



# tiziana

## LIFE SCIENCES

**Tiziana Life Sciences plc**

### **Charter of the Audit Committee of the Board of Directors**

**Effective Date: 25 July 2018**

#### **1. Purpose**

The purpose of the Audit Committee is to assist the Board in its oversight of: (a) the integrity of the Company's accounting and financial reporting processes, systems of internal control over financial reporting and audits and reviews of financial statements, systems of disclosure controls and procedures, as well as the quality and integrity of the Company's financial statements and reports; (b) the qualifications, independence and performance of the Auditors; and (c) the Company's compliance with legal and regulatory requirements.

The policy of the Audit Committee, in discharging these obligations, shall be to maintain and foster an open avenue of communication between the Audit Committee, the Auditors and the Company's financial management.

Definitions used in this Charter of the Audit Committee of the Board of Directors can be found at paragraph 9.

#### **2. Constitution**

The Audit Committee shall be a committee of the Board of Directors of the Company appointed by the Board in consultation with the Chair of the Audit Committee and shall serve until their successors are duly elected and qualified. Audit Committee members may be removed, with or without cause, by the Board in its sole discretion. Further, resignation or removal of an Audit Committee member from the Board for any reason shall automatically constitute resignation or removal, as applicable, from the Audit Committee. Vacancies occurring on the Audit Committee shall be filled by the Board. The Board shall appoint the Audit Committee Chair or, if the Board fails to designate a Chair, the Audit Committee members shall elect a Chair by vote of a majority of the members of the Audit Committee. The Audit Committee may form and delegate authority to one or more subcommittees as appropriate. Any decision of a subcommittee to pre-approve audit or non-audit services shall be presented to the full Audit Committee at its next scheduled meeting. Delegation by the Audit Committee to any subcommittee shall not limit or restrict the Audit Committee on any matter so delegated, and, unless the Audit Committee alters or terminates such delegation, any action by the Audit Committee on any matter so delegated shall not limit or restrict future action by such subcommittee on such matters.

The Audit Committee is authorized by the Board to:

- investigate any activity within its terms of reference;

- seek any information that it requires from any employee of the Company and all employees are directed to cooperate with any request made by the Audit Committee; and
- obtain outside legal or independent professional advice, at the Company's expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

### **3. Membership**

All members of the Audit Committee shall be directors of the Company who are independent of the Company under the rules of Nasdaq, subject to transition requirements thereof. The Audit Committee shall consist of not less than three members. All members of the Audit Committee shall be directors who are able to read and understand fundamental financial statements, including the Company's balance sheet, income statement, and cash flow statement in satisfaction of the financial literacy requirements imposed by the SEC and Nasdaq. At least one member of the Audit Committee shall constitute a financial expert, as such term is defined by the rules of Nasdaq. A quorum of the Audit Committee shall be comprised of two of its members.

### **4. Attendance at Meetings**

No one other than the Audit Committee members shall be entitled to attend Audit Committee meetings. Non-Executive Directors, the Chief Executive Officer, the Chief Financial Officer, Company Finance team members, representatives of the Auditors, or other persons shall attend meetings at the invitation of the Audit Committee. There should be at least one meeting a year, or part thereof, where the Audit Committee meets the Auditors without Company employees present. This need not be the same meeting. Meetings shall be held not less than three times per year, but may be held whenever its members deem a meeting necessary or appropriate. Auditors may request a meeting if they consider that one is necessary.

### **5. Annual General Meeting**

The Chair of the Audit Committee, or the event they cannot attend an appointed deputy, shall attend the Annual General Meeting and be prepared to respond to any shareholder questions on the Audit Committee's activities.

### **6. Terms of Reference**

#### **6.1 Financial Reporting**

Duties of the Audit Committee include:

- evaluating the qualifications, performance and independence of the Auditors, and being responsible for the appointment, compensation, evaluation and, when appropriate, replacement of the Auditors, subject to any applicable shareholder approval requirements;
- to review and discuss with management and the Auditors prior to release the annual audited financial statements to be included in the Company's Annual Report to be published pursuant to the requirements of AIM, the Company's Annual Report on Form 20-F or 10-K, as applicable, to be filed with the SEC, the Company's interim financial

