

**ONCIMMUNE HOLDINGS PLC**  
(the “Company”)

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AUDIT COMMITTEE  
TERMS OF REFERENCE

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**PEACHEY & CO LLP**

95 Aldwych  
London  
WC2B 4JF

Tel: +44 (0) 20 7316 5200 Fax: +44 (0) 20 7316 5222  
DX: 108 Chancery Lane  
[www.peachey.co.uk](http://www.peachey.co.uk)

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## 1. INTRODUCTION

On 14 December 2015, the board of directors of the Company (the **“Board”**) resolved to establish a committee of the Board to be known as the Audit Committee (the **“Committee”**) and approved these terms of reference for the Committee.

## 2. MEMBERSHIP OF THE COMMITTEE

2.1 The Committee shall have at least two members, one of whom shall be an independent non-executive director.

2.2 At least one member of the Committee should have recent and relevant financial experience (ideally with a professional qualification from one of the professional accountancy bodies).

2.3 The chairman of the Board may be a member of (but may not chair) the Committee provided that, other than his chairmanship, he or she fulfils the test of independence (in which case he will be viewed as an independent director).

2.4 The members of the Committee shall be appointed by the Board, in consultation with the chairman of the Committee.

2.5 Appointments to the Committee shall be for a period of up to three years which may be extended by up to two additional three-year periods provided that the members of the Committee (other than the chairman of the Board if he or she is a member of the Committee) continue to be independent.

2.6 Only members of the Committee are entitled as of right to participate in meetings of the Committee. However, the external auditor and the finance director should be invited to participate in meetings of the Committee on a regular basis and other non-members may be invited to participate in all or part of any meeting as and when the Committee considers appropriate.

## 3. CHAIRMAN OF THE COMMITTEE

3.1 The Board shall appoint the chairman of the Committee who should be an independent non-executive director.

3.2 In the absence of the chairman of the Committee (or any deputy appointed by the Board) from any meeting of the Committee, the members of the Committee participating in the meeting shall elect one of their number (being a member who

would qualify under these terms of reference to be appointed as the chairman of the Committee by the Board) to chair the meeting.

#### **4. SECRETARY OF THE COMMITTEE**

The secretary of the Company (or such other person as the Committee may appoint) shall act as the secretary of the Committee.

#### **5. FREQUENCY OF MEETINGS**

5.1 Meetings of the Committee must be held at least three times a year at appropriate times in the financial reporting and audit cycle and at such additional times as may be required.

5.2 In addition to its formal meetings, the Committee shall (primarily through the chairman of the Committee) maintain an ongoing dialogue with key individuals involved in the Company's governance (including the chairman of the Board, the chief executive, the finance director, the lead partner of the external auditor and the head of the internal audit function).

#### **6. CALLING MEETINGS**

6.1 Any member of the Committee may at any time call a meeting of the Committee. The secretary of the Committee must call a meeting of the Committee if at any time any member of the Committee or the lead partner of the external auditor or the head of the internal audit function so requests.

6.2 Notice of each meeting of the Committee must be given to each member of the Committee and to any other person who is required to participate in the meeting no later than five working days before the date of the meeting (or such shorter period as all the members of the Committee may agree). The notice shall include the venue, time and date of the meeting, details of the arrangements for participating in the meeting and an agenda of items to be discussed at the meeting. Supporting papers shall be sent to members of the Committee (and, where appropriate, to other persons who are required to participate in the meeting) at the same time as the notice of meeting (or as soon as reasonably practicable thereafter).

#### **7. QUORUM**

7.1 The quorum necessary for the transaction of business at a meeting of the Committee shall be any two members.

7.2 A duly convened meeting of the Committee in which a quorum is participating shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.

## 8. **VOTING**

8.1 Subject to these terms of reference:

(a) a decision is taken at a meeting of the Committee by a majority of the votes of the members of the Committee who are participating in the meeting; and

(b) each member of the Committee participating in the meeting has one vote.

8.2 If there is an equality of votes, the chairman of the Committee (or other person chairing the relevant meeting) has a casting vote. However, this does not apply if, under these terms of reference, the chairman of the Committee (or other person chairing the relevant meeting) is not entitled to vote on the relevant matter.

