

RENALYTIX AI PLC

TERMS OF REFERENCE OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

EFFECTIVE DATE: JULY 16, 2020

1 Definitions

“AIM” means the AIM, a market operated by the LSE.

“AIM Rules” means the AIM Rules for Companies published by the LSE.

“Auditors” means the Company’s independent auditors.

“Board” means the Board of Directors of the Company.

“Committee” means the Audit Committee of the Board.

“Company” or “Group” means Renalytix AI plc and its subsidiaries.

“FCA” means the UK Financial Conduct Authority.

“IFRS” means International Financial Reporting Standards, as adopted by the European Union.

“LSE” means the London Stock Exchange plc.

“Nasdaq” means the Nasdaq Stock Market, Inc. and any of its constituent exchanges.

“Nomination Committee” means the Nomination Committee of the Board.

“PCAOB” means the U.S. Public Company Accounting Oversight Board and any successor thereof.

“QCA Code” means the Quoted Companies Alliance Corporate Governance Code (2018).

“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.

“US GAAP” means generally accepted accounting principles in the United States.

2 Purpose

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

3 Constitution

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

The Committee is authorized by the Board to:

- Investigate and undertake any activity within its terms of reference;
- seek any information that it requires from any director, employee or professional adviser of the Company and all directors, employees and professional advisers are directed to cooperate with any request made by the Committee; and
- obtain outside legal, accounting 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. The cost of obtaining such advice or services shall be borne by the Company within such limits as may be authorized by the Board from time to time. The Committee shall have unrestricted access to the Auditors.

4 Membership

All members of the Committee shall be directors of the Company who are independent of the Company under the rules of Nasdaq, subject to transition requirements thereof. In addition, all members of the Committee shall be independent non-executive directors of the Company within the meaning of the QCA Code. The Committee shall consist of not less than three members. All members of the 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 Committee shall constitute a financial expert, as such term is defined by the rules of Nasdaq and at least one member of the Committee shall have recent and relevant financial experience for UK corporate governance purposes.

A quorum of the Committee shall be comprised of a majority of its members and it is preferable for any quorum to include a member with recent and relevant financial experience. 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.

Appointment to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.

Membership of the Committee shall be noted in the annual directors' report of the Company.

5 Notice of Meetings

Meetings of the Committee shall be called by the Company Secretary at the request of any of its members or at the request of the Auditors or internal audit (as applicable) if they consider it necessary.

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 by the Company Secretary to each member of the Committee, any other person required to attend, the Auditors and all other non-executive directors no later than five working days (which notice may be waived by any director) before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate at the same time.

6 Attendance at Meetings

No one other than the Committee members shall be entitled to attend Committee meetings. The Chair, other Non-Executive Directors, CEO, CFO, Company Finance team members, representatives of the Auditors, or other persons shall attend meetings at the invitation of the Committee. A representative of the Auditors may attend meetings upon invitation of the Committee. There should be at least one meeting a year, or part thereof, where the Committee meets the Auditors without any executive directors or other Company employees present. This need not be the same meeting. Meetings shall be held not less than four times a year. Auditors may request a meeting if they consider that one is necessary.

Meetings of the Committee may be held by telephone or video conference call.

7 Annual General Meeting

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

8 Terms of Reference

8.1 Financial Reporting

Duties of the Committee include:

- evaluating the qualifications, performance and independence of the Auditors, and being responsible for the appointment, re-appointment remuneration, evaluation and,

when appropriate, replacement of the Auditors, and any question of resignation or dismissal 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 consolidated financial statements prepared in accordance with IFRS to be included in the Company's Annual Report to be published pursuant to Companies Act 2006 and the AIM Rules, the annual audited consolidated financial statements prepared in accordance with US GAAP to be included in 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 prepared in accordance with IFRS to be published pursuant to Stock Exchange requirements, the Company's Quarterly Reports on Form 10-Q prepared in accordance with US GAAP, 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 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:
 - i. critical accounting policies and practices, and any changes in them,
 - ii. decisions requiring a significant element of judgment,
 - iii. the extent to which the financial statements are affected by any unusual transactions in the year and how they are disclosed,
 - iv. the clarity of disclosures,
 - v. significant adjustments resulting from the audit,
 - vi. the going concern assumption,
 - vii. compliance with accounting standards, and
 - viii. compliance with Stock Exchange and other legal requirements;
- 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;
- discuss with the Auditors the Auditors' judgment about the competence, performance, and cooperation of management;
- discuss with the Auditors such issues as compliance with accounting standards and any proposals which the Auditors have made in respect of the Company's internal auditing standards, as applicable;

- discuss with management, their views as to the competence, performance, and independence of the Auditors;
- ensuring that procedures are in place for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- 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 keep under review the consistency of accounting policies for both the Company's US GAAP accounts and the Company's IFRS accounts both on a year-to-year basis and across the Company;
- to give due consideration to the laws and regulations, the provisions of the UK Corporate Governance Code, the QCA Code, the AIM Rules and the requirements of the FCA's Listing, Prospectus Regulation and Disclosure Guidance and Transparency Rules, to the extent applicable to the Company, 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.