- statements to be published pursuant to Stock Exchange requirements, the Company's Quarterly Reports on Form 10-Q, if and when applicable, the Company's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in any of the foregoing reports, and any other significant financial disclosures to be filed with the SEC or the Stock Exchanges or included in disclosures made pursuant to the rules and regulations thereof;
- to review, and challenge where necessary, the actions and judgments of management, in relation to the Company's financial statements, operating and financial review, interim reports, preliminary announcements, and related formal statements before submission to, and approval by, the board, and before clearance by the Auditors. Particular attention should be paid to:
    - a) critical accounting policies and practices, and any changes in them;
    - b) decisions requiring a significant element of judgment;
    - c) the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed;
    - d) the clarity of disclosures;
    - e) significant adjustments resulting from the audit;
    - f) the going concern assumption;
    - g) compliance with accounting standards; and
    - h) compliance with Stock Exchange and other legal requirements;
  - to review the Auditors' audit plan, including scope, staffing, locations, reliance upon management and general audit approach, and make any changes or modifications deemed necessary following such review;
  - to discuss with the Auditors the Auditors' judgment about the competence, performance, and cooperation of management;
  - to discuss with management, their views as to the competence, performance, and independence of the Auditors;
  - at least annually, receive and review written disclosures from the Auditors in compliance with PCAOB Rule 3526 delineating all relationships between the Auditors or their affiliates and the Company, or persons in financial oversight roles at the Company, that may reasonably be thought to bear on the Auditors' independence, as well as any compensation or services that could affect the Auditors' objectivity and independence, and to assess and otherwise take appropriate action to oversee the independence of the Auditors, and discuss with the Auditors the matters required to be discussed by Auditing Standard No. 16, Communications with Audit Committees, as amended, as adopted by the PCAOB;

- to review all material information presented with the financial statements such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management);
- to give due consideration to the laws and regulations, the provisions of the Quoted Companies Alliance Corporate Governance Guidelines for Smaller Quoted Companies, and the requirements of the Financial Conduct Authority's Listing, Prospectus and Disclosure Guidance and Transparency Rules, and any other applicable rules, as appropriate;
- to review any transaction between the Company and any related party in accordance with the Company's related party transaction policy; and
- to consider other topics, as defined by the Board.

## 6.2 Internal Controls and Risk Management Systems

Duties of the Audit Committee include:

- to review the Company's procedures for detecting fraud and whistle blowing and raise concerns about possible improprieties in matters of financial reporting;
- to oversee the Company's compliance with domestic and international anti-bribery laws, including the U.S. Foreign Corrupt Practices Act of 1977, anti-money laundering law and export and import controls, and shall have the authority to engage personnel and/or outside service providers to ensure the Company's compliance therewith;
- to review management's reports on the effectiveness of the systems for internal financial control (if applicable), financial reporting, and risk management;
- to monitor the integrity of the Company's internal financial controls;
- to review the statement in the Company's periodic reports and accounts as to the Company's internal controls and risk management framework; and
- to assess the scope and effectiveness of the systems established by management to identify, assess, manage, and monitor financial and non-financial risks.

## 6.3 Whistleblowing

The Audit Committee shall review the Code of Business Conduct and Ethics and Whistleblower Policy, and other arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

## 6.4 External audit

Duties of the Audit Committee include:

- to oversee the Company's relations with the Auditors;

- to consider and make recommendations on the appointment, reappointment, and removal of the Auditors;
- to approve the terms of engagement and the remuneration to be paid to the Auditors in respect of audit services provided;
- to assess the qualification, expertise and resources, effectiveness, and independence of the Auditors annually, including:
  - a) seeking reassurance that the Auditors and their staff have no family, financial, employment, investment, or business relationship with the Company (other than in the normal course of business);
  - b) seeking from the audit firm, on an annual basis, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including current requirements regarding the rotation of audit partners and staff; and
  - c) monitoring the external audit firm's compliance with applicable ethical guidance relating to the rotation of audit partners, the level of fees that the Company pays in proportion to the overall fee income of the firm, office and partner and other related regulatory requirements, agreeing with the Board and monitoring the Company's policy for the employment of former employees of the Auditors;
- to discuss with the Auditors, before the audit commences, the nature and scope of the audit;
- to review with the Auditors, the findings of their work, including any major issues that arose during the course of the audit and have subsequently been resolved and those issues that have been left unresolved; key accounting and audit judgments; levels of errors identified during the audit, obtaining explanations from management and, where necessary the Auditors, as to why certain errors might remain unadjusted;
- to review the representation letters of the Company to the Auditors before consideration by the Board, giving particular consideration to matters that relate to non-standard issues;
- to assess, at the end of the audit cycle, the effectiveness of the audit process by:
  - a) reviewing whether the Auditors have met the agreed audit plan and understanding the reasons for any changes, including changes in perceived audit risks and the work undertaken by the Auditors to address those risks;
  - b) considering the robustness and perceptiveness of the Auditors in:
    - their handling of the key accounting and audit judgments identified; and
    - their responding to questions from the Audit Committee, and in their commentary, where appropriate, on the systems of internal control;

