

## **SILENCE THERAPEUTICS PLC AUDIT & RISK COMMITTEE**

### **TERMS OF REFERENCE**

*Updated and Approved by the Board on 13 July 2020; effective September 2020*

#### **1 MEMBERSHIP**

- 1.1. The Audit & Risk Committee (“the Committee”) shall comprise at least three (3) members of the board, each of whom must (1) be “independent” as defined in Rule 5605(a)(2) under the Listing Rules of The Nasdaq Stock Market LLC (“Nasdaq”); (2) meet the criteria for independence set forth in Rule 10A-3(b)(1) promulgated under Section 10A(m)(3) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), subject to the exemptions provided in Rule 10A3(c) under the Exchange Act; and (3) not have participated in the preparation of the financial statements of the Company or a current subsidiary of the Company at any time during the past three years. Furthermore, the Quoted Companies Alliance’s Corporate Governance Code (the “QCA Code”) recommends that at least two members be independent non-executive directors. At least one member will have recent and relevant financial experience and the Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 1.2. Each member of the Committee must be able to read and understand fundamental financial statements, including the Company’s balance sheet, income statement and cash flow statement.
- 1.3. At least one member of the Committee shall have past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.
- 1.4. The members shall be appointed by the board, in consultation with the Committee chairman.
- 1.5. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the chief financial officer and external auditors may be invited to attend for all or part of any meeting, as and when appropriate and necessary. The Committee shall have authority to require that any of the Company’s personnel, counsel, accountants (including the external auditors) or investment bankers, or any other consultant or advisor to the Company, attend any meeting of the Committee or meet with any member of the Committee or any of its special, outside legal, accounting or other, advisors or consultants.
- 1.6. Appointments to the Committee are made by the board and shall be for a period of up to three years extendable by no more than two additional three-year periods, so long as members continue to be independent.

- 1.7. The Committee chairman shall be appointed by the board and must be an independent non-executive director. The chairman of the board shall not be chairman of the Committee.

## **2 SECRETARY**

The company secretary or his or her nominee shall act as the secretary of the Committee and will ensure that the Committee receives information and papers in a timely manner to enable full and proper consideration to be given to the issues.

## **3 QUORUM**

The quorum necessary for the transaction of business shall be a majority of the members then serving on the Committee.

## **4 MEETINGS**

The Committee shall meet at least twice a year and otherwise as required.

## **5 NOTICE OF MEETINGS**

- 5.1. Meetings of the Committee shall be called by the secretary of the Committee at the request of any member of the Committee.

- 5.2. Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed, shall be forwarded to each member of the Committee, any other person required to attend and all other non-executive directors, 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. Committee meetings may be held by audio or video conference by prior agreement of the Committee members.

## **6 MINUTES OF MEETINGS AND WRITTEN RESOLUTIONS**

The secretary shall minute the proceedings and resolutions of all Committee meetings, including the names of those present and in attendance.

Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all other members of the board unless in the opinion of the Committee chairman it would be inappropriate to do so.

A resolution in writing and signed by all the Committee members will be as effective as a resolution passed at a Committee meeting. Any written resolution shall be tabled and noted at the next meeting of the Committee.

## **7 ANNUAL GENERAL MEETINGS**

The Committee chairman should attend the annual general meeting to answer any shareholder questions on the Committee's activities.

## 8 DUTIES

The Committee shall oversee the financial reporting process for the Company and its subsidiaries and subsidiary undertakings (the “Group”) as a whole, as appropriate, on behalf of the board, shall have direct responsibility for the appointment, remuneration, retention and oversight of the work of the external auditors and any other registered public accounting firm engaged for the purpose of performing other review or attest services for the Group. The external auditors and each such other registered public accounting firm shall report directly and be accountable to the Committee. The Committee’s functions and procedures should remain flexible to address changing circumstances most effectively. To implement the Committee’s purpose and policy, the Committee should carry out the duties detailed below for the Group, with the understanding, however, that the Committee may supplement or (except as otherwise required by applicable laws or rules) deviate from these activities as appropriate under the circumstances.

The Committee shall:

- 8.1. Financial reporting: Monitor the integrity of the Group’s financial statements, preliminary announcements and any other formal announcements relating to the Group’s financial performance. In particular:
  - (a) Review and, where appropriate, report to the board on the significant financial reporting issues and estimates and judgements made in connection with the preparation of the Group’s financial statements, preliminary announcements and any formal announcements relating to the Group’s financial performance, having regard to matters communicated to the Committee by the external auditors and any other registered public accounting firm.
  - (b) Review and challenge where necessary:
    - (i) The significant accounting policies and practices of the Group, including as to their establishment, consistency and any changes to them;
    - (ii) the methods used to account for significant or unusual transactions where different approaches are possible;
    - (iii) whether the Company has adopted appropriate accounting standards and policies and made appropriate estimates and judgements, taking into account the external auditors’ views on the financial statements;
    - (iv) the clarity, completeness and appropriateness of disclosures in the Group’s financial statements and consider whether the disclosures made are set properly in context, including, without limitation, the going concern statement to be made by the board and the related information presented with the financial statements (including the strategic report and corporate governance statements relating to the audit and to risk management).

