

CREO MEDICAL GROUP PLC (the "Company")

AUDIT COMMITTEE

TERMS OF REFERENCE

(Adopted by the board of directors of the Company on 5 May 2021)

1. The Audit Committee

The Audit Committee:

- (a) is a sub-committee of the board and shall make recommendations to the board which retains the right of final decision;
- (b) is made up of non-executive directors with a quorum of two;
- (c) has the primary responsibility of reviewing the financial statements and the accounting principles and practice underlying them, liaising with the external and internal auditors and reviewing the effectiveness of internal controls; and
- (d) will meet at least three times a year and in any event sufficiently frequently and for long enough to perform its duties effectively.

2. Main role and responsibilities

The main role and responsibilities of the Audit Committee are to:

- (a) provide formal and transparent arrangements for considering how to apply the financial reporting and internal control principles set out in the UK Corporate Governance code, and to maintain an appropriate relationship with the company's auditors;
- (b) monitor the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgments contained in them;
- (c) review the Company's internal financial controls and, unless expressly addressed by a separate board risk committee composed of independent directors or by the board itself, the Company's internal control and risk management systems;
- (d) review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action;
- (e) consider the need for an internal audit function and, if considered necessary, monitor and review the effectiveness of the Company's internal audit function;
- (f) make recommendations to the board, for it to put to the shareholders for their approval in general meeting, in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor;
- (g) review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;

- (h) develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm; and
- (i) report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken.

3. Membership

- 3.1 There should be a minimum of two members of the Audit Committee.
- 3.2 The members of the Audit Committee shall be appointed by the board, in consultation with the chairman of the Audit Committee.
- 3.3 Membership should be confined to non-executive directors at least one of whom should have recent and relevant financial experience.
- 3.4 The Audit Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 3.5 The majority of members, apart from directors' fees and shareholding, should be independent of management and free from any involvement which might significantly interfere with their ability to judge matters independently.
- 3.6 Appointments to the Audit Committee shall be for a period of up to three years, extendable by no more than two additional three-year periods, so long as members continue to be independent.
- 3.7 The Company Secretary shall be the Audit Committee secretary and will ensure that the Audit Committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues. Proper minutes shall be kept of Audit Committee proceedings which shall be circulated to all directors of the Company, and, if necessary, to the Company's external auditor.
- 3.8 The Audit Committee chairman shall review membership of the Audit Committee annually, as part of the annual performance evaluation of the committee.

4. Meetings

- 4.1 Audit Committee meetings shall be held not less than three times a year, to discuss general audit matters, the interim and annual report and financial statements and otherwise as required, having regard to the Company's financial reporting and audit cycle, and at such other items as the chairman of the Audit Committee shall think fit.
- 4.2 Only members of the Audit Committee have the right to attend and vote at committee meetings. However, the chief finance officer, head of internal audit and external audit will be invited to attend meetings of the Audit Committee on a regular basis and other non-members may be invited to attend all or part of any meeting as and when appropriate.
- 4.3 The external auditor, head of internal audit (if applicable) and the finance director/controller of the company should attend meetings of the Audit Committee on a regular basis without being members.
- 4.4 The quorum necessary for the transaction of business shall be two members, at least one of whom has recent and relevant financial experience.
- 4.5 The Audit Committee shall meet the head of internal audit (if appointed) at least once a year without management being present. In addition, the head of the internal audit function shall have the right of direct access to the chairman of the Audit Committee.

- 4.6 Meetings of the Audit Committee will be arranged to tie in with the publication of the Company's financial statements. Meetings should be held at least five working days prior to any board meeting at which accounts or financial statements are to be approved, unless all the members of the Audit Committee agree otherwise.
- 4.7 Outside of the formal meeting programme, the Audit Committee chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Company chairman, the chief executive, the finance director, the external auditor and the head of internal audit.

