

SYNCONA LIMITED (the Company)

AUDIT COMMITTEE TERMS OF REFERENCE

Updated by the board of directors on 12 March 2020

1. DEFINITIONS

Board means the board of Directors of the Company;

Code means the UK Corporate Governance Code July 2018, 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, maintaining an appropriate relationship with the external auditors of the Company, and the other duties set out in these terms of reference.

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 and the group as a whole including group entities that are not consolidated, but excluding any portfolio company.

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 any 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 and viability statement;
- (i) compliance with financial reporting standards, the Disclosure Guidance 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 adopted appropriate accounting policies 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, including the arrangements of the Company's manager for oversight of risks within the Life Science portfolio.

3.7 The Committee shall review and approve the statements to be made in the annual report concerning internal controls, risk management systems and the viability statement.

3.8 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, processes for identification of emerging risks, and how the risks are being managed or mitigated.

3.9 The Committee shall review, on an annual basis, the need for an Internal Audit function.

3.10 The Committee shall consider the major findings of any relevant internal investigations into risk and control weaknesses, fraud, or misconduct and the proposed response, and

also consider whether any such failings or weaknesses are significant and therefore require disclosure.

Compliance and Fraud

- 3.11 The Committee shall review and make recommendations on the Company's arrangements for preventing and detecting fraud and bribery.
- 3.12 The Committee shall review and make recommendations on the Company's arrangements for ensuring that the Company complies with relevant regulatory and legal requirements.
- 3.13 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.
- 3.14 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

- 3.15 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 auditor;
 - (b) conduct the selection process for new external auditor, ensuring that tendering firms have access to all necessary information during the tendering process;
 - (c) if an external auditor resigns, investigate the issues leading to this decision and decide whether any action is required;
 - (d) oversee the relationship with the external auditor including approval of their fees for both audit and non-audit services and approval of their terms of engagement;
 - (e) 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;
 - (f) satisfy itself that there are no relationships between the external auditor and the Company (other than in the ordinary course of business) that could adversely affect the auditor's independence and objectivity;
 - (g) agree with the board a policy on the employment of former employees of the external auditor, taking into account the FRC Ethical Standard and legal requirements, and monitor the application of this policy;

- (h) monitor the auditor's processes for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- (i) monitor the level of fees paid by the Company to the external auditor compared to the overall fee income of the firm, office and partner and assess these in the context of relevant legal, professional and regulatory requirements, guidance and the Ethical Standard;
- (j) assess annually the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- (k) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Committee;
- (l) 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;
- (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 meet with the auditors without representatives of the Company's manager being present to discuss the auditor's remit and any issues arising from the audit;
- (n) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, and discuss with the external auditor the factors that could affect audit quality;
- (o) 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) key 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 how any risks to audit quality were addressed;
 - (v) the auditor's view of their interactions with senior management; and
 - (vi) compliance with relevant financial reporting standards and relevant financial and governance reporting requirements;
- (p) review the management letter and the response to the auditor's findings and recommendations;
- (q) review any representation letter(s) requested by the external auditors before they are signed; and

- (r) review the effectiveness of the audit process, including an assessment of the quality of the audit, whether the audit plan has been met, the handling of key judgements by the external auditor, and the auditor's response to questions from the Committee.

Other

- 3.16 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 on the recommendation of the Nomination Committee in consultation with the chair of the Committee. The Committee shall be made up of three or more members although it is recognised that the number of members may fall below three for temporary periods due to departures until new appointments are made.
- 4.2 All members of the Committee shall be independent Directors. The chair 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.
- 4.3 At least one member of the Committee shall have been determined by the Board to have recent and relevant financial experience. The Committee as a whole shall have sufficient competence in the Company's field of business.
- 4.4 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.
- 4.5 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.
- 4.6 Appointments to the Committee shall be for a period of up to three years, extendable for two further three year periods.
- 4.7 The chair of the Committee shall be appointed by the Board. In the absence of the Committee chair and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 4.8 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 chair, with further meetings to occur, or actions to be taken by unanimous written consent, when deemed necessary or desirable by the Committee or its chair. 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 chair, 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 chair shall report to the Board directly on significant matters discussed at each meeting of the Committee.

8. SELF EVALUATION

- 8.1 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.
- 8.2 The Committee chair shall review membership of the Committee annually, as part of the annual self evaluation of the Committee.

9. REPORTING RESPONSIBILITIES

- 9.1 The Committee chair shall report formally to the Board on the Committee's proceedings after each meeting on all matters within its duties and responsibilities. This report shall include:
 - (a) the significant issues that it considered in relation to the financial statements and how these were addressed; and

- (b) any aspect of the proposed financial reporting by the Company that it is not satisfied with.
- 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:
- (a) the significant issues that the Committee considered in relation to the financial statements and how these issues were addressed;
 - (b) confirmation that the Board has carried out a robust assessment of the principal and emerging risks facing the Company, a description of its principal risks and the procedures in place to identify emerging risks, and an explanation as to how they are being managed and mitigated;
 - (c) an explanation of how the Committee has assessed 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;
 - (d) 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 Code; and
 - (e) an explanation of how internal assurance is achieved in the absence of an internal audit function.
- 9.4 In compiling the report to shareholders, the Committee should exercise judgement 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, and may cross-refer to information disclosed elsewhere in the annual report and accounts.
- 9.5 The Committee chair, 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. In addition the Committee chair should seek engagement with shareholders on significant matters related to the Committee's areas of responsibility.

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;
- (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; and
- (c) 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; and
- (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.
- (f) delegate any of its duties to one or more of its members or the Secretary.