

## **Appointment of the Audit Committee**

IT WAS RESOLVED that, with effect from 1 July 2011

- a. pursuant to Article 15.1(a) of the Articles of Association, an Audit Committee be appointed as a Committee of the Board of Governors (the "Board") with full power and authority to advise the Board on the matters outlined in the terms of reference. The members are listed in Part A and the terms of reference are listed in Part B.
- b. any earlier resolutions relating to the establishment, membership and terms of reference of the Audit Committee be superseded by this resolution.

### **Part A. Members of the Audit Committee and the Secretary**

<u>Name</u>	<u>Organisation</u>	<u>Committee Role</u>	<u>Date of appointment</u>
Rod Kent	Governor, Wellcome Trust	Chair	1 Jan. 2009 (Chair from 1 Oct. 2010)
Tim Clark	Former senior Partner, Slaughter and May	External member	1 May 2011
Philip Johnson	Former senior Partner, Deloitte & Touche LLP	External member	1 Jan. 2008 Reappointed 1 Jan. 2011 for three years.
Eliza Manningham-Buller	Governor, Wellcome Trust	Governor member	1 Jan. 2009
John Stewart	Head of Legal and Company Secretary, Wellcome Trust	Secretary	30 July 1999

Short biographies of the external members can be found below in Part C.

### **Part B. Terms of Reference for the Audit Committee**

#### **1. 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.

#### **2. Notice of meetings**

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

### 3. Authority

- a. The Committee is authorised by the Board to investigate any activity within its terms of reference, which shall apply, as appropriate, to the Trust and each of its subsidiaries, associated companies and joint ventures. The Committee is authorised to seek any information it requires from any employee of the Trust or any employee of any of its subsidiaries and all such employees may be directed to co-operate with any request by the Committee. It is authorised to invite employees of any associated companies and joint ventures to provide any information it requires.
- b. The Committee is authorised by the Board to 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.

### 4. Duties

The Committee should carry out the duties for the Trust, its major subsidiary undertakings and the group as a whole, as appropriate, as follows:

#### a. Financial statements

To monitor the integrity of the financial statements of the Trust and any formal announcements relating to the Trust's financial performance, reviewing significant financial reporting issues and judgements contained in them, including:

- i. Reviewing in the light of the external and internal audit reports and statements from Trust staff and advising the Trust, the Trustee and the Board as to whether in the Committee's opinion each has taken reasonable steps to meet its respective financial responsibilities under the Charities Act 1993 (as amended by the Charities Act 2006), the Companies Acts and related regulations.
- ii. Reviewing the annual report and financial statements, including the Chairman's statement and the Trustee's report, before submission to the Board, focusing particularly on:
  - (A) the consistency of, and any changes to, accounting policies to comply with audit and legal requirements and recommended practices, where appropriate.
  - (B) major judgmental areas.
  - (C) any significant adjustments resulting from the audit.
  - (D) compliance with accounting standards and legal requirements.
- iii. Discussing problems and reservations arising from the audits, and any matters the external auditor or internal auditors may wish to discuss (in the absence of management where necessary).
- iv. Reviewing the external auditor's management letter and management's response.

- v. Reviewing significant financial returns to regulators.
- vi. Reviewing any document containing financial statements on which third parties might rely, including, but not limited to, any draft prospectus for future bond issues by the Trust.

b. Internal controls and risk management systems

To review the Trust's internal financial controls and the Trust's internal control and risk management systems, including:

