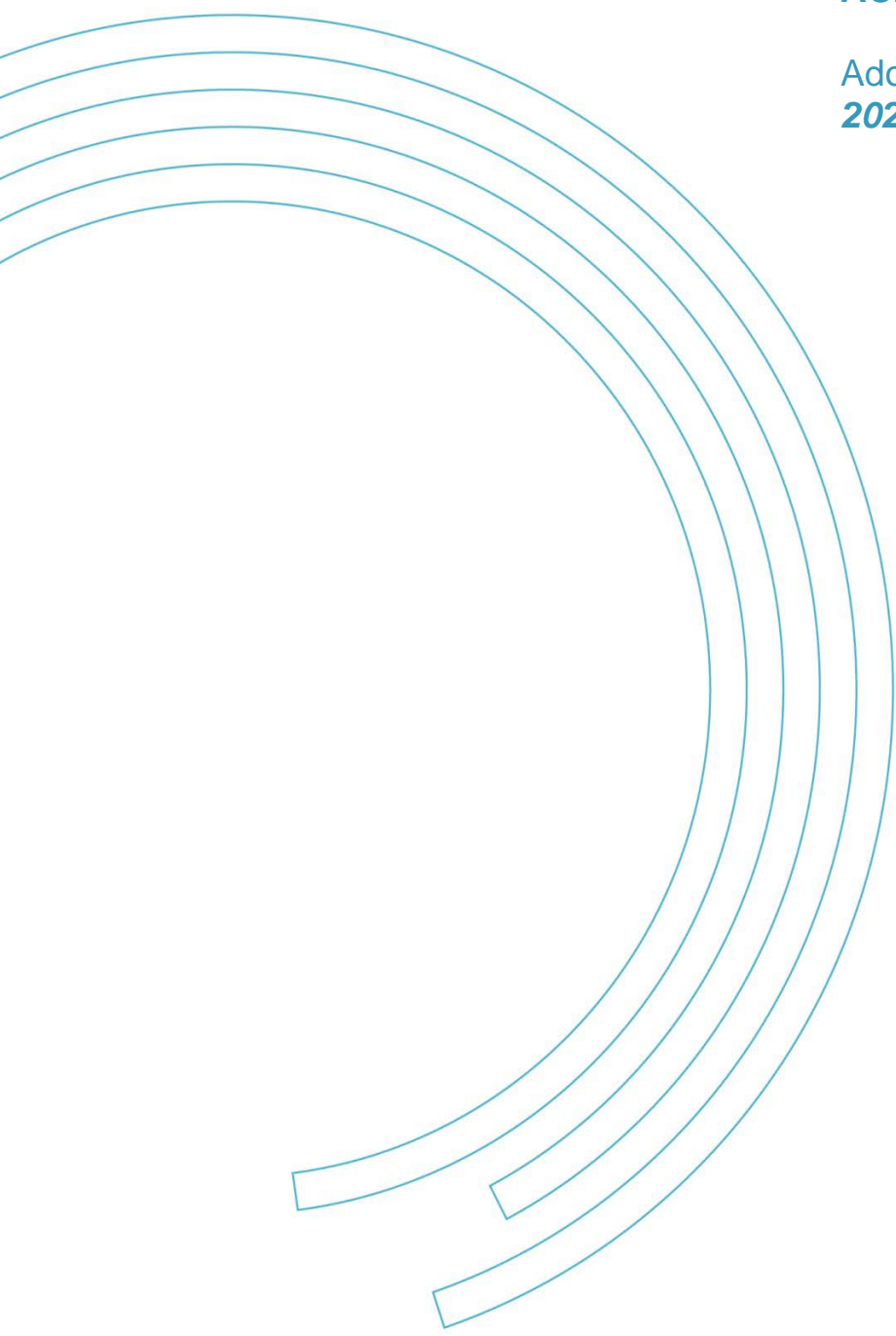


# Audit, Risk and Compliance Policy

**Cynata Therapeutics Limited**  
**ACN 104 037 372**

Adopted by the Board on **1 July**  
**2020**





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## Audit, Risk and Compliance Policy

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### 1 Purpose

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The purpose of this Audit, Risk and Compliance Policy (**Policy**) is to clearly set out the policies and processes of Cynata Therapeutics Limited (the **Company**) in respect of its audit, risk and compliance obligations.

