

Audit Committee

Membership

<u>Name</u>	<u>Organisation</u>	<u>Committee Role</u>
Bill Burns	Governor	Chair and Governor member
Mike Ferguson	Deputy Chair of Board of Governors	Deputy Chair and Governor member
Adèle Anderson	Non-Executive Director and Chair of the Audit Committee of easyJet plc	External member
Tim Clark	Former Senior Partner, Slaughter and May	External member
Chris Jones	Non-Executive Director of Santander UK plc	External member
Chris Bird	General Counsel and Company Secretary	Secretary

Short biographies of the external members can be found below

Terms of Reference for the Audit Committee

1. Membership and Appointment

- a. The Committee shall comprise at least three members.
- b. All members of the Committee shall be independent of the day to day management of Wellcome and at least one of whom shall have recent and relevant financial experience. The Chairman of the Board of Governors of Wellcome shall not be a member of the Committee.
- c. The Chair and members of the Committee shall be appointed by the Board, normally on the recommendation of the Nominations Committee and, in the case of a member of the Committee but not the Chair, in consultation with the Chair of the Audit Committee.
- d. Members should normally serve for three years, subject to mutual review after one year. Members may serve for a second term of up to three years by mutual agreement and may, in exceptional cases, be appointed for a third term of up to three years.
- e. The Board shall approve the remuneration of the external members from time to time. Governor members shall not be entitled to any extra remuneration for serving as Chair or members of the Audit Committee.
- f. The Company Secretary or his nominee shall act as the Secretary of the Committee but will not be a member.

2. Frequency of Meetings

- a. The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.
- b. During the period between meetings of the Committee, the Board may request the Chair and the Secretary to convene further meetings in which to discuss particular issues that may require the Committee's advice. The Board may also ask the Chair or any member or members of the Committee to conduct reviews of any other issues or activities within its terms of reference.

3. Agenda and Papers for meetings

Unless otherwise agreed, an agenda of items to be discussed confirming the venue, time and date, together with supporting papers, shall be forwarded to each member of the Committee and any other person required to attend, to allow three working days and one weekend in which to review the papers.

4. Quorum

- a. The quorum for the proceedings of the Committee shall be any two members provided at least one is an external member, or such other quorum as may be fixed by the Board from time to time.
- b. If the Chair is not able to attend, the Chair will be a member elected by the Committee members present.

5. Participation in Committee Discussions

- a. Except as provided in paragraph d. below, the persons holding the following Wellcome positions may be invited to attend all or part of any meeting, but will not be members of the Committee:
 - i) the Chief Financial Officer;
 - ii) the Director;
 - iii) the Chair of the Board;
 - iv) the Head of Risk;
 - v) the Head of Financial Accounting; and
 - vi) the General Counsel.
- b. Except as provided in paragraph d. below, the persons holding the following positions may be invited to attend relevant parts of each meeting:
 - (i) a senior representative of the internal auditors or the Head of Internal Audit; and
 - (ii) the Audit Partner of the external auditor.
- c. Other persons may be invited to attend for specific items or for the whole meeting at the discretion of the Chair.
- d. At the discretion of the Chair, the Committee may meet in private session with no observers or with any particular persons.
- e. A senior representative of the internal auditors or the Head of Internal Audit and the

Audit Partner from the external auditor will have free and confidential access to the Chair of the Audit Committee. In addition, the Committee will separately meet with a senior representative of the internal auditors or the Head of Internal Audit and the Audit Partner from the external auditor, without management being present, to discuss the audit(s) remit and any issues arising from the audit(s).

6. Minutes

- a. The Secretary shall minute the proceedings and decisions of all meetings of the Committee, including recording names of those present and in attendance.
- b. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee.
- c. The Secretary shall arrange for the minutes of meetings of the Committee to be circulated to all members of the Board and the Executive Leadership Team.