## 9. **CONFLICTS OF INTEREST**

9.1 Each member of the Committee must, at or prior to the commencement of each meeting of the Committee, disclose to the Committee any interest that he has in any matter or proposal to be considered at the meeting.

9.2 A member of the Committee must not participate in any discussions concerning, and is not entitled to vote in relation to, any matter or proposal to be considered at a meeting of the Committee in which he has a direct or indirect interest unless that interest cannot reasonably be regarded as likely to give rise to a conflict of interest.

## 10. **MINUTES OF MEETINGS**

10.1 The secretary of the Committee shall keep minutes of every meeting of the Committee (including the names of those participating in the meeting, any interests disclosed pursuant to paragraph 9 and every decision taken at the meeting).

10.2 The secretary of the Committee shall circulate draft minutes of each meeting of the Committee to all members of the Committee promptly following the meeting. When finalised and approved, the minutes shall be circulated to all members of the Board unless the chairman of the Committee considers that it would be inappropriate to do so.

## 11. DUTIES OF THE COMMITTEE

### 11.1 Financial reporting

The Committee shall monitor the integrity of the financial statements of the Company and its subsidiaries (the “Group”) (including annual and half-yearly reports, preliminary results' announcements and any formal announcements relating to the Company's and the Group's financial performance) and review and report to the Board on the significant financial reporting issues and judgements contained in them (having regard to matters communicated to the Committee by the external auditor).

In particular, the Committee shall review and, where necessary, challenge:

- (a) the consistency of, and any changes to, significant accounting policies or practices both on a year-on-year basis and across the Company and the Group;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether appropriate accounting standards have been complied with and appropriate estimates and judgements made, taking into account the views of the external auditor;
- (d) the clarity and completeness of disclosure in the Company's and the Group's financial reporting and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the business review and any corporate governance statement relating to the audit and to risk management).

Where the Committee is not satisfied with any aspect of the proposed financial reporting, it must report its views to the Board.

### 11.2 Narrative reporting

When requested by the Board, the Committee shall review the content of the annual report and accounts and advise the Board as to whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

### 11.3 Internal controls and risk management systems

The Committee shall:

- (a) review the adequacy and effectiveness of the Group's internal financial controls and internal control and risk management systems; and
- (b) review and approve the statements to be included in the annual report concerning internal controls and risk management.

#### 11.4 **Compliance, whistleblowing and fraud**

The Committee shall:

- (a) review the adequacy and security of the Group's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- (b) review the Group's procedures for detecting fraud;
- (c) review the Group's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- (d) review the adequacy and effectiveness of the Group's compliance function and receive and review regular reports from the compliance officer.

#### 11.5 **Internal audit**

The Committee shall:

- (a) approve the appointment or termination of appointment of the head of the internal audit function;
- (b) review and approve the remit of the internal audit function and ensure that the function has the necessary resources and access to information to enable it to fulfil its mandate and is equipped to carry out its duties in accordance with appropriate professional standards for internal auditors;
- (c) ensure that the internal auditor has direct access to the chairman of the Board and to the chairman of the Committee and is accountable to the Committee;
- (d) review and assess the annual internal audit work plan;

- (e) receive a report on the results of the internal auditor's work on a periodic basis;
- (f) review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- (g) meet the head of the internal audit function at least once a year, without management being present; and
- (h) monitor and review the effectiveness of the internal audit function in the context of the Group's overall risk management system.

#### 11.6 **External audit**

The Committee shall:

- (a) consider and make recommendations to the Board, to be put to shareholders for approval at the annual general meeting, in relation to the appointment, re-appointment and removal of the external auditor;
- (b) ensure that at least once every 10 years the audit services contract is put out to tender so as to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms;
- (c) in respect of the tender referred to in (b) above, oversee the selection process and ensure that all tendering firms have such access as is necessary to information and individuals during the duration of the tendering process;
- (d) if an auditor resigns, investigate the issues leading to this and decide whether any action is required;
- (e) oversee the relationship with the external auditor and, in particular (but without limitation):
  - (i) make recommendations as to their remuneration (for both audit and non-audit services) and ensure that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - (ii) approve their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;



