

Cello Health plc
Audit and Risk Committee
Terms of Reference

1. Membership

- 1.1. Members of the Audit and Risk Committee (“Committee”) shall be appointed by the Board of Directors (“Board”), on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit and Risk Committee. The Committee shall be made up of at least 2 members.
- 1.2. All members of the Committee shall be independent Non-Executive Directors at least one of whom shall have recent and relevant financial experience.
- 1.3. Only members of the Committee have the right to attend Committee meetings. However, the Finance Director and external audit lead partner will be invited to attend meetings of the committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4. Appointments to the Committee shall be for a period of up to three years, which may be extended provided the director remains independent.
- 1.5. The Board should appoint the Committee Chairman who shall be an independent Non-Executive Director and determine the period for which they shall hold office. In the absence of the Committee Chairman the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

- 2.1. The Company Secretary or their nominee shall act as the Secretary of the Committee.

3. Quorum

- 3.1. The quorum necessary for the transaction of business shall be 2 members. 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. Frequency of Meetings

- 4.1 The Committee shall meet at least three times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Committee Chairman, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company’s governance, including the Board Chairman, the Chief Executive, the Finance Director and the external audit lead partner.

5. Notice of Meetings

- 5.1. Meetings of the Committee shall be summoned by the Secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.
- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Non-Executive Directors, no later than 5 working days before the date of the meeting.

- 5.3. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

6. Minutes of Meetings

- 6.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board.

7. Annual General Meeting

- 7.1. The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

8. Duties

The Committee should carry out the duties below for the parent Company, major subsidiary undertakings and the group as a whole, as appropriate.

8.1. Financial Reporting

8.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and interim reports, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain. The Committee shall also review summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature.

8.1.2. The Committee shall review and challenge where necessary.

8.1.2.1. the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;

8.1.2.2. the methods used to account for significant or unusual transactions where different approaches are possible;

8.1.2.3. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;

8.1.2.4. the clarity of disclosure in the Company's financial reports and the context in which statements are made; and

8.1.2.5. all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).

8.2 Internal Controls and Risk Management Systems

The Committee shall:

8.2.1. monitor and keep under review the scope, adequacy and effectiveness of the Company's internal financial controls, internal control and risk management systems, and at least annually, carry out a review of their effectiveness. The monitoring and review shall cover all material controls, including financial, operational and compliance controls;

8.2.2. review and approve the statements to be included in the Annual Report concerning internal controls and risk management.

8.2.3. at least annually, carry out a robust assessment of the principal risks facing the Company, including those that would threaten the Company's business model, future performance, solvency or liquidity. The assessments shall include how such risks are being managed, and mitigated. The outcome of the assessment to be reported to the Board;

8.3. Compliance, Whistleblowing, Bribery, Fraud and Ethics

The Committee shall:

8.3.1. review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;

8.3.2. ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;

8.3.3. oversee the Company's policies, systems and procedures to prevent persons associated with the Company from engaging in bribery. Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;

8.3.4. oversee the Company's policies and procedures for the identification, assessment, management and reporting of fraud;

8.3.5. oversee the Company's policies and procedures for the identification, assessment, management and reporting of ethical risk; and

8.3.6. advise the Board on steps to be taken to maintain a culture of integrity and honesty in all of the Company's business dealings.

8.4. Internal Audit

Due to the size and complexity of Cello Health plc's business it is currently considered appropriate that there is no separate internal audit function.

The Committee shall:

8.4.1. consider on an annual basis whether there is a need for an internal audit function and make a recommendation to the board.

8.5. External Audit

The Committee shall:

8.5.1. consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;

8.5.2. oversee the relationship with the external auditor including (but not limited to):

8.5.2.1. approval of their remuneration, for audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;

8.5.2.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

- 8.5.2.3. assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non audit services;
 - 8.5.2.4. seek annually from the external auditors, information about their firm's policies from maintaining independence;
 - 8.5.2.5. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business);
 - 8.5.2.6. agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - 8.5.2.7. monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the levels of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements; and
 - 8.5.2.8. assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures.
- 8.5.3. meet with the external auditor after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
 - 8.5.4. review the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
 - 8.5.5. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 8.5.5.1. a discussion of any major issues which arose during the audit,
 - 8.5.5.2. any accounting and audit judgements, and
 - 8.5.5.3. levels of errors identified during the audit.

The Committee shall also review the effectiveness of the audit.

- 8.5.6. review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.5.7. review the management letter and management's response to the auditor's findings and recommendations;
- 8.5.8. develop and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter. Where the external auditor provides non-audit work to Cello Health plc, the Annual Report should state how auditor objectivity and independence is safeguarded; and report to the Board on any action required in relation to auditor independence.

9. Reporting Responsibilities

- 9.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

- 9.3. The Committee shall compile a report to shareholders on its activities to be included in Cello Health plc's Annual Report.

10. Other Matters

The Committee shall:

- 10.1. have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- 10.2. 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;
- 10.3. give due consideration to laws and regulations, the provisions of the appropriate Corporate Governance Code that is applicable, and the rules of AIM as laid down by the London Stock Exchange as appropriate;
- 10.4. oversee any investigation of activities which are within its terms of reference and act as a court of the last resort;
- 10.5. at least once a year, review its own performance, 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.

11. Authority

The Committee is authorised:

- 11.1. to seek any information it requires from any employee of the Company in order to perform its duties;
- 11.2. to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 11.3. to call any employee to be questioned at a meeting of the Committee as and when required.