### 2 Role of the Board

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#### 2.1 Audit, Risk and Compliance Committee

The full board of Directors of the Company (**Board**) presently performs the function that would otherwise be performed by a separately constituted Audit, Risk and Compliance Committee. A separate Audit, Risk and Compliance Committee may be established when appropriate, as the Company's activities develop in size, nature and scope, and where increased efficiency and effectiveness can be derived from having a separate committee.

The Company will comply with any binding obligations in relation to the composition of an Audit, Risk and Compliance Committee contained in the Fourth Edition of the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" (**Corporate Governance Recommendations**). In particular, if the Company is included in the S&P ASX 300 Index at the beginning of a financial year, the Committee will establish an Audit, Risk and Compliance Committee as necessary to comply with the relevant Corporate Governance Recommendations and any applicable ASX Listing Rules.

#### 2.2 Participation by non-Board members

From time to time, non-Board members may be invited to attend Board meetings when audit, risk or compliance matters are being discussed, if it is considered appropriate.

### 3 Objectives

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The Corporate Governance Recommendations recommend that the Company has formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting and that it has a sound risk management framework. Through the implementation of this Policy, the Company's aim is to bring transparency, focus and independent judgment to its roles and responsibilities.

In fulfilling its obligations under this Policy, the Board must review and oversee the Company's accounting, auditing, financial reporting, risk management and legal and regulatory compliance responsibilities.

The Board's key responsibilities and functions in this regard are to:

- (a) oversee, maintain and continually improve the quality, accuracy and integrity of the Company's external financial reporting and financial statements;



- (b) ensure that the Company applies and maintains appropriate accounting and business policies and procedures;
- (c) oversee the external audit functions;
- (d) oversee the appointment, remuneration, independence and effective performance of the Company's external auditors, and the Company's relationship with its external auditors;
- (e) oversee the effectiveness of the Company's legal and regulatory compliance framework;
- (f) oversee the effectiveness of the Company's risk identification and management framework and internal controls;
- (g) provide a forum for communication between Board and management in relation to audit, risk and compliance matters affecting the Company; and
- (h) promote a culture of compliance.

## **4 Audit and financial reporting**

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### **4.1 Internal controls**

The Company's internal controls and processes are vital to the continued success of the Company.

The Board's primary roles in relation to this area are to:

- (a) consider the appropriateness of significant policies and procedures relating to financial processes and disclosures and review the effectiveness of the Company's internal control framework;
- (b) ensure that procedures are in place which are designed to verify the existence and effectiveness of accounting and financial systems and other systems of internal control which relate to financial risk management;
- (c) oversee investigations of breaches or potential breaches of internal controls, and incidents identified as risks, particularly in relation to accounts and financial reporting;
- (d) establish procedures for the receipt, retention and treatment of concerns received by the Company regarding accounting, internal accounting controls and auditing matters, and procedures for the confidential, anonymous submission of concerns by employees regarding accounting and auditing matters; and
- (e) monitor the Company's taxation management and compliance.

### **4.2 External reporting**

The Board is responsible for overseeing the adequacy of the Company's corporate reporting processes. The processes should be formal and rigorous to safeguard the integrity of the Company's corporate reporting and facilitate independent verification.



The Board's primary responsibilities in relation to corporate reporting are to:

- (a) actively oversee and review the Company's corporate reporting and disclosure processes and financial controls, and oversee and review the outputs of that process;
- (b) review the Company's financial statements and other corporate reports for accuracy, for adherence to accounting standards and policies, and to ensure they reflect the understanding of Board members of, and otherwise provide a true and fair view of, the financial position and performance of the Company;
- (c) review and assess the appropriateness of material estimates, accounting judgments and significant choices exercised by management in preparing the Company's financial statements (including the solvency and going concern assumptions) by:
  - (i) examining the processes used; and
  - (ii) seeking verification from external auditors;
- (d) review management's processes for compliance with laws, regulations and other requirements relating to the preparation of accounts and corporate reporting by the Company of financial and non-financial information; and
- (e) review the completeness and accuracy of the Company's Corporate Governance Statement as required by the ASX Listing Rules.

