

LivaNova

Health innovation that matters

Audit and Compliance Committee Charter



Audit and Compliance Committee Charter of LivaNova PLC

1. PURPOSE

The purpose of the Committee is (i) to review the Company's accounting, financial reporting and disclosure processes and the audit of the Company's consolidated financial statements, (ii) to review the Company's internal controls over financial reporting and disclosure controls and procedures (including reporting structures) with management and the independent auditors, (iii) to review the Company's compliance function, (iv) to review the actions taken by the Company to comply with its internal accounting and control policies as well as external financial, legal and regulatory requirements, (v) to review the Company's internal audit function, (vi) to review the processes by which cybersecurity risks are managed, (vii) to review the qualifications, performance and independence of the registered public accounting firm engaged for the purpose of auditing the Company's consolidated financial statements and issuing an audit report for inclusion in the Company's Annual Report on Form 10-K ("independent auditors"), and (viii) to select, subject to required shareholder approvals, the Company's independent auditors and to evaluate their performance.

To fulfill the above obligations, the Committee relies on management, including for the preparation and accuracy of the Company's consolidated financial statements; both management and the Company's internal audit function for establishing effective internal controls and procedures to ensure the Company's compliance with accounting standards, financial reporting procedures and applicable laws and regulations; and the Company's independent auditors for an unbiased, diligent audit or review, as applicable, of the Company's consolidated financial statements and the effectiveness of the Company's internal controls over financial reporting. The members of the Committee are not employees of the Company and are not responsible for conducting the audit or performing other accounting procedures.

2. MEMBERSHIP

Number. The Committee shall consist of three or more directors.

Independence. Each member of the Committee shall be "independent" in accordance with the requirements of Rule 10A-3(b)(1) of the US Securities Exchange Act of 1934, as amended, and the rules of NASDAQ. No member of the Committee can have participated in the preparation of the Company's or any of its subsidiaries' financial statements at any time during the past three years.

Financial Expertise. Each member of the Committee must be able to read and understand fundamental financial statements, including a balance sheet, income statement and cash flow statement, and at least one member of the Committee must have past employment experience in finance or accounting, requisite professional certification in accounting, or other comparable experience or background that leads to financial sophistication. At least one member of the Committee must be an "audit committee financial expert" as defined in Item 407(d)(5)(ii) of Regulation S-K. A person who satisfies this definition of audit committee financial expert will also be presumed to have financial sophistication.

Overboarding. No member of the Committee may serve simultaneously on the audit committee of more than two other public companies unless the Board specifically determines that such service would not impair the director's ability to serve effectively on the Committee. In addition, the chair of the Committee may not serve simultaneously on the audit committee of more than one other audit committee of a public company, unless the Board specifically determines such service would not impair the director's ability to serve effectively on the Committee.

Appointment. The members of the Committee shall be appointed by the Board based upon the recommendation of the Nominating and Corporate Governance Committee of the Board.

Term. Subject to annual elections of directors as set out in the Company's Articles of Association and the Corporate Governance Guidelines, members of the Committee shall serve for such term or terms as the

Board may determine or until earlier resignation, removal or death. The Board may remove any member from the Committee at any time with or without cause.

3. STRUCTURE AND OPERATIONS

Chair. The Board shall designate a member of the Committee as the chair. If the appointed chair is unable to serve and the Board has not appointed a new chair, then the members of the Committee will appoint a chair on a temporary basis.

Frequency of Meetings. The Committee shall meet at least quarterly, or more frequently as circumstances dictate, at such times and places as it deems necessary to fulfill its responsibilities.

Reports to the Board. The Committee shall report regularly to the Board on its discussions and actions, including any significant issues or concerns that arise at its meetings and shall make recommendations to the Board as appropriate.

Rules Governing Meetings.