- i. Reviewing the Trust's policies, processes, controls and risks for its charitable activities.
- ii. Reviewing the Trust's policies, processes, controls and risks for its investment activities.
- iii. Reviewing the Trust's statement on internal control systems and its compliance with the recommendations of the Charity Commission on internal control procedures.
- iv. Reviewing the adequacy and security of the Trust's "Whistleblowing" Policy, by which its employees may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.
- v. Reviewing the procedures for detecting fraud and corruption contained in the Trust's Anti-Fraud and Corruption Policy and all discovered or suspected fraud, corruption, major errors or control failures. Trust staff are responsible for reporting any such fraud, corruption, errors or failures to the Audit Committee.
- vi. Reviewing the Trust's systems and controls for the prevention of bribery and receive reports on non-compliance.
- vii. Reviewing minutes of meetings of the Risk Committee held from time to time and reports from the Risk Committee on the exercise by the Risk Committee of its responsibilities to the Audit Committee.
- viii. Considering general issues of risks and controls from time to time.

c. Internal audit

To monitor and to review the effectiveness of the Trust's internal audit function in the context of its overall risk management system, including:

- i. Advising the Executive Board 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.
- ii. Monitoring and reviewing the internal audit programme and considering and advising in the Committee's opinion whether the internal audit function is

adequately resourced and has appropriate standing within the Trust and is free from management or other restrictions.

- iii. Considering the major findings of internal investigations and management's response.
- iv. Reviewing and monitoring the independence and objectivity of the internal auditors, taking into consideration relevant UK professional and regulatory requirements.

d. Appointment and remuneration of external auditor

To make recommendations to the Board in relation to the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, including:

- i. Discussing with the external auditor the nature and scope of the audit and to advise the Board on the audit fee.
- ii. Advising the Board on any questions of resignation of the external auditor.

e. Independence and objectivity of external auditors and effectiveness of audit

To review and to monitor the independence and objectivity of the external auditors and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.

f. Non-audit services from external auditor

To develop and to implement 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.

g. Reporting to the Board

To report to the Board, identifying any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.

h. Genome Research Limited ("GRL")

To act as the Audit Committee for GRL (and its Wellcome Trust Sanger Institute) and to carry out the above duties, as appropriate, in respect of GRL. Members of the Board of Directors of GRL who are also members of, or attend meetings of, the Committee (currently, Eliza Manningham-Buller and Simon Jeffreys) should report to the Audit Committee on any risk issues that had been discussed by the GRL Board.

i. Other matters

To consider other topics, as defined by the Board.

5. Participation in Committee Discussions

- a. Except as provided in paragraph d. below, the persons holding the following

positions may be invited to attend all or part of any meeting, but will not be members:

- the Chief Operating Officer of the Trust and member of the Risk Committee
  - the Director of the Trust
  - the Chairman of the Trust
  - the Head of Risk Management and Performance of the Trust
  - the Head of Financial Accounting of the Trust
- b. Except as provided in paragraph d. below, the persons holding the following positions may be invited to attend relevant parts of each meeting:
- the internal auditors or the Head of Internal Audit
  - 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 Audit Committee may meet in private session with no observers or with any particular persons.
- e. The internal auditors or the Head of Internal Audit and a representative from the external auditor will have free and confidential access to the Chair 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.

## 6. Reporting Procedures

The Secretary shall arrange for the minutes of meetings of the Committee to be circulated to all members of the Board and the Executive Board.

## 7. General Principles

- a. The Chair and members of the Audit Committee shall be appointed by the Board, normally on the recommendation of the Nominations Committee in consultation with the Chair of the Audit Committee.-
- b. 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.
- c. The quorum for the proceedings of the Committee shall be any two members, or such other quorum as may be fixed by the Board from time to time.
- d. If the Chair is not able to attend, the Chair will be a member elected by the Committee members present.
- e. Subject to the approval of the Chair and the Secretary of the Committee, the Committee may sub-delegate any of its powers and discretions under this resolution to any sub-committee, any member or members of the Committee or such sub-committee or any other person or persons as it may determine who are

qualified by his/her expertise to provide advice to the Committee. A resolution, prepared by the Secretary to implement any sub-committee, shall be approved by the Committee. The Chair and membership of any sub-committee shall be proposed by the Chair and the Secretary of the Committee and approved by the Committee members. The Board may revoke in whole or in part any such delegation or vary the terms of the delegation.

