

SYNCONA LIMITED (the Company)

AUDIT COMMITTEE TERMS OF REFERENCE

Updated by the board of directors on 21 March 2014, June 2015, 23 November 2015, 4 July 2016 and 7 September 2017

1. DEFINITIONS

Board means the board of Directors of the Company;

Code means the UK Corporate Governance Code September 2014, as may be amended or replaced from time to time;

Committee means the audit committee of the Company; and

Directors means the directors of the Company and *Director* shall be construed accordingly.

Secretary means the person or entity appointed from time to time to provide administrative and company secretarial services to the Company;

2. BACKGROUND

2.1 The Board has resolved to establish the Committee to assist the Board in fulfilling its oversight responsibilities.

2.2 The Board has delegated to the Committee the task of overseeing the financial reporting and internal controls of the Company and maintaining an appropriate relationship with the external auditors of the Company.

3. DUTIES OF THE COMMITTEE

The Committee shall have oversight of the group as a whole and, unless required otherwise by regulation, carry out the duties below for the Company, its major subsidiary undertakings and the group as a whole.

Financial Reporting

3.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and preliminary results and any other formal statements relating to its financial performance, and shall review and report to the Board on significant financial reporting issues and judgements which any of them may contain.

3.2 The Committee shall review the valuation of the Life Science portfolio on a quarterly basis.

3.3 The Committee shall review and challenge and make appropriate recommendations where necessary:

(a) reporting and financial decisions requiring a significant element of judgement;

(b) the methods used for the valuation of the Company's portfolios;

- (c) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (d) off-balance sheet items;
 - (e) the extent to which the financial statements are affected by any unusual transactions;
 - (f) the adequacy, completeness and clarity of disclosures in the Company's financial reports and the context in which statements are made;
 - (g) significant adjustments made and proposed resulting from the audit, including the requirement to be advised of unadjusted differences;
 - (h) the going concern assumption;
 - (i) compliance with the Disclosure Rules and the Transparency Rules of the Financial Conduct Authority and other legal requirements;
 - (j) the application of, and any changes to, significant accounting policies and practices on a year on year basis;
 - (k) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditors; and
 - (l) all material information presented with the financial statements, such as the business review and the corporate governance statement (insofar as it relates to financial information, audit and risk management).
- 3.4 Where requested by the Board, the 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 performance, business model and strategy and whether it informs the Board's statement in the annual report on these matters that is required under the Code.
- 3.5 The Committee shall assess the effectiveness of the Company's financial reporting procedures.

Internal Controls and Risk Management

- 3.6 The Committee shall review the scope and effectiveness of the Company's internal financial and non-financial controls and risk management systems and the statements to be made in the annual report concerning internal controls and risk management systems.
- 3.7 The Committee shall review the Company's risk framework and assessment of the principal risks facing the Company, including the Company's overall risk appetite and strategy, description of the principal risks and how they are being managed or mitigated.
- 3.8 The Committee shall review, on an annual basis, the need for an Internal Audit function.

Compliance and Fraud

- 3.9 The Committee shall review and make recommendations on the Company's arrangements for preventing and detecting fraud and bribery and for ensuring that the Company complies with relevant regulatory and legal requirements.
- 3.10 The Committee shall review regular reports on money laundering and compliance and the adequacy and effectiveness of their anti-money laundering and compliance systems and controls.
- 3.11 The Committee shall review the adequacy and security of any arrangements (including those of the Company's manager or other service providers) for employees or others to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters, to ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow-up action.

External Audit

- 3.12 The Committee shall:
- (a) consider and make appropriate recommendations to the Board, to be put to the shareholders where appropriate to consider at the annual general meeting, in relation to the appointment, re-appointment, resignation or removal of the Company's external auditors;
 - (b) oversee the selection process for new external auditors and, if an external auditor resigns, investigate the issues leading to this decision and decide whether any action is required;
 - (c) oversee the relationship with the external auditors including approval of their fees for both audit and non-audit services and approval of their terms of engagement;
 - (d) assess annually the external auditor's independence and objectivity taking into account relevant UK law, regulation, the FRC Ethical Standard and other professional requirements and the group's relationship with the auditor as a whole, 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) develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the 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;
 - (f) meet regularly with the external auditors (including once at the planning stage before the audit and once after the audit at the reporting stage);
 - (g) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
 - (h) review the findings of the audit with the external auditors, including but not limited to:
 - (i) a discussion of any significant issues which arose during the audit;
 - (ii) any accounting and audit judgements;

- (iii) the level of errors identified during the audit;
 - (iv) the effectiveness of the audit, which shall include a report from the external auditor on their own internal quality procedures; and
 - (v) compliance with relevant financial reporting standards and relevant financial and governance reporting requirements;
- (i) discuss any difficulties, reservations or other matters arising from the external auditors' audits;
 - (j) review the management letter and the response to the auditor's findings and recommendations;
 - (k) review any representation letter(s) requested by the external auditors before they are signed; and
 - (l) develop and implement a policy on the supply of non-audit services by the external auditors, taking into account any relevant ethical guidance on the matter.

