Confidential Position Specification

Wellcome Trust
Audit Committee Member

March 2016
CONFIDENTIAL POSITION SPECIFICATION

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<th>Position</th>
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<tr>
<td>Company</td>
<td>The Wellcome Trust</td>
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<tr>
<td>Location</td>
<td>London, United Kingdom</td>
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<td>Website</td>
<td><a href="http://www.wellcome.ac.uk/">http://www.wellcome.ac.uk/</a></td>
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COMPANY BACKGROUND

The Wellcome Trust (the "Trust") is the world's second highest-spending charitable foundation, and a unique scientific and cultural institution of global significance, scale and achievement. Dedicated to improving human and animal health, it invests more than £700 million a year in support for outstanding researchers in biomedical science, humanities and social science, as well as education, public engagement and application of research to medicine.

The Trust was first established as a charity in 1936 under the will of the pharmaceutical entrepreneur, Sir Henry Wellcome. It is funded from a private endowment valued at £18 billion in its 2014 annual report, which is managed in-house with long term stability and growth in mind. This enables the Trust to operate independently from government or the commercial sector, though often in collaboration with both.

The Trust's financial support has made possible some of the most important recent advances in biomedical science, including the sequencing of the human genome, and the introduction of the front-line malaria drugs recommended by the World Health Organisation.

Its current research portfolio includes UK Biobank, a massive project following the health of 500,000 people to understand the development, prevention, diagnosis and treatment of disease, and efforts to prevent the emergence of drug-resistant infections and to develop new antibiotics. It funds the Wellcome Trust Sanger Institute, one of the world’s leading genomic research centres, and the Francis Crick Institute, which will be the largest biomedical institution in Europe when it opens in 2015.

Alongside basic research, the Trust works to give biomedical science the broadest possible impact on society. It supports the translation of advances into medical innovations, and encourages people to understand and interrogate medicine in cultural and social contexts.

Wellcome Collection, the Trust's free venue for the incurably curious, offers critically acclaimed explorations of medicine, art and life, and the Wellcome Library is one of the world’s great resources for medical history. The Trust funds medical history, ethics and other humanities and social sciences, and supports excellence in science teaching, museums and learning centres, and art, television, film and video games inspired by science.

STRATEGY

In February 2010 the Trust adopted a ten-year Strategic Plan for 2010–20. This Plan sets out how the Trust will work with others to achieve its vision, namely, to achieve extraordinary improvements in human and animal health. The Trust is currently focused on three key areas of activity which are:
• **Outstanding researchers** – the Trust believes passionately that breakthroughs emerge when the most talented researchers are given the resources and freedom they need to pursue their goals.

• **Application of research** – the Trust is committed to maximising the application of research to improve health by focusing on new product development and the uptake of patient-oriented research advances into clinical practice.

• **Medicine in culture** – the Trust strives to embed biomedical science in the historical and cultural landscape, so that it is valued and there is mutual trust between researchers and the wider public.

**THE AUDIT COMMITTEE**

The fund is currently (2015 Annual Report) valued at £18.3 billion. The overall investment objective is to generate 4.5 per cent real return over the long term. This is to provide for real increases in annual expenditure while preserving at least the Trust's capital base in real terms in order to balance the needs of both current and future beneficiaries.

The fund uses this absolute return strategy because it aligns asset allocation with funding requirements and it provides a competitive framework in which to judge individual investments.

Between 1936 and 1986, the Wellcome Trust was the sole owner of the Wellcome Foundation, Henry Wellcome's drug company. In 1986, however, the Trust began floating shares in the Wellcome Foundation and used the proceeds to diversify its assets. The endowment has experienced an average 14 per cent growth every year since this first floatation, allowing the Trust to greatly increase the funds available to disburse in charitable grants.

The Audit Committee of the Wellcome Trust is a Committee of the Board of Governors with full power and authority to advise the Board on the matters outlined in the terms of reference.

**TERMS OF REFERENCE**

The Committee is authorised by the Board to:

a) 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;

b) 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;

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, if the Committee considers this necessary.

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

**Financial statements**

The Committee shall:

a) monitor and review 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 the Trust’s financial performance, reviewing significant financial reporting issues and judgements contained in them;

b) in particular, review the annual report and financial statements, including the Chairman’s statement and the Trustee’s report, before submission to the Board, focusing on 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;

c) review major judgmental areas, taking into account the views of the external auditor;

d) review any significant adjustments resulting from the audit;

f) review compliance with accounting standards and legal requirements.