5. Notice of meetings

- 5.1 Meetings of the Audit Committee shall be called by the secretary at the request of any of its members or at the request of the external auditor or head of internal audit if either considers that one is necessary.
- 5.2 Unless otherwise agreed by all members of the Audit Committee, notice of each meeting, confirming the venue, time and date together with an agenda and all relevant papers should normally be circulated to each member of the Audit Committee, to any other person required to attend, and to all other non-executive directors, at least five working days prior to the date of the meeting.

6. Minutes of meetings

- 6.1 The secretary shall minute the proceedings of all Audit Committee meetings including recording the names of those present and in attendance.
- 6.2 Draft minutes of committee meetings shall be circulated to all members of the Audit Committee. Once approved, minutes should be circulated to all other members of the board and the Company secretary unless, exceptionally, it would be inappropriate to do so.

7. Chairman

The board shall elect a chairman of the Audit Committee who shall be an independent director and he will be responsible for:

- (a) preparing the agenda;
- (b) the timely distribution of the agenda and any supporting papers;
- (c) reporting to the board on issues and decisions made;
- (d) attending and answering questions about the Audit Committee's work at the AGM; and
- (e) seeking engagement with shareholders on significant matters related to the Audit Committee's areas of responsibility.

In the absence of the chairman of the Audit Committee and/or an appointed deputy, the members present shall select one of their number to chair the meeting (other than the chairman of the Company, if he is a member of the Audit Committee) who would qualify under these terms of reference to be appointed to that position by the board.

8. Authorisation

- 8.1 The Audit Committee is authorised by the board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee in order to perform its duties and all employees will be directed by the board to co-operate with any request made by the Audit Committee.

- 8.2 The Audit Committee is authorised by the board to obtain, at the Company's expense, outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary. This authority is subject only to the requirement that independent advice is sought at a reasonable cost commensurate with the matter under review.

9. Duties

The Audit Committee should have oversight of the group as a whole and, unless required by regulation or unless otherwise carried out by the board or another duly authorised committee of the board, carry out the duties below for the parent company, major subsidiary undertakings and the group as a whole, as appropriate.

The duties of the Audit Committee shall be as follows.

9.1 *Financial reporting*

- (a) Monitor the integrity of the financial statements of the Company including its annual and half-yearly reports, preliminary announcements and any other formal statements relating to its financial performance, and review and report to the board on significant financial reporting issues and judgements which those statements contain having regard to matters communicated to it by the auditor.
- (b) In particular, review and challenge where necessary:
- (i) the application of significant accounting policies;
 - (ii) the consistency of, and any change in, accounting policies and practices both on a year on year basis including the application of new accounting policies in interim accounts, and the plan to communicate those changes to shareholders and the market;
 - (iii) management's assessment of the impact of new accounting policies on the distributable reserves of the Company;
 - (iv) whether the Company has adopted appropriate accounting policies and made appropriate estimates and judgments, taking into account the external auditor's views on the financial statements;
 - (v) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (vi) any significant adjustments resulting from the audit;
 - (vii) the going concern assumption and the longer term viability statement, including the robustness of stress-testing and scenario planning and disclosures around such analysis;
 - (viii) compliance with applicable regulatory and legal requirements;
 - (ix) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made;
 - (x) all material information presented with the financial statements, such as the business review, strategic report and the corporate governance statements relating to the audit and to risk management; and

- (xi) compliance with best practice in the area of corporate governance.
- (c) Review the annual report in its entirety.
- (d) Review the summary financial reports.
- (e) Review and approve the statements to be included in the annual report concerning internal controls and risk management.
- (f) 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.
- (g) Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (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 process.
- (h) Review circulars issued in respect of takeovers, defences against takeovers and other major non-routine transactions.
- (i) Review any other formal statements, press statements and advertisements relating to financial matters prior to their issue.
- (j) 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 including the AIM Rules.
- (k) Monitor compliance with financial reporting standards and the AIM Rules and related guidance and other financial and governance reporting requirements.
- (l) Where the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the Company, report its views to the board.