8.2 Internal Controls and Risk Management Systems

Duties of the 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 or other matters and ensure that arrangements are in place for the proportionate and independent investigation of such matters with appropriate follow-up action;
- to oversee the Company's compliance with domestic and international anti-bribery laws, including the Foreign Corrupt Practices Act, 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;
- to consider the major findings of internal investigations and management's response; and
- to assess the scope and effectiveness of the systems established by management to identify, assess, manage, and monitor financial and non-financial risks.

8.3 Whistleblowing

The Committee shall review the Code of Conduct and Whistleblower Policy, and other arrangements for its employees 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.

8.4 External audit

Duties of the 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 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;
- to approve the terms of engagement and the remuneration to be paid to the Auditors in respect of audit services provided, including any engagement letter issued at the start of each audit;
- to assess the qualification, expertise and resources, effectiveness, and independence of the Auditors annually, including:
 - i. seeking a report from the Auditor on their own internal quality procedures;
 - ii. 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);
 - iii. 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

- iv. 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;
- ensuring that the Auditors report in a timely manner to the Committee on:
 - i. all accounting policies and practices used or to be used;
 - ii. all alternative disclosures and treatments of financial information within generally accepted accounting principles that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments and the treatment preferred by the Auditors; and
 - iii. all other material written communications between the Auditors and management, such as any management letter or schedule of unadjusted differences;
- 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;
- discuss problems, reservations and recommendations arising from audits and any matters the Auditors may wish to discuss (in the absence of executive directors and other management, where necessary);
- 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:
 - i. 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,
 - ii. 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 Committee, and in their commentary, where appropriate, on the systems of internal control,
 - iii. 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 Committee should;
 - i. take into account relevant ethical guidance regarding the provision of non-audit services by the external Auditors and to report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken;
 - ii. consider whether the skills and experience of the audit firm make it a suitable supplier of the non-audit services;
 - iii. 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
 - iv. 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.

8.5 Reporting

The Company Secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

The Company Secretary shall circulate the minutes of meetings of the Committee and the Chair of the Committee shall, as a minimum, attend the Board meeting at which the accounts are approved. The Committee shall annually review its terms of reference and its own effectiveness and recommend any necessary changes to the Board. The Committee should report formally to the Board on proceedings after each meeting on all matters within its duties and responsibilities. The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action is needed. The recommendations of the Committee minutes must be approved by the Board before they can be implemented.

The Company Secretary will be the Secretary of the Committee and in the absence of the Company Secretary, the Committee may at each meeting appoint one of their number to be the Secretary of the Committee in that meeting.

The 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 Committee;
- the names and qualifications of all members of the Committee during the period; and
- the way the Committee has discharged its responsibilities.

Where disagreements between the Committee and the Board cannot be resolved, the 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 Committee's recommendation regarding the appointment, reappointment, and removal of the Auditors, the Committee shall include a statement explaining its recommendation and reasons why the Board has taken a different stance in the annual report. The Committee Chair shall attend the Annual General Meeting and shall answer questions, through the Chair of the Board, on the Committee's activities and its responsibilities.

8.6 Internal audit

The Committee shall:

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

If a need exists, the 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 Committee and is accountable to the 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.

8.7 Other Matters

The 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 and timely 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 QCA Code, the NAPF Corporate Governance Policy and Voting Guidance for AIM Companies and the AIM Rules, 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.

9 Authority

The 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 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.

10 Limitation of 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 Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the 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 Auditors.

11 Decisions

The Committee shall be authorized to take any permitted action only by the affirmative vote of the majority of the Committee members at any meeting at which quorum is present or by unanimous written consent of all of the Committee members (subject to paragraph 12(c) below).

12 Disclosure of Interests

Each member of the Committee shall disclose to the Committee:

- (a) any personal, financial or other interest in any matter to be decided or discussed by the Committee; and/or
- (b) any potential conflict of interest arising from a cross-directorship or otherwise; and
- (c) any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee or absent himself from all or part of the meeting of the Committee in question.

Care should be taken to minimize the risk of any conflict of interest that might be seen to give rise to an unacceptable influence.

The Company Secretary shall ascertain, at the beginning of each meeting of the Committee, the existence of any conflicts of interest and minute them accordingly.