#### **4.3 External audit**

The external audit is fundamental in the process to independently verify and safeguard the integrity of the Company's corporate reporting.

The Board's primary roles in relation to the audit function are to review:

- the reporting of financial information;
- the appropriate application and amendment of accounting policies; and
- the appointment, independence and remuneration of the external auditor.

The Board also provides a link between the external auditors and management of the Company.

The following are intended to form part of the normal procedures for the Board's audit responsibility:

- (a) **Appointment:**
  - (i) review the procedures for selection and appointment of the external auditors and for the rotation of external audit engagement partners;
  - (ii) assume responsibility for the appointment, compensation, terms of engagement, removal and other contractual terms of the external auditors;



- (iii) develop and oversee the implementation of the Company's policy on the engagement of the external auditor to supply non-audit services and ensure compliance with that policy;
- (b) **Independence:**
- (i) review the performance, independence and objectivity of the external auditors;
  - (ii) satisfy itself whether the provision of non-audit services is compatible with the general standard of independence, and an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the statements required by the *Corporations Act 2001* (Cth) (**Corporations Act**) to be included in the Company's annual report;
- (c) **Meetings and ongoing communication:**
- (i) invite the external auditor to attend Board meetings to review the audit plan, discuss audit results and consider the implications of external audit findings;
  - (ii) meet with the external auditor without management present at least once a year;
  - (iii) raise with the external auditor any specific points of divergence with the Company's management;
- (d) **Deliverables:**
- (i) receive and review reports of the external audit of the Company's financial statements;
  - (ii) review the scope, results, adequacy and effectiveness of the annual audit, placing emphasis on areas where the Board believes special attention is necessary or where the auditor has made a recommendation or finding;
  - (iii) review and monitor representation letters signed by management and confirm that information provided is complete and appropriate; and
  - (iv) monitor management's responses to the external auditor's findings and recommendations.

The external auditor will attend the Company's annual general meeting and be available to answer questions from security holders relevant to the audit.

#### 4.4 Related party transactions

The Board is responsible for reviewing and monitoring the propriety and materiality of related party transactions and, where necessary, their appropriate disclosure.



## 5 Risk management

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### 5.1 Role allocation

Managing risk well benefits the Company, its stakeholders and the broader community in which the Company operates. It not only protects established value but, given its forward-looking focus, can identify opportunities to create value.

Recognising and managing risk is a crucial role for the Board and management. Broadly:

- (a) the **Board's role** is to:
  - (i) set the risk appetite for the Company (that is, the nature and extent of the risks it is prepared to take to meet its objectives);
  - (ii) regularly review the Company's risk management framework to satisfy itself that it continues to be sound and effectively identifies all areas of potential risk;
  - (iii) review the Company's policies and processes to ensure that they are adequate to manage risks;
  - (iv) oversee that management carry out their risk management roles in light of guidance from the Board and within the risk appetite set by the Board;
  - (v) review reports from management on new and emerging sources of risk and the risk controls and mitigation measures that management has put in place to deal with those risks, including (where necessary) on an urgent basis; and
  - (vi) consistently monitor risks the Company faces, action it should take and, where appropriate, ensure risks are appropriately disclosed; and
- (b) **management's role** is to identify risks, develop and implement the risk management framework, manage and report on risks and monitor that the Company operates within the risk appetite set by the Board.

### 5.2 Board responsibilities

The following are intended to form part of the normal procedures for the Board's risk management responsibilities:

- (a) **risk management framework:** oversee that management designs and implements an appropriate and effective risk management framework which:
  - (i) aims to identify, protect against, detect, respond to and recover from risks, and to review and improve that framework;
  - (ii) includes risks relevant to the Company;
  - (iii) adequately deals with contemporary and emerging risks such as conduct risk, digital disruption, cyber-security, privacy and data



breaches, sustainability, climate change, national or global health crises, epidemics and pandemics; and