9.2 *External auditor*

- (a) Consider and make recommendations to the board, to be put to shareholders for approval at the AGM, in relation to the appointment and re-appointment of the external auditor and any questions of resignation or dismissal.
- (b) Ensure that at least once every ten years the audit services contract is put out to tender to enable the Audit Committee to compare the quality and effectiveness of the services provided by the incumbent auditor with those of other audit firms; and in respect of such tender 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.
- (c) If an external auditor resigns, investigate the issues leading to this and decide whether any action is required.

- (d) Oversee the relationship with the external auditor including, but not limited to, assessing annually their independence and objectivity taking into account relevant professional and regulatory requirements and the overall relationship with the auditor, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services.
- (e) Review the proposed audit fee and keep under review the scope and results of the audit and its cost effectiveness.
- (f) Approve the terms of engagement of the external auditor, any engagement letter issued at the start of each audit and the scope of the audit.
- (g) Prior to the audit commencing, discuss the nature, scope and timing with the external auditor and ensure co-ordination where more than one audit firm is involved.
- (h) Discuss any problems and reservations arising with the interim and final accounts audits and any matters the external auditor may wish to raise.
- (i) Discuss the meaning and significance of audited figures and any notes thereto.
- (j) Review any representation letter(s) requested by the external auditor before it is (they are) signed by management.
- (k) Review the external auditors' evaluation of the Company's internal controls, the management letter and the management's response.
- (l) Review any factors that might impair, or be perceived to impair, the external auditor's independence and objectivity. Where the external auditor also supplies a substantial volume of non-audit services to the Company, keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money.
- (m) Meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and at least once a year, without management being present, to discuss the external auditor's remit and any issues arising from the audit and the effectiveness of the audit process.
- (n) Arbitrate in any disputes between the external auditor and management.
- (o) Consider periodically an assessment by the external auditor of the quality of accounting and finance personnel in the group.
- (p) Agree with the board a policy on the employment of former employees of the Company's auditor, and monitor the implementation of this policy.
- (q) 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 Company compared to the overall fee income of the firm, office and partner and other related requirements.
- (r) Assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures.
- (s) Seek to ensure co-ordination of the external audit function with the activities of the internal audit function.

- (t) Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Audit Committee and consider the need to include the risk of the withdrawal of their auditor from the market in that evaluation.
- (u) Develop and recommend to the board the Company's formal policy on the provision of non-audit services by the external auditor, including prior approval of non-audit services by the Audit 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) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (ii) the nature of the non-audit services;
 - (iii) whether the external auditor is the most suitable supplier of the non-audit service;
 - (iv) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (v) the criteria governing compensation.
- (v) Discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.
- (w) Review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) the external auditor's explanation of how the risks to audit quality were addressed;
 - (iii) key accounting and audit judgements;
 - (iv) the auditor's view of their interactions with senior management; and
 - (v) levels of errors identified during the audit.
- (x) Review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor and the auditor's response to questions from the Audit Committee.

9.3 *Internal auditors (if applicable), risk management and internal control*

- (a) Review the organisation, lines of reporting and the independence of the internal financial reporting and audit function and keep under review the adequacy and effectiveness of the group's internal control systems.
- (b) Approve any appointment or termination of appointment of the head of the internal audit function.
- (c) Review and approve the remit of the internal audit function and ensure it has unrestricted scope and the necessary resources and access to information to enable it to fulfil its mandate and is equipped to perform in accordance with the appropriate professional standards for internal auditors.