**Internal controls and risk management systems**

The Committee shall:

a) keep under review the adequacy and effectiveness of the Trust’s internal financial controls and the Trust’s internal control and risk management systems;

b) review statements to be included in the annual report on internal control systems and the Trust’s compliance with the recommendations of the Charity Commission on internal control procedures;

c) review the adequacy and security of the Trust’s “Whistleblowing” Policy, to ensure these arrangements allow proportionate and independent investigation of matters raised and appropriate follow up action;

d) review the procedures for detecting fraud and corruption and receive reports on all discovered or suspected fraud, corruption, major errors or control failures;

e) review the Trust’s systems and controls for the prevention of bribery and receive reports on non-compliance;

f) review minutes of Operational Risk Committee meetings and reports from the Operational Risk Committee on how it has discharged its responsibilities to the
Committee;

g) review the Trust’s Corporate Risk Register, as agreed by the Executive Board, and review any other risk matters escalated to the Executive Board; and

h) consider general issues of risks and controls from time to time.

Internal audit

The Committee shall:

a) monitor and review the effectiveness of the Trust’s internal audit function in the context of its overall risk management system;

b) advise 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;

c) review the remit of the internal audit function, having regard to the complementary roles of internal and external audit functions;

d) 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 the Trust to perform its duties and is free from management or other restrictions;

e) consider the major findings of internal investigations and monitor management’s responsiveness to the findings and recommendations; and

f) review and monitor the independence and objectivity of the internal auditor function, taking into consideration relevant UK professional standards and guidance.

External Audit

The Committee shall:

a) consider and make recommendations to the Board, to be put to the Members of the Trust, 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;

b) 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;

c) approve the terms of engagement of the external auditor, including any engagement letter, and the scope of each audit;

d) 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;
e) 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;

f) advise the Board on a policy on the employment of former employees of the external auditor and monitor the implementation of the policy;

g) monitor the external auditor’s compliance with relevant ethical and professional guidance on the rotation of audit partner, the level of fees paid by the Trust compared to the overall fee income of the firm, office and partner and other related requirements;

h) review the findings of the audit with the external auditor;

i) review any representation letter(s) requested by the external auditor before they are signed by management; and

j) review the management letter and management’s response to the auditor’s findings and recommendations.

**Reporting to the Board**

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

a) the significant issues that it considered in relation to the financial statements and how these issues were addressed;

b) 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

c) any matters in respect of which it considers that action or improvement is needed and making recommendations as to the steps to be taken.
The terms of reference of the Audit Committee are as follows:

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 the Trust and at least one of whom shall have recent and relevant financial experience.

c) 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.

The following executive members of the Trust may be invited to attend all or part of any meeting, but will not be members of the Committee:

a) the Chief Financial Officer;

b) the Director;

c) the Chair of the Board;

d) the Head of Risk Management and Performance;

e) the Head of Financial Accounting; and

f) the General Counsel.
BIOGRAPHIES OF THE EXTERNAL MEMBERS

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.

Philip Johnson is a former Senior Partner in Deloitte 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.

Until recently he was a director of Yorkshire Building Society, chairing their audit committee, and President of the Federation of European Accountants (FEE). He is currently a member of the standing advisory group of the Public Company Accounting Oversight Board (PCAOB) in the United States. He is a fellow of the Institute of Chartered Accountants in England and Wales.

PROFESSIONAL EXPERIENCE

The Wellcome Trust is now seeking a new Member of the Audit Committee. The following are must have requirements:

- A commitment to the Wellcome Trust’s mission and strategy;
- An understanding of the charitable status of the Trust and the environment in which the Trust operates;
- A commitment to high standards of governance and integrity;
- Audit Committee experience in either public or private sector at a medium or large complex organisation;

- Recent and relevant experience in accountancy or audit at a senior level (including a professional qualification from one of the professional accountancy bodies);

- Some strong technical accounting experience and interest;

- A robust personality, with a mature, clear outlook, consistently sound judgement and the ability to actively listen and ask probing questions;

- Ability to examine evidence and complex documentation and take an independent and unbiased view;

- Ability to assess issues relating to arrangements for audit, risk management, corporate governance and internal control, and to identify and evaluate solutions;

The following are nice to have:

- Ideally, some exposure to financial services / asset management;

- Ideally, Audit Committee experience in the charity sector;

**TIME COMMITMENT AND MEETINGS**

The Audit Committee meets at least three times a year and each meeting lasts 3-4 hours.

**KORN FERRY CONTACTS**

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<tr>
<th>Oliver Pawle</th>
<th>Doug McAllister</th>
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<tr>
<td>Chairman, Board Services</td>
<td>Senior Client Partner, Board Services</td>
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<td>Ryder Court</td>
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<tr>
<td>+44 20 7024 9183</td>
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