- a) The Committee is governed by the same rules regarding meetings (including meetings in person or by telephone or other similar communications equipment), action without meetings, notice, waiver of notice, and voting requirements as are applicable to the Board.
- b) Quorum is a majority of Committee members.
- c) The Committee may require or invite any officer or employee of the Company or its subsidiaries, the Company's independent outside legal counsel, or the Company's independent internal or external auditors to attend a meeting, in whole or in part, of the Committee or to meet with any members of, or consultants to, the Committee as and when appropriate and necessary.

Executive Sessions. The Committee shall periodically meet separately with management, including the Chief Financial Officer, Head of Internal Audit, the Chief Legal Officer, and representatives of the Company's independent auditors (or equivalent roles) and may invite such individuals to its meetings as it deems appropriate, to assist in carrying out its duties and responsibilities. The Committee shall also regularly meet as a Committee without such individuals present.

Charter Review. The Committee shall review and reassess this charter at least annually and recommend any proposed changes to the Board for approval.

Secretary of the Meeting. The Company Secretary, or their designee, shall be the secretary of the Committee.

4. DUTIES AND RESPONSIBILITIES

The Board delegates to the Committee the express authority with respect to the following:

Oversight of the Company's Independent Auditors. The following provisions shall apply to the Committee's responsibilities with respect to the independent registered public accounting firm engaged for the purposes of the audit of the Company and its subsidiaries' U.S. generally accepted accounting principles ("GAAP") consolidated financial statements and in respect of the statutory auditors engaged for the purposes of the audit required pursuant to the UK Companies Act 2006 and other statutory audit requirements of the Company, as the case may be.

Selection, Appointment, and Compensation.

- a) to select and retain an independent registered public accounting firm to act as the Company's independent auditors for the purpose of preparing or issuing an audit report or auditing the Company's annual consolidated financial statements, books, records, accounts, and internal controls over financial reporting, subject to approval by the Company's shareholders of the selection of the Company's independent auditors;

- b) to set the compensation of the Company's independent auditors;
- c) to oversee the work done by the Company's independent auditors (including the resolution of disagreements between management and such firm regarding financial reporting);
- d) to terminate the Company's independent auditors, if necessary;
- e) to inform each independent registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company that such firm must report directly to the Committee; and
- f) to select, retain, compensate, oversee, and terminate, if necessary, any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review, or attest services for the Company.

Pre-Approval of Audit and Non-Audit Services.

- a) to approve all audit engagement fees and terms; and
- b) to pre-approve all audit and permitted non-audit and tax services that may be provided by the Company's independent auditors and establish policies and procedures for the Committee's preapproval of permitted services by the Company's independent auditors on an on-going basis. The Committee may delegate authority to the chair of the Committee to grant permitted services for which estimated fees do not exceed \$100,000; provided that any such pre-approvals shall be reported to the full Committee at its next scheduled meeting.

Statement from Independent Registered Public Accounting Firm. At least annually, to obtain and review a report by the Company's independent auditors that describes the accounting firm's internal quality control procedures, any material issues raised by the most recent internal quality control review, peer review or Public Company Accounting Oversight Board (the "PCAOB") review or inspection of the firm or by any other inquiry or investigation by governmental or professional authorities in the past five years regarding one or more audits carried out by the firm and any steps taken to deal with any such issues, and all relationships between the firm and the Company or any of its subsidiaries or any persons in a financial reporting oversight role at the Company or any of its subsidiaries, consistent with PCAOB Rule 3526 and to discuss with the Company's independent auditors this report and any relationships or services that may impact the objectivity and independence of the auditors.

Review of the Company's Registered Accounting Firm. At least annually, to evaluate the qualifications, performance, and independence of the Company's independent auditors, including an evaluation of the lead audit partner; and to assure the regular rotation of the lead audit partner at the Company's independent auditors and to consider periodic rotation of the accounting firm serving as the Company's independent auditors.