7. Authority

The Committee is authorised by the Board to:

- a. investigate any activity within its terms of reference which shall apply, as appropriate, to Wellcome and each of its subsidiaries, associated companies and joint ventures;
- b. seek any information it requires from any employee of Wellcome or any employee of any of its subsidiaries and all such employees may be directed to co-operate with any request by the Committee;
- c. invite employees of any associated companies and joint ventures to provide any information it requires; and
- d. obtain outside legal or other independent professional advice and to secure the attendance of external advisers with relevant experience and expertise, in each case if it considers this necessary.

8. Duties

The Committee should carry out the duties below for Wellcome (both for itself and acting as Trustee for the Wellcome Trust), its major subsidiary undertakings and the group as a whole, as appropriate.

a. Financial statements

The Committee shall:

- (i) monitor the integrity of the financial statements of Wellcome including any significant financial returns filed with a regulator, any document containing financial statements on which third parties might rely and any formal announcements relating to Wellcome's financial performance, reviewing significant financial reporting issues and judgements contained in them, and
- (ii) review the annual report and financial statements, including the Chairman's statement and the Trustee's report, before submission to the Board, focusing on:

- (A) the consistency of, and any changes to, accounting policies both on a year on year basis and across the company/group to comply with audit and legal requirements and recommended practices;
- (B) major judgmental areas, taking into account the views of the external auditor;
- (C) any significant adjustments resulting from the audit;
- (D) the clarity of disclosure, consistency of the narrative at the front and financial information at the back of the annual report and context in which statements are made and whether taken as a whole the annual report and financial statements are fair, balanced and understandable and provide sufficient information to enable the reader to assess Wellcome's position and performance, business model and strategy; and
- (E) compliance with accounting standards and legal requirements.

b. Internal controls and risk management systems

The Committee shall:

- (i) keep under review the adequacy and effectiveness of Wellcome's internal financial controls and Wellcome's internal control and risk management systems;
- (ii) review statements to be included in the annual report on internal control systems and Wellcome's compliance with the recommendations of the Charity Commission on internal control procedures;
- (iii) review the adequacy and security of Wellcome's "Whistleblowing" Policy, to ensure these arrangements allow proportionate and independent investigation of matters raised and appropriate follow up action;
- (iv) review the procedures for detecting fraud and corruption and receive reports on all discovered or suspected fraud, corruption, major errors or control failures;
- (v) review Wellcome's systems and controls for the prevention of bribery and receive reports on non-compliance;
- (vi) review Wellcome's Corporate Risk Register, as agreed by the Executive Leadership Team, and review any other risk matters escalated to the Executive Leadership Team; and
- (viii) consider general issues of risks and controls from time to time.

c. Internal audit

The Committee shall:

- (i) monitor and review the effectiveness of Wellcome's internal audit function in the context of its overall risk management system;

- (ii) advise the Executive Leadership Team on the use of staff or external firms to provide the internal audit function, on the appointment of the head of internal audit or appointment of internal auditors, and on any questions of resignation or termination of such appointment;
- (iii) review the remit of the internal audit function, having regard to the complementary roles of internal and external audit functions;
- (iv) monitor and review the internal audit programme and consider and advise whether in the Committee's opinion the internal audit function is adequately resourced, has appropriate standing within Wellcome to perform its duties and is free from management or other restrictions;
- (v) consider the major findings of internal investigations and monitor management's responsiveness to the findings and recommendations; and
- (vi) review and monitor the independence and objectivity of the internal auditor function, taking into consideration relevant UK professional standards and guidance.

d. External Audit

The Committee shall:

- (i) consider and make recommendations to the Board, to be put to the Members of Wellcome, in relation to the appointment, reappointment and removal of the external auditor. The Committee shall oversee the selection process for a new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and advise the Board as to whether any action is required;
- (ii) satisfy itself that the level of fee payable is appropriate and that an effective, high quality audit can be conducted for such a fee and make recommendations to the Board concerning the external auditors remuneration;
- (iii) approve the terms of engagement of the external auditor, including any engagement letter, and the scope of each audit;
- (iv) at least annually review and monitor the a) qualification, expertise and resources, b) independence and c) objectivity of the external auditor and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements;
- (v) develop and oversee a policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical and professional guidance regarding the provision of non-audit services by the external audit firm;
- (vi) advise the Board on a policy on the employment of former employees of the external auditor and monitor the implementation of the policy;
- (vii) monitor the external auditor's compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by Wellcome compared to the overall fee income of the firm, office and partner and other related requirements;

- (viii) review the findings of the audit with the external auditor;
- (ix) review any representation letter(s) requested by the external auditor before they are signed by management; and
- (x) review the management letter and management's response to the auditor's findings and recommendations.

e. Reporting to the Board

The Committee shall report to the Board on how it has discharged its responsibilities, including:

- (i) the significant issues that it considered in relation to the financial statements and how these issues were addressed;
- (ii) its assessment of the external auditor and the effectiveness of the external audit process and its recommendations on the appointment or reappointment of the external auditor; and
- (iii) any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

f. Other matters

The Committee shall consider other topics, as defined by the Board.

9. Conflicts of Interest

Where a member of the Committee believes he or she has a potential conflict of interest, the Wellcome Trust Policy on Conflicts of Interest (relating to exclusion from a meeting) shall apply.

10. Training and Performance Evaluation

The Committee shall:

- a. have access to sufficient resources in order to carry out its duties, including access to the company secretariat 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. at least once a year, review its own performance and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the Board for approval. The Board should also receive a report on the Committee's effectiveness annually.

Short biographies of the external members of the Audit Committee

Adèle Anderson is currently a Non-Executive Director and Chair of the Audit Committee of easyJet plc (since 2011), Intu Properties plc (since 2013) and Spire Healthcare plc (since July 2016). She is also a trustee of Save the Children.

Ms Anderson worked for KPMG UK from 1986 until 2011. She trained as a chartered accountant, qualifying in 1989, became a partner in 1997 and was appointed to the Board in 2000. She held several senior management roles: UK CFO 2001-2003, CEO of KPMG's global captive insurer 2003-2009 and CFO Europe 2010-2011.

Tim Clark was, for seven years (until May 2008), the Senior Partner of Slaughter and May, one of the leading international law firms. As Senior Partner, he had overall responsibility for the firm's external relationships and played a leading role in the development and implementation of strategy for its integrated network of independent law firms across the world. After joining Slaughter and May in 1973 as a trainee, he became a partner in 1983. His practice primarily involved mergers and acquisitions, corporate and general corporate finance. He advised companies and institutions from a range of jurisdictions, in particular, Europe and the USA.

Mr Clark is Chair of WaterAid UK, a non-executive director of Big Yellow Group PLC and a member of the Board of the National Theatre. He is a Senior Adviser to Chatham House, a senior adviser to the Centre for European Reform, a Vice-Chair of Business for New Europe, a member of International Advisory Board of Uria Menendez, the International Chamber of Commerce UK Governing Body, the Development Committee of the National Gallery and Chairman of the Economist Trust and of the Geoffrey de Havilland Flying Foundation. Mr Clark is also Senior Adviser of G3, one of the leading international strategic advisory groups based in London. In November 2016, he was appointed as Chairman of the Board of HighTide, a charitable theatre company focussing on staging new plays by emerging writers.

Chris Jones was appointed Independent Non-Executive Director of Santander UK plc and Santander UK Group Holdings plc and the Chair of the Santander UK plc Board Audit Committee in March 2015. He is also a member of the Risk Committee, Board Remuneration Committee and Board Nomination Committee.

Mr Jones was a Senior Audit Partner at PwC, specialising in the audit of banks and other financial services companies. He is a past president of the Association of Corporate Treasurers and continues to chair their Advisory Board. He is also an independent director of Redburn (Europe) Limited where he chairs their Audit and Risk Committee.