Other

3.13 The Committee shall review other disclosures and documents as determined by the Board. In general the Committee shall review any other statements requiring Board approval that contain financial information, where it is practicable to carry out a review prior to Board approval.

4. COMPOSITION

4.1 Members of the Committee shall be appointed by the Board. The Committee shall be made up of at least two members and is normally expected to be made up of three or more members. All members of the Committee shall be independent Directors. The chairman of the Board shall not be a member of the Committee. Any member who is determined by the Board no longer to be independent shall cease to be a member of the Committee.

4.2 At least one member of the Committee shall have been determined by the Board to have recent and relevant financial experience.

4.3 Only members of the Committee have the right to attend Committee meetings. However the chief financial officer of the Company's manager will be invited to attend meetings on a regular basis. Other individuals may be invited to attend all, or part, of any meeting as and when appropriate.

4.4 The external auditors of the Company will be invited to attend meetings of the Committee on a regular basis. At least once a year the Committee shall consider meeting with the external auditors of the Company without any other person being present.

4.5 Appointments to the Committee shall be for a period of up to three years, extendable for two further three year periods.

4.6 The chairman of the Committee shall be appointed by the Board. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

- 4.7 The Committee may ask representatives of the Company's manager, administrator or any other service provider to attend meetings either regularly or by invitation, but invitees shall have no right of audience.

5. QUORUM

- 5.1 The quorum necessary at a meeting of the Committee for the transaction of business shall be two members.
- 5.2 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.

6. MEETING ADMINISTRATION

- 6.1 Meetings of the Committee shall be held as often as it deems necessary but, in any case, not less than three times per year, at such times as determined by the Committee chairman, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chairman. The Committee shall approve the annual calendar of its meetings.
- 6.2 Meetings of the Committee shall be called by the secretary of the Committee at the request of any of its members or at the request of external auditors if they consider it necessary.
- 6.3 Unless otherwise agreed by all Committee members, notice of each meeting confirming the venue, time and date and dial-in details (if required), together with an agenda of the items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other Directors, as soon as practicable and in any event no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees, as appropriate, at the same time.
- 6.4 Outside of the formal meeting programme, the Committee chairman, and to a lesser extent the other Committee members, will maintain a dialogue with key individuals involved in the Company's governance.

7. SECRETARY

- 7.1 The Secretary shall act as the secretary of the Committee.
- 7.2 The secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 7.3 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and shall minute them accordingly.
- 7.4 Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board. The Committee chairman shall report to the Board directly on significant matters discussed at each meeting of the Committee.

8. SELF EVALUATION

The Committee shall, at least once a year, review its own performance, composition and terms of reference and recommend any changes it considers necessary to the Board for approval.

9. REPORTING RESPONSIBILITIES

- 9.1 The Committee chairman shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities.
- 9.2 The Committee shall produce such recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is desirable.
- 9.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report, including explanations of their reporting responsibilities.
- 9.4 The Committee chairman, or failing him another member of the Committee, shall attend the annual general meeting of the Company prepared to respond to any shareholder questions on the Committee's activities.

10. OTHER MATTERS

The Committee shall:

- (a) have access to sufficient resources in order to carry out its duties, including access to the Company's administrator and manager for assistance as required; and
- (b) give due consideration to relevant laws and regulations, the provisions of the Code and the requirements of the Listing, Prospectus and Disclosure and Transparency Rules of the Financial Conduct Authority, as appropriate.

11. AUTHORITY

The Committee is authorised by the Board to:

- (a) undertake any activity within its terms of reference;
- (b) seek any information it requires from any Director, member of the investment management team and/or the administrator in order to perform its duties;
- (c) obtain, at the Company's expense, outside legal or other professional advice and secure attendance of outsiders with relevant experience and expertise as it considers necessary on any matter within its terms of reference and to invite those persons to attend at meetings of the Committee;
- (d) request that both (i) the persons performing the investment management functions in relation to the investment portfolio of the Company and its group and (ii) representatives of the administrator be available to answer questions at meetings of the Committee and to co-operate with any reasonable request of the Committee;
- (e) have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board; and
- (f) delegate any of its powers to one or more of its members or the Secretary.