- (d) Ensure that the internal auditor (if one is appointed) has direct access to the chairman of the board and the chairman of the Audit Committee and is accountable to the Audit Committee.
- (e) Carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:
 - (i) meet the head of internal audit (if appointed) at least once a year without management being present to discuss the effectiveness of the internal audit function;
 - (ii) review and assess the annual internal audit plan;
 - (iii) receive a report on the work of the internal auditor (if one is appointed) on a periodic basis and review and monitor management's responsiveness to the findings and recommendations.
 - (iv) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business;
 - (v) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.
- (f) Review objectives and plans and assure adequacy of resources.
- (g) Discuss any problems in carrying out audits, major findings and adequacy of controls.
- (h) Ascertain actions taken on recommendations.
- (i) Discuss the relationship between external and internal auditors and co-ordination of their work.
- (j) Keep under review the adequacy and effectiveness of the Company's systems on internal controls prior to endorsement by the board, report to the board regularly and make recommendations to the board regarding the effectiveness of the group's internal control systems. The Audit Committee's reviews should include:
 - (i) the authority, resources and co-ordination of those involved in the identification, assessment and management of principal risks faced by the group;
 - (ii) response to the significant risks which have been identified by management and others;
 - (iii) monitoring of the relevant reports by the group's management;
 - (iv) the maintenance of a control environment directed towards the proper management of risk; and
 - (v) annual reporting procedures.
- (k) Review and approve the statements to be included in the annual report concerning internal control, risk management, including the assessment of principal risks and emerging risks and the viability statement, unless such functions are carried out by the board or a risk sub-committee.
- (l) Monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system and the work of compliance, finance and the external auditor.

- (m) Consider whether an independent, third party review of processes is appropriate.
- (n) 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. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- (o) Review the Company's procedures for detecting fraud.
- (p) Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.
- (q) Consider from time to time appointing a "risk sub-committee" and (with any risk sub-committee) to keep abreast of all changes made to the group's system of internal controls and to follow up on areas which require improvement.

9.4 *Other matters*

- (a) Have access to sufficient resources in order to carry out its duties, including access to the Company secretariat 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.
- (c) Enquire into illegal, questionable or unethical activities.
- (d) Monitor adherence of officials to the corporate code of conduct.
- (e) Review any significant transactions outside the Company's normal business.
- (f) Initiate special projects or investigations on any matter within its term of reference.
- (g) Review the efforts of the Company to comply with social and environmental obligations.
- (h) Ensure that the board, and especially the non-executive directors, receive timely relevant and reliable information, tailored to assist them with monitoring the business and taking important decisions.
- (i) Consider other topics as defined by the board from time to time.
- (j) Work and liaise as necessary with all other board committees ensuring interaction between committees is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.
- (k) Oversee any investigation of activities which are within its terms of reference.
- (l) Give due consideration to laws and regulations, the provisions of the QCA Corporate Governance Guidelines and published guidance, the provisions of the AIM Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate.
- (m) Where requested by the board, the Audit Committee should review the content of the annual report and accounts and advise the board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy.

- (n) Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board.
- (o) Be responsible for oversight of the coordination of the internal and external auditors.

10. Reporting responsibilities

- 10.1 The chairman of the Audit Committee shall report formally to the board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities. This report shall include:
 - (a) the significant issues that it considered in relation to the financial statements (required under paragraph 9.1(a)) and how these were addressed;
 - (b) its assessment of the effectiveness of the external audit process (required under paragraph 9.2(r)) and its recommendation on the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
 - (c) any other issues on which the board has requested the Audit Committee's opinion.
- 10.2 The Audit Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 10.3 The Audit Committee shall compile a report on its activities to be included in the Company's annual report. The report should include:
 - (a) an explanation of how the Audit Committee has addressed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - (b) an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the QCA Corporate Governance Guidelines.
 - (c) the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor.
- 10.4 In compiling the reports referred to in paragraphs 10.1 and 10.3, the Audit 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 the Company 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.
- 10.5 The Audit Committee is authorised to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Audit Committee and the board. If the board has not accepted the Audit Committee's recommendation on the external auditor appointment, reappointment or removal, the annual report should include a statement explaining the Audit Committee's recommendation and the reasons why the board has taken a different position.