- f. A report of decisions taken by a sub-committee shall be made to the Audit Committee, normally within two months of the meeting but, exceptionally, within three months.
  - g. A meeting of the Committee or any sub-committee may be held by a video or audio conference, telephone or similar equipment designed to allow each member to take part in the meeting (or by a combination of such media) provided that at all times the number of members participating in such meeting is sufficient to constitute a quorum. A member shall be deemed to participate in a meeting if he or she can hear and be heard by each other member participating in the meeting. All members so participating shall be treated as being present at the meeting for the purpose of determining whether the quorum requirements are fulfilled.
  - h. A resolution in writing signed or approved by letter, facsimile transmission or electronic mail (or in such other manner as the Committee may approve) by or on behalf of all the members entitled to vote on such resolution and to be counted in the quorum at a meeting of the Committee for the purposes of such resolution shall be as valid and effective as if it had been passed at a meeting of the Committee duly convened and held, provided it is approved by a sufficient number of members to constitute a quorum. Such a resolution may consist of several documents each signed or approved by or on behalf of one or more members of the Committee.
8. Conflicts of Interest
- a. 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.
  - b. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
  - c. If a member of the Committee is in any doubt as to the relevance of an interest that he or she has, such interest should be disclosed to the Secretary before the meeting or, if not practicable, as soon as the potential conflict becomes apparent at the meeting. The Secretary will consult as necessary and the Chair and the Secretary shall determine whether the member should absent himself or herself from the relevant part of the meeting in accordance with the provisions of the Conflicts of Interest Policy.

## 9. Remuneration

The Board shall approve the remuneration of the external committee members from time to time. The Governor members shall not be entitled to any extra remuneration for serving as Chair or members of the Audit Committee.

## 10. Validity of Acts

All acts done by the Committee or any sub-committee or any other sub-delegate of any delegate, or by a person acting as member shall be valid, notwithstanding that it shall afterwards be discovered that there was a defect in the appointment of any member of such a Committee or sub-committee or any such delegate or sub-delegate or that any of them was not entitled to vote.

## 11. 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.
- 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.

## **Part C. Short biographies of the external members of the Audit Committee**

**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 Deputy Chairman of G3, one of the leading international strategic advisory groups based in London. G3 provides strategic intelligence and investigative consulting services with particular focus on Europe (including Russia and the CIS), Africa, the Middle East and parts of Asia and Latin America.

Mr Clark is also 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 Fleming Family and Partners, 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 a trustee of the Economist Trust and of the Geoffrey de Havilland Flying Foundation.

**Philip Johnson** is a former senior partner in Deloitte & Touche LLP having, over the years, specialised in providing advisory and assurance services for a number of the firm's significant audit clients. Mr Johnson was also actively involved as the Engagement Quality Control Reviewer with several publicly listed companies audited by Deloitte and was often consulted on important auditing and accounting issues relating to the firm's many public interest entity audit clients as a consequence of his role within the firm.

Mr Johnson was, until his retirement from the firm in May 2007, the Head of Quality and Risk Management for the UK Audit practice of Deloitte where he was responsible for all matters relating to quality, risk management and regulation for the firm's audit practice. This role necessitated a close involvement in the requirements of the changing reporting framework (International Financial Reporting Standards (IFRS)) and the introduction of International Auditing Standards (ISAs) into the UK firm. This was performed in conjunction with the firm's accounting and auditing technical department. He was also the firm's Compliance Partner for the ICAEW.

Currently he is a director of Yorkshire Building Society, chairing their audit committee, UK Vice President of the Federation of European Accountants (FEE) and an adviser to the Board of Addleshaw Goddard. He is a fellow of the Institute of Chartered Accountants in England and Wales.

These Terms of Reference were adopted by the Board of Governors at its meeting on 13 July 2010 and updated June and October 2010 and July 2011.