

ABCAM PLC

AUDIT COMMITTEE

TERMS OF REFERENCE¹

1. PURPOSE

- 1.1 The Company is not listed on the main market and consequently is not required to have regard to the Combined Code. However the Board is committed to maintaining high standards of corporate governance and the Directors intend, so far as is practicable given the Company's size and constitution of the Board, to comply with the provisions of the Combined Code.
- 1.2 The purpose of the Committee is to provide formal and transparent arrangements for considering how to apply the financial reporting and internal control principles set out in the Combined Code as appropriate, on the basis set out in 1.1 above. The Committee is also responsible for maintaining an appropriate relationship with the Company's auditors.

2. CONSTITUTION AND MEMBERSHIP

- 2.1 The Audit Committee has been established as a committee of the Board by resolution of the Board.
- 2.2 The members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. The Committee shall comprise at least three members, a majority of whom shall be considered by the Board to be independent non-executive directors. The Chairman of the Company may be a member of, but not chair the Committee, provided he or she was considered independent on appointment. At least one member of the Committee should have significant recent and relevant financial experience.
- 2.3 The chairman of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee. In the absence of the chairman of the Committee, the members present shall select one of their number present (other than the Chairman of the Company, if he is a member of the Committee) to chair the meeting.
- 2.4 The Company Secretary shall act as the Secretary of the Committee. Where the Secretary is also an executive director, the Committee may nominate one of its members to act as secretary for any meeting which the Committee wishes to hold without executive directors being present.

¹ Guidance on the terms of reference for and composition of an audit committee originated from the Smith Report. The main role and responsibilities of the committee are now set out in paragraph C.3.2 of the Combined Code.

3. **ATTENDANCE**

- 3.1 The Committee shall invite a representative of the external auditors to attend meetings of the Committee as appropriate. The Committee should have at least one meeting, or part of a meeting, with the external auditors without management being present.
- 3.2 The Committee may request the Chairman of the Company (if not already on the Committee), Chief Executive, Finance Director and any relevant senior management to attend meetings of the Committee, either regularly or by invitation, but such invitees have no right of attendance.

4. **FREQUENCY OF MEETINGS, AND PROCEEDINGS**

- 4.1 The Committee will meet at least twice each year, having regard to the Company's financial reporting cycle, and at such other times as the chairman of the Committee shall think fit.
- 4.2 The external auditors may (through the chairman of the Committee) request a meeting of the Committee if they consider that one is necessary.
- 4.3 Meetings of the Committee shall be convened by the Secretary of the Committee at the request of any member.
- 4.4 Unless otherwise agreed by all members of the Committee, notice of meetings, confirming the venue, time and date together with an agenda, should normally be circulated to each member of the Committee, and to any other person required to attend, at least five working days prior to the date of the meeting.
- 4.5 Unless otherwise agreed by all members of the Committee, all relevant papers for each meeting should normally be circulated to each member of the Committee, to any other person required to attend, and to all other non-executive directors, at least three working days prior to the date of the meeting.
- 4.6 The quorum for meetings of the Committee shall be two members.
- 4.7 Decisions of the Committee will be made by majority vote. In the event of an equality of votes, the chairman of the Committee will have a second or casting vote.

5. **REPORTING**

- 5.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee. Minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once agreed, to all members of the Board unless a conflict of interests exists.

- 5.2 The Committee or its chairman shall formally report to the Board of the Company at least once each year on such matters as the Annual Report and the relationship with the external auditors.
- 5.3 The Committee shall make whatever recommendations to the Board that it deems appropriate in the context of the scope of its responsibilities.
- 5.4 The Committee shall prepare a report each year to be included in the Company's annual report and accounts.
- 5.5 The chairman of the Committee should be present at the Company's annual general meeting to respond to questions on matters within the responsibility of the Committee.

6. **DUTIES OF THE COMMITTEE**

The duties of the Committee are:

Financial Statements

- 6.1 to monitor the integrity of the financial statements of the Company, and any formal announcements relating to the Company's financial performance, reviewing significant financial reporting judgements contained in them.
- 6.2 to keep under review the consistency of accounting policies, both on a year to year basis and across the Group.
- 6.3 to review and challenge where necessary the Company's financial statements (including the actions and judgements of management in relation to them), before submission to the Board, taking into account, in particular:
 - 6.3.1 accounting policies and practices year on year and within the group, and any changes in them;
 - 6.3.2 decisions requiring a major element of judgement;
 - 6.3.3 the extent to which the financial statements are affected by any unusual transactions or circumstances;
 - 6.3.4 the clarity of disclosures;
 - 6.3.5 significant adjustments resulting from the audit;
 - 6.3.6 the going concern assumption;
 - 6.3.7 compliance with accounting standards;
 - 6.3.8 the views of the external auditor;
 - 6.3.9 compliance with stock exchange and other regulatory and legal requirements;

- 6.4 to consider management's response to any major external [or internal] audit recommendations.
- 6.5 to review and challenge where necessary the operating and financial/business review and corporate governance statement insofar as it relates to audit matters or risk management.