Scope of Audit and Review of Audit. To review and discuss with the Company's independent auditors (i) the auditors' responsibilities under generally accepted auditing standards and the responsibilities of management in the audit process, (ii) the overall audit strategy, (iii) the scope and timing of the annual audit, and (iv) any significant risks identified during the auditors' risk assessment procedures; and when completed, the results, including significant findings, of the annual audit.

Accounting Report.

- a) To review and discuss with the Company's independent auditors (i) all critical accounting policies and practices, (ii) all alternative treatments of financial information within GAAP that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the Company's independent auditors; and (iii) other material written communications between the Company's independent auditors and management, such as any management letter, letter of representation, or schedule of unadjusted differences.

- b) To review with management and the Company's independent auditors: any major issues regarding accounting principles and financial statement presentation, including any significant changes in the Company's selection or application of accounting principles; any significant financial reporting issues and judgments made in connection with the preparation of the Company's consolidated financial statements, including the effects of alternative GAAP methods; and the effect of regulatory and accounting initiatives and off-balance sheet structures on the Company's consolidated financial statements.
- c) To receive and review all reports prepared by the Company's independent auditors, and to ensure that the Company's independent auditors have full access to the Committee and the Board during their performance of the annual audit to report on any and all appropriate matters.

Related Party Transactions and the Audit. To keep the Company's independent auditors informed of the Committee's understanding of the Company's relationships and transactions with related parties that are significant to the Company; and to review and discuss with the Company's independent auditors, the auditors' evaluation of the Company's identification of, accounting for, and disclosure of its relationships and transactions with related parties, including any significant matters arising from the audit regarding the Company's relationships and transactions with related parties.

Internal Controls Review with Auditors. To review with management, the internal audit function and the Company's independent auditors the adequacy and effectiveness of the Company's financial reporting processes, internal control over financial reporting and disclosure controls and procedures, including any significant deficiencies or material weaknesses in the design or operation of, and any material changes in, the Company's processes, controls and procedures and any special audit steps adopted in light of any material control deficiencies, and any fraud involving management or other employees with a significant role in processes, controls and procedures, and the adequacy of disclosures about changes in internal control over financial reporting. In addition, to annually review management's report on its assessment of the effectiveness of internal controls over financial reporting, and the independent auditor's report on the effectiveness of internal controls over financial reporting.

Other Communications with Auditors. To review and discuss with the Company's independent auditors any other matters required to be discussed by applicable auditing standards, including, without limitation, the Company's independent auditors' evaluation of the quality of the Company's financial reporting, information relating to significant unusual transactions and the business rationale for such transactions and the Company's independent auditors' evaluation of the Company's ability to continue as a going concern.

Financial Reporting.

- a) **Review of 10-K, Audit Opinion.** To review and discuss with the Company's independent auditors and management the Company's disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), the annual audited, consolidated financial statements, and the form of audit opinion to be issued by the auditors on the consolidated financial statements to be included in the Company's annual report on Form 10-K before the Form 10-K is filed, and to recommend to the Board that the audited, consolidated financial statements and MD&A section be included in the Company's Form 10-K and to produce the audit committee report required to be included in the Company's annual proxy statement.
- b) **Review of 10-Q.** To review and discuss with the Company's independent auditors and management the Company's quarterly, consolidated financial statements and the disclosure under "Management's Discussion and Analysis of Financial Condition and Results of Operations" to be included in the Company's quarterly report on Form 10-Q before the Form 10-Q is filed.
- c) **UK Statutory Accounts.** To review the UK Annual Report and Accounts and advise the Board as to whether taken as a whole, they are fair, balanced, and understandable and provide the information necessary for shareholders to assess the Company's performance, business model and strategy.

- d) **Audit Committee Report.** To review and approve the report of the Committee for inclusion in the Company's annual proxy statement, the UK Annual Report or other similar public document.
- e) **Press Releases and Guidance.** To review and discuss with management, the Company's unaudited earnings press releases, including the type of information to be included and its presentation and the use of any pro forma, adjusted or other non-GAAP financial information and measures, as well as financial information and earnings guidance provided to external parties before their release to the public.