- (iv) is developed and reviewed with input from external auditors, compliance staff and other experts and consultants as relevant and in light of relevant standards and industry guidance;
- (b) **review the risk management framework** at least annually to determine that it continues to be sound, and to identify any changes to material risks and whether they remain within the risk appetite set by the Board with input from management, external auditors, compliance staff and other experts and consultants as relevant and in light of relevant standards and industry guidance;
- (c) **monitor and take appropriate action as required** in respect of the Company's risk management framework, including the following risk management issues:
  - (i) **insurance:** at least annually, review and monitor the structure and adequacy of the Company's insurance program having regard to the Company's business and the insurable risks associated with its business;
  - (ii) **fraud:** review and monitor the Company's exposure to fraud, oversee investigations of allegations of fraud or malfeasance and ensure the Company responds appropriately in relation to any incident involving fraud or other break down of the entity's internal controls;
  - (iii) **treasury:** review and monitor the ongoing effectiveness of the Company's treasury function including compliance with the Company's treasury policy as well as overall operations;
  - (iv) **exchange rate risks:** review and monitor the Company's overall risk management approach covering foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and investment of excess liquidity;
  - (v) **economic disruption:** review and monitor the Company's preparedness for events which may lead to economic disruption such as acts of war, terrorist activity, civil disruption, natural disasters, epidemics, pandemics and other major events which may have an impact on the Company's prospects, the prospects of the industry in which the Company operates, or the Australian or global economy as a whole; and
  - (vi) **business continuity planning:** review and monitor the Company's business continuity planning for any operational disruptions that may arise, including as a result of acts of war, terrorist activity, civil disruption, natural disasters, epidemics, pandemics and other major events which may have an impact on the Company's operations; and
- (d) **disclosure:** oversee the preparation of the following summaries and disclosures:
  - (i) **the directors' report:** of the main internal and external risk sources that could adversely affect the Company's prospects for future





financial years, for inclusion in the operating and financial review section of the directors' report; and

- (ii) **the corporate governance statement:** in the Company's annual report, including in relation to each reporting period:
  - (A) whether the review of the Company's risk management framework has taken place and, if appropriate, insights gained from the review and changes made as a result; and
  - (B) whether the Company has any material exposure to economic, environmental and social sustainability risks and if so how it intends to manage those risks.

## **6 Legal and regulatory compliance**

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Compliance with the Company's legal and regulatory obligations and maintaining all relevant approvals for the operation of the Company's business is crucial to its success.

The following are intended to form part of the normal procedures for the Board's legal and regulatory compliance responsibilities:

- (a) reviewing the Company's compliance with laws and regulations, including overseeing decisions to conduct business and transactions where those decisions could impact on the Company's compliance with applicable requirements;
- (b) reviewing the procedures the Company has in place to ensure compliance with laws and regulations;
- (c) receiving and considering reports of non-compliance with laws, regulations and Company policies;
- (d) reviewing the procedures in place to ensure compliance with insider trading laws, continuous disclosure requirements and other best practice corporate governance processes (including requirements under the ASX Listing Rules and the Corporations Act);
- (e) reviewing the Company's main corporate governance practices for completeness and accuracy; and
- (f) reviewing and discussing with management and the external auditors the overall adequacy and effectiveness of the Company's legal, regulatory and ethical compliance programs.

## **7 Rights of access and authority to management and auditors**

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The Board has rights of access to management and to external auditors without management present, and rights to seek explanations and additional information from both management and auditors.

The Board has the authority to:



- (a) require management or others to attend meetings and to provide any information or advice that the Board requires;
- (b) access the Company's documents and records;
- (c) obtain advice and input from counsel, accountants and other experts (e.g. risk consultants); and
- (d) access and interview management and external auditors (with or without management present).

Relevant information will be distributed to Board members as it becomes available.

Board members must be available to meet with external bodies if requested to do so in accordance with relevant laws, regulations or prudential standards.

## **8 Review**

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The Board will, at least once in each year, review this Policy to determine its adequacy for current circumstances.

This Policy may be amended by resolution of the Board.

## **9 General Meetings**

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If appropriate in the circumstances, the Board will ensure that substantive resolutions to be considered by shareholders at general meetings should be decided by a poll.