- (iii) assess annually their independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - (iv) satisfy itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Group (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - (v) agree with the Board a policy on the employment of former employees of the auditor and monitor the implementation of this policy;
  - (vi) monitor the auditor's compliance with relevant ethical and professional guidance on the rotation of the audit partner, the level of fees paid by the Group compared to the overall fee income of the firm, office and partner and other related requirements;
  - (vii) assess annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process (including receiving and reviewing a report from the external auditor on their own internal quality procedures); and
  - (viii) evaluate the risks to the quality and effectiveness of the financial reporting process and consider whether the risk of the withdrawal of the auditor from the market needs to be included in that evaluation;
- (f) meet regularly with the external auditor including
- (i) a meeting at the planning stage before the audit and a meeting after the audit at the reporting stage; and
  - (ii) a meeting at least once a year, without management being present, to discuss the auditor's remit and any issues arising from the audit;
- (g) review and approve the annual 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 audit team);
- (h) review the findings of the audit with the external auditor. This review shall include (without limitation):

- (i) a discussion of any major issues which arose during the audit;
  - (ii) key accounting and audit judgements;
  - (iii) levels of errors identified during the audit; and
  - (iv) the effectiveness of the audit;
- (i) review any representation letter(s) requested by the external auditor before they are signed by management;
  - (j) review the management letter and management's response to the auditor's findings and recommendations; and
  - (k) 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.

#### 11.7 **Co-ordination of internal and external auditors**

The Committee shall be responsible for ensuring the co-ordination of the activities of the external auditor and the internal audit function.

### 12. **REPORTING RESPONSIBILITIES**

12.1 The chairman of the Committee shall report to the Board on the Committee's activities in relation to all matters within its remit after each meeting of the Committee. The Committee shall also formally report to the Board on how it has discharged its duties and this report shall include:

- (a) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
- (b) the Committee's assessment of the effectiveness of the external audit process and its recommendation as regards the appointment or re-appointment of the external auditor; and
- (c) any other issues on which the Board has requested the Committee's opinion.

12.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any matter within its remit where action or improvement is needed.

12.3 The Committee shall compile a report on its activities to be included in the Company's annual report. This report should include:

- (a) an explanation of how the Committee has addressed the effectiveness of the external audit process;
- (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 external auditor); and
- (c) all other information requirements set out in the UK Corporate Governance Code.

12.4 The chairman of the Committee shall attend each annual general meeting of the Company in order to respond to questions from shareholders concerning the Committee's activities.

### 13. **OTHER MATTERS**

13.1 The Committee shall be provided with:

- (a) access to sufficient resources in order to carry out its duties (including access to the secretary of the Company for assistance as required); and
- (b) appropriate and timely training, both in the form of an induction programme for new members and on an ongoing basis for all members.

13.2 The Committee shall:

- (a) work and liaise as necessary with all other committees of the Board; and
- (b) carry out such other duties and consider such other matters as may be referred to it by the Board from time to time.

13.3 In carrying out its duties, the Committee shall give due consideration to all applicable laws, regulations, guidelines and recommendations including the UK Corporate Governance Code, the QCA Corporate Governance Guidelines for Small and Mid-Size Quoted Companies, the NAPF Corporate Governance Policy and Voting Guidelines for Smaller Companies and the London Stock Exchange's AIM Rules for Companies.

13.4 The Committee shall arrange for periodic reviews of its own performance and shall, at least once a year, review its constitution and these terms of reference and recommend to the Board for approval any changes that it considers necessary to ensure that it is operating at maximum effectiveness.

14. **AUTHORITY OF THE COMMITTEE**

14.1 The Committee is authorised by the Board:

- (a) to undertake such investigations and research (including, but not limited to, requesting information from any officer or employee of the Group) as it considers necessary or appropriate for the purpose of carrying out its duties; and
- (b) to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter within its remit where the Committee considers it necessary or appropriate to do so.

14.2 The Committee shall have the right to publish in the annual report details of any issues that cannot be resolved between the Committee and the Board.

15. **AVAILABILITY OF TERMS OF REFERENCE**

These terms of reference shall be made available on the Company's website.