- (c) Review and recommend to the board whether the Group's financial statements should be included in the Company's Annual Report on Form 10-K to be filed with the U.S Securities and Exchange Commission (the "SEC").
  - (d) Review and approve all trading statements and public announcements which contain financial information prior to public release (where such review would be practicable and consistent with prompt reporting obligations under applicable law or regulation).
  - (e) Review and monitor any significant adjustments arising from the audit.
  - (f) Review and challenge where necessary the Group's disclosure controls and procedures.
  - (g) Where the Committee is not satisfied with any aspect of the Company's proposed financial reporting, it shall report its views to the board.
- 8.2. Narrative reporting: Advise the board on whether, taken as a whole, the Annual Reports and Accounts to be filed in the United Kingdom and the United States are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's performance, business model and strategy.
- 8.3. Internal controls: Ensure that the Committee effectively reviews the appropriateness and completeness of the Group's system of internal financial controls that identify, assess, manage and monitor financial risks, and other internal control and risk management systems, including conferring with management and the external auditors, as appropriate, regarding the scope, adequacy and effectiveness of the Group's internal control over financial reporting, review the report which identifies high level control issues classified as critical under the Group's risk matrix that require or are subject to remedial action and ensure that the Committee considers whether the necessary actions are being taken to remedy any significant failings or weaknesses. The Committee shall review and approve the statements to be included in the Annual Reports and Accounts to be filed in the United Kingdom and the United States concerning internal control and risk management, including the assessment of principal risks and emerging risks.
- 8.4. Internal audit: Consider annually whether the Company should have an internal audit function and make a recommendation to the board accordingly.
- 8.5. External audit: Oversee the Group's relationship with the external auditors and assess the effectiveness of the external audit process. In particular:
- (a) General – Maintain regular, timely, open and honest communication with the external auditors, ensuring the external auditors report to it on all relevant matters (including for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Group) to enable the Committee to carry out its oversight responsibilities. Monitor, and discuss with the external auditors, the Group's relationship with the external auditors (including resolution of disagreements between the board or the Committee and the external auditors regarding financial reporting and any threats to the external auditors' independence and the safeguards applied to

mitigate those threats, including the provision of any non-audit services). Evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditors' communications with the Committee. At least once a year, meet with the external auditors without executive Directors or executive management present to discuss the auditors' remit and any issues arising from the audit. The Chairman of the Committee shall also normally be available before each Committee meeting to meet the external auditors for private discussions.

- (b) Appointment and tendering – Review and make recommendations to the board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, reappointment and removal of the external auditors. Recommend to the board that the external audit is put out to tender as often as is required by applicable law, rules, regulations and best practice. If the Committee recommends considering the selection of possible new external auditors, initiate and oversee a fair tendering and selection process. Assess annually the qualifications, expertise, resources and independence of the external auditors. If the external auditors resign, investigate the issues giving rise to the resignation and consider whether any action is required.
- (c) Remuneration and other terms of engagement – Agree the remuneration to be paid to the external auditors in respect of audit and non-audit services to be provided (ensuring that the level of fees is appropriate to enable an effective and high-quality audit to be conducted) and the other terms of engagement of the external auditors, including the terms of the engagement letter issued by the external auditors at the start of each audit and the scope of the audit. Monitor the level of fees paid by the Company to the external auditors 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 ethical standards.
- (d) Annual audit cycle – At the start of each annual audit cycle, ensure that appropriate plans are in place for the audit. Discuss with the external auditors the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team. Review the findings of the audit with the external auditors. This shall include, but not be limited to, the following: a discussion of any major issues which arose during the audit; the auditors' explanation of how the risks to audit quality were addressed; key accounting and audit judgements; the external auditors' view of their interaction with senior management; and levels of errors identified during the audit. As applicable, discuss with the external auditors the matters required to be discussed by Auditing Standard 1301, *Communications with Audit Committees*, as adopted by the U.S. Public Company Accounting Oversight Board (PCAOB), or any successor rule adopted by the PCAOB. Review, with the external auditors, the findings of their work. Review and monitor management's responsiveness in remedying the external auditors' findings and recommendations. Review, and approve on behalf of the board, the audit representation letters before signature. As part of the ongoing monitoring process and at the end of the annual audit cycle, review and monitor the content of the external auditors' management letter and management's response to the external auditors' findings and recommendations. At the end of the

annual audit cycle, assess the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the external auditors, and the external auditors' response to questions from the Committee (and which shall include a report from the external auditors on their own internal quality procedures), reporting to the board if appropriate.

- (e) Independence and objectivity, including the provision of non-audit services – Assess, annually, the independence and objectivity of external auditors, taking into consideration relevant law, regulations and professional requirements and ethical standards for auditors. Satisfy itself that there are no relationships between the external auditors and the Company (other than in the ordinary course of business) which could adversely affect the external auditors' independence and objectivity. Agree the Group's policy on the provision of non-audit services by the external auditor, including prior 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, and monitor the application of the policy (and the provision of those services) and review and recommend to the board, annually, changes to the policy. Agree with the board the Group's policy for the employment of former employees of the external auditor, and monitor the application of the policy. Monitor the external auditors' process for maintaining independence and compliance with the Ethical Standards for Auditors relating to, among other things, the rotation of audit engagement partners and other related regulatory requirements. Recommend to the board the identity and replacement from time to time of the external audit engagement partners.