Internal Audit. To oversee the internal audit department, including its purpose, authority, budget, staffing organization, and responsibilities; review the scope and performance of the department's internal audit plan, including the material results of any internal audits, any reports to management and management's response to those reports; and review and approve the succession planning, hiring or dismissal of the Head of Internal Audit (or equivalent role reporting to the Committee).

Risk Management. On behalf of the Board, to review financial risks through regular functional reports and presentations and report any issues arising out of such reviews to the Board.

Cybersecurity. To review the processes by which cybersecurity risks are managed, through regular functional reports and presentations, and to report any issues arising out of such reviews to the Board.

Hiring of Independent Auditor Personnel. To set and review hiring policies for employees or former employees of the Company's independent auditors that participated in any capacity in any Company audit.

Compliance and Fraud.

- (a) To review the Company's compliance function, including reviewing the Company's related policies, procedures and programs designed to promote and monitor legal, ethical, and regulatory compliance.
- (b) To review the compliance function's work in monitoring compliance with the Company's Code of Ethics and Business Conduct (the "Code"), and the Company's investigation of alleged breaches or violations of the Code, and enforcement of the provisions of the Code.
- (c) To review whistleblowing procedures, i.e., for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by Company employees of concerns regarding questionable accounting or auditing matters.
- (d) To review the Company's procedures for preventing and detecting fraud.
- (e) To review the Company's systems and controls for the prevention of bribery, and to receive reports on non-compliance with respect to these.

Legal. To review, with the Chief Legal Officer and independent outside legal counsel, if appropriate, legal and regulatory matters, including lawsuits or regulatory investigations, that could have a significant impact on the Company's consolidated financial statements.

Approval of Related Party Transactions. To review policies and procedures for the Committee's approval of related party transactions, and review and approve any transaction between the Company and any related person (as defined in Item 404 of Regulation S-K) and any other potential conflict of interest situations on an ongoing basis, in accordance with Company policies and procedures.

Hedging Strategy. Review and approve at least on an annual basis the decisions by management to enter into derivative transactions on a cleared or non-cleared basis, and the policies and processes of the Company related thereto, and review and recommend to the Board on matters pertaining to the Company's derivative transactions and hedging strategy.

Insurance. On an annual basis, review the overall levels of insurance for the Company and approve the directors' and officers' liability insurance.

Miscellaneous. The Committee may perform any other activities and make such recommendations to the Board as are consistent with this Charter, the Company's Articles of Association, applicable listing standards and governing law, including, but not limited to, the right to investigate at its discretion any matter

brought to its attention. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board of Directors from time to time.

The Committee shall have unrestricted access to the Company's employees, the Company's independent auditors, internal auditors, and independent outside counsel and may require any employee of the Company to attend a meeting of the Committee or to meet with any member of the Committee.

5. OUTSIDE ADVISORS

The Committee shall have the authority, in its sole discretion, to retain and obtain the advice and assistance of independent outside counsel, consultants, and such other advisors as it deems necessary to fulfill its duties and responsibilities under this Charter. The Committee shall set the compensation, and oversee the work, of any such independent outside counsel, consultants, and other advisors.

The Committee shall receive appropriate funding from the Company, as determined by the Committee in its capacity as a committee of the Board, for the payment of compensation to the Company's independent auditors, any other accounting firm engaged to perform services for the Company, any independent outside counsel and any other advisors to the Committee.

6. DELEGATION OF AUTHORITY

The Committee shall have the authority to delegate any of its responsibilities, along with the authority to act in relation to such responsibilities, to one or more subcommittees comprised of one or more of its members, or to other members of the Board qualified to perform such responsibilities in accordance with the Nasdaq listing rules and any other applicable law as the Committee may deem appropriate in its sole discretion.

7. PERFORMANCE EVALUATION

The Committee shall conduct an annual evaluation of the performance of its duties under this Charter and shall present the results of the evaluation to the Board.

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