Internal Control and Risk Assessment Systems

- 6.6 to keep under review the effectiveness of the financial reporting and internal control policies and systems of the Company and its subsidiaries, covering all material controls, including financial, operational and compliance controls, and the procedures for the identification, assessment, management and reporting of risks.

Internal Audit

- 6.7 to review at least annually the need for an internal audit function.
- 6.8 to consider applications for the post of and appoint the head of the internal audit function, and to consider any dismissal of that post holder.
- 6.9 to consider and approve the terms of reference of the internal audit function, to consider the planned programme of internal audits and the reasons for any changes or delays in the programme.
- 6.10 to ensure that the internal audit function is adequately resourced, and has appropriate standing in the Company.
- 6.11 to review the management of financial matters and the freedom allowed to the internal auditors.
- 6.12 to review promptly all reports on the Company from the internal auditors.

External Audit

- 6.13 to make recommendations to the Board in relation to the appointment of the external auditors and to approve the remuneration and terms of engagement of the external auditors.
- 6.14 to monitor and review the external auditors' independence, objectivity and effectiveness, taking into consideration relevant UK professional and regulatory requirements and the levels of audit and non-audit work carried out by the external auditors.
- 6.15 to oversee the selection process, consider and make recommendations to the Board in relation to the appointment and re-appointment of the Company's external auditors, and to ensure that the key partners within the appointed firm are rotated from time to time.

- 6.16 to investigate any issues which result in or are connected to the resignation of external auditors and decide whether any action is required.
- 6.17 to meet with the external auditors at least twice each year, including at the audit planning stage, when the nature and scope of the audit, quality control procedures and steps taken by the auditors in response to regulatory and other requirements will be considered, and post audit at the reporting stage.
- 6.18 to review any auditors management letters and management's responses.
- 6.19 to review any representation letter(s) requested by the external auditors before they are signed by or on behalf of the Board.
- 6.20 to keep under review the relationship with the external auditors including (but not limited to):
 - 6.20.1 the independence and objectivity of the external auditors;
 - 6.20.2 the consideration of audit fees which should be paid, as well as any other fees which are payable to auditors in respect of non-audit activities;
 - 6.20.3 discussions with the external auditors concerning such issues as compliance with accounting standards and any proposals which the external auditors have made in relation to the Company's internal auditing standards.
- 6.21 to develop and implement policy on the engagement of the external auditors to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the relevant external audit firm, specifying types of non-audit work:
 - 6.21.1.1 from which the external auditors are excluded;
 - 6.21.2 for which the external auditors can be engaged without referral to the Committee; and
 - 6.21.3 for which a case by case decision from the Committee is necessary.

Other matters

- 6.22 to give due consideration to relevant laws and regulations including the requirements of the AIM Rules for Companies.
- 6.23 to co-ordinate the internal and external auditors.
- 6.24 to review the Company's procedures by which staff may raise concerns about possible improprieties in matters of financial reporting or other matters, and to ensure that arrangements are in place for proportionate and independent investigation of such matters and for appropriate follow-up action.

- 6.25 to review the company's procedures for detecting fraud.
- 6.26 to oversee any investigation of activities which are within its terms of reference, and to act as a court of last resort.
- 6.27 to review at least once a year the Committee's own performance, constitution and terms of reference, and make recommendations to the Board as necessary, to ensure that it is operating at maximum effectiveness.

7. **AUTHORITY**

- 7.1 The Committee is authorised by the Board to investigate any activity or state of affairs within its terms of reference.
- 7.2 The Committee is authorised to seek any information it requires from any employees or officers and to call any member of staff to be questioned at a meeting of the Committee as and when required.
- 7.3 The Committee is authorised by the Board, at the Company's expense, to obtain expert advice from the Company's auditors, professional advisers or otherwise, and to take independent professional advice and to require the attendance of outsiders with relevant experience and expertise if it considers it necessary.

These terms of reference were adopted in place of the previous terms of reference by resolution of the Board passed on 26 November 2009.