8.6. Risk management: Review, on behalf of the board, management's recommendations on financial and operational risk, in particular:

- (a) Consider and recommend to the board the Group's risk appetite for financial and operational risk;
- (b) Review, on behalf of the board, the Group's risk profile for financial and operational risk; and
- (c) Commission, receive and consider reports on key financial and operational risk issues.

8.7. Compliance, whistleblowing and fraud: Establish procedures for:

- (a) the receipt, retention and treatment of complaints received by the Group regarding accounting, internal accounting controls, or auditing matters;
- (b) the confidential anonymous submission by employees of the Group and contractors and external parties of concerns regarding questionable accounting or auditing matters and/or any possible wrongdoing in financial reporting or other matters;
- (c) ensuring that the arrangements set out in accordance with section 8.6(a) and (b) above allow proportionate and independent investigation of those matters and appropriate follow up action;

- (d) detecting fraud; and
- (e) the review of the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

- 8.8. Capital raising: Receive, at each meeting during a period of due diligence in connection with the issuance or placement of ordinary shares in Silence Therapeutics plc, a report from the Chairman of the Committee (or another nominated member in the Chairman's absence) that confirmation (verbal or otherwise) has been received from the lead underwriter(s) that they are satisfied with the due diligence process.
- 8.9. Litigation: Ensure procedures are in place for receiving evidence from external and internal lawyers relating to breaches of securities law, fiduciary duties or other similar violations.
- 8.10. Perform such other functions as may be necessary or appropriate in the efficient and lawful discharge of the foregoing.

## **9 REPORTING RESPONSIBILITIES**

- 9.1. The Committee chairman shall report to the board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also formally report to the board on how it has discharged its responsibilities. This report shall include:
- (a) the significant issues that it considered in relation to the financial statements and how these were addressed;
  - (b) its assessment of the effectiveness of the external audit process, the approach taken to the appointment or reappointment of the external auditor, length of tenure of audit firm, when a tender was last conducted and advance notice of any retendering plans; and
  - (c) any other issues on which the board has requested the Committee's opinion.
- 9.2. The Committee shall make whatever recommendations to the board it deems appropriate on any area within its remit where action or improvement is needed.
- 9.3. The Committee shall ensure that provisions regarding disclosure of information, including the UK Companies Act 2006, the AIM Rules for Companies, rules and regulations of the SEC and Nasdaq listing rules, are fulfilled as appropriate and compile a report of the work of the Committee in discharging its responsibilities for inclusion in the Annual Reports and Accounts required to be filed in the United Kingdom and the United States by the foregoing laws and rules, including the issues dealt with by the Committee.

## **10 OTHER MATTERS**

The Committee shall:

- 10.1. Have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required; in addition, each member of the Committee

shall have full access to all books, records, facilities and personnel of the Group as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder.

- 10.2. Be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members.
- 10.3. Be provided with appropriate funding, as determined by the Committee at the expense of the Company, for the payment of:
  - (a) compensation to any external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Group;
  - (b) compensation to any advisers employed by the Committee (including under section 11 hereto); and
  - (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.
- 10.4. Give due consideration to laws, regulations and any relevant published guidelines or recommendations, including but not limited to the provisions of the UK Companies Act 2006, the QCA Code, the requirements of the AIM Rules for Companies, the rules and regulations of the SEC, Nasdaq listing rules and any other applicable rules, as appropriate.
- 10.5. Review the results of management's efforts to monitor compliance with the Group's programs and policies designed to ensure adherence to applicable laws and rules, as well as to its Code of Ethical Conduct as may be required by SEC and Nasdaq rules, including review and oversight of related party transactions as required by SEC and Nasdaq rules.
- 10.6. Arrange for periodic reviews of its own performance and, at least annually, review its constitution and terms of reference to ensure it is operating at maximum effectiveness and recommend any changes it considers necessary to the board for approval.
- 10.7. Oversee any investigation of activities which are within its terms of reference.
- 10.8. Work and liaise as necessary with all other board committees ensuring interaction between committees and with the board is reviewed regularly, taking particular account of the impact of risk management and internal controls being delegated to different committees.

## **11 AUTHORITY**

- 11.1. The Committee is authorised by the board to:
  - (a) Seek any information it requires from any employees of the Company in order to perform its duties.
  - (b) Obtain, at the Company's expense, independent legal, accounting or other professional advice on any matters within its terms of reference that it deems necessary to carry out its duties.

- (c) Call any employee to be questioned at a meeting of the Committee as and when required.
- (d) Have the right to publish in the Company's Annual Reports and Accounts to be filed in the United Kingdom and/or the United States, details of any issues that cannot be resolved between the Committee and the board. If the board has not accepted the Committee's recommendation on the external auditors' appointment, reappointment or removal, the Annual Reports should include a statement explaining the Committee's recommendation and the reasons why the board has taken a different position.