- c) obtaining feedback about the conduct of the audit from key people involved;
  - to review and monitor the content of the Auditors' management letter to assess whether it is based on a good understanding of the Company's business and establish whether recommendations have been acted upon and, if not, the reasons why they have not been acted upon; and
  - to develop and recommend to the Board the Company's policy in relation to the provision of non-audit services by the Auditors and ensure that the provision of such services does not impair the Auditors' independence or objectivity. In doing so, the Audit Committee should;
- d) consider whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
- e) consider whether there are safeguards in place to ensure that there is no threat to objectivity and independence in the conduct of the audit resulting from the provision of such services by the Auditors; and
- f) consider the nature of the non-audit services, the related fee levels, and the fee levels individually and in aggregate relative to the audit fee; consider the criteria that govern the compensation of the individuals performing the audit; and set and apply a formal policy specifying the types of non-audit work from which the Auditors are excluded, for which the Auditors can be engaged.

## 6.5 Reporting

The Secretary shall circulate the minutes of meetings of the Audit Committee and the Chair of the Audit Committee shall, as a minimum, attend the Board meeting at which the accounts are approved. The Audit Committee shall annually review its terms of reference and its own effectiveness and recommend any necessary changes to the Board.

The Audit Committee shall prepare a report on its role and responsibilities and the actions it has taken to discharge those responsibilities for inclusion in the annual report and accounts.

Such a report should specifically include:

- a summary of the role of the Audit Committee;
- the names and qualifications of all members of the Audit Committee during the period; and
- the way the Audit Committee has discharged its responsibilities.

Where disagreements between the Audit Committee and the Board cannot be resolved, the Audit Committee shall report the issue to the shareholders as part of the report on its activities in the Company's annual report. If the Board does not accept the Audit Committee's recommendation regarding the appointment, reappointment, and removal of the Auditors, the Audit Committee shall include a statement explaining its recommendation and reasons why the Board has taken a different stance in the annual report. The Audit Committee Chair shall attend the Annual General

Meeting and shall answer questions, through the Chair of the Board, on the Audit Committee's activities and its responsibilities.

## 6.6 Internal audit

The Audit Committee shall:

- consider annually whether there is a need for an internal audit function where no such function exists;

If a need exists, the Audit Committee shall:

- review the internal audit program and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;
- ensure that the internal auditor has direct access to the Board Chair and the Audit Committee and is accountable to the Audit Committee;
- receive a report on the results of the internal auditors' work on a periodic basis;
- review and monitor management's responsiveness to the internal Auditors' findings and recommendations;
- monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system; and
- appoint or dismiss the head of internal audit.

## 6.7 Other Matters

The Audit Committee shall:

- have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- be provided with appropriate training, both in the form of an induction program for new members and on an ongoing basis for all members;
- give due consideration to laws and regulations, the provisions of the UK Governance Code, the Quoted Companies Alliance Corporate Governance Guidelines for Smaller Quoted Companies, the NAPF Corporate Governance Policy and Voting Guidance for AIM Companies and the LSE's rules for AIM companies, as well as the rules and regulations of the SEC and Nasdaq, in each case applicable to the Company;
- have the authority to oversee the Company's data privacy and cybersecurity policies and to engage personnel and/or outside service providers to ensure the integrity of the Company's computer and information systems;
- oversee any investigation of activities which are within its terms of reference and act as a court of last resort;

- 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; and
- make its terms of reference available publicly.

## 7. Authority

The Audit Committee is authorized by the Board to:

- investigate any activity within its terms of reference;
- seek any information that it requires from any employee of the Company and all employees are directed to cooperate with any request made by the Audit Committee; and
- obtain outside legal or other independent professional advice, at the Company's expense, and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.

## 8. Limitation of Audit Committee's Role

The members of the Audit Committee are not employees of the Company, and they do not perform, or represent that they perform, the functions of management or the Auditors. While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditor.

## 9. Decisions

The Audit Committee shall be authorized to take any permitted action only by the affirmative vote of the majority of the Audit Committee members at any meeting at which quorum is present or by unanimous written consent of all of the Audit Committee members.

## 10. Definitions

"**AIM**" means the AIM, a market operated by the LSE.

"**Audit Committee**" means the Audit Committee of the Board.

"**Auditors**" means the Company's independent auditors, from time to time.

"**Board**" means the Board of Directors of the Company.

"**Company**" means Tiziana Life Sciences plc.

"**LSE**" means the London Stock Exchange plc.

"**Nasdaq**" means the Nasdaq Stock Market LLC and any of its constituent exchanges.

**"PCAOB"** means the U.S. Public Company Accounting Oversight Board and any successor thereof.

**"SEC"** means the U.S. Securities and Exchange Commission.

**"Stock Exchange"** means AIM, Nasdaq or any other stock exchange on which the Company's securities are then listed for trading.