guidance and Transparency Rules require RPPIC to disclose in a prescribed manner, as soon as possible, any inside information directly concerning RPPIC, unless an exemption from disclosure is available.

The FCA's Listing Rules also require that RPPIC takes reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations under the Listing Rules and the Disclosure Guidance and Transparency Rules.

The Committee has delegated responsibilities from the board to oversee the RPPIC's compliance with its obligations as laid down by the FCA's Listing Rules and Disclosure Guidance and Transparency Rules.

For this purpose, 'Inside Information' is information which:

- (a) is of a precise nature;
- (b) is not in the public domain;
- (c) relates, directly or indirectly, to one or more issuers or to one or more financial instruments; and
- (d) if made public, would be likely to have a significant (being a 'non-trivial') effect on the price of those financial instruments or certain related derivative financial instruments.

Under the FCA's Listing Rules and Disclosure Guidance and Transparency Rules, there are additional announcement obligations covering:

- (e) dealings by directors and other persons discharging managerial responsibility;
- (f) related party transactions and certain 'significant' transactions;
- (g) board changes; and
- (h) financial reporting.

31. In relation to Disclosure, the Committee is responsible for:
- (a) the design, implementation and maintenance of a system of procedures and controls for the identification, treatment and disclosure of inside information:
 - (b) monitoring compliance with those procedures and controls;

- (c) determining whether and what information submitted and reviewed by the Committee requires disclosure;
- (d) reviewing and advising on the scope and content of any disclosure and the appropriateness of any disclosures made or to be made;
- (e) ensuring that all regulatory announcements, shareholder circulars, prospectuses and any other documents issued by RPPIC are scrutinized to ensure compliance with all applicable requirements; and
- (f) resolving any questions of materiality of information.

Reporting to the board

32. The Committee's chairman shall report to the board each year on how the Committee has discharged its responsibilities under these terms of reference in respect of the previous completed financial year. The report shall cover:
- (a) the significant issues that the Committee considered in relation to the latest annual report and accounts and how those issues were addressed;
 - (b) its assessment of the effectiveness of the external audit process and its recommendation on the appointment and reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - (c) how the Committee has assessed whether RPPIC is a going concern and the significant matters that the Committee has taken into account in doing so; and
 - (d) any other issues on which the board has requested the Committee's opinion.
33. The Committee, in the course of preparing such report, should identify any matters in respect of which it considers that action or improvement is needed. The report should include the Committee's recommendations as to the appropriate steps to be taken in respect of those matters.
34. The Committee shall produce a report on its activities for inclusion in the annual report and accounts that covers:
- (a) the significant issues that the Committee considered in relation to the latest annual report and accounts;
 - (b) how those issues were addressed, having regard to matters communicated to it by the ~~external~~ auditor;
 - (c) how the Committee addressed the effectiveness of the external audit process; and

- (d) if the external auditor has provided non-audit services, how auditor objectivity and independence have been safeguarded.
35. In compiling the reports referred to in paragraph 32 and paragraph 34, the Committee should exercise judgment 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 RPPIC is a going concern and the inputs to the board's viability statement. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.
36. The Committee shall submit to the board the results of its annual review of the operation, adequacy and effectiveness of RPPIC's disclosure procedures and its own procedures in relation to Disclosure.