

**RTW BIOTECH OPPORTUNITIES LTD (the “Company”)**  
**AUDIT COMMITTEE**

**Terms of Reference**

There shall be established a Committee of the Board, duly constituted in accordance with the Company’s Articles of Incorporation prior to Admission (as defined below), to be known as the Audit Committee. Any capitalised terms used in this document that are not otherwise defined shall have the same meaning as set out in the Prospectus for the admission of the Company’s ordinary shares to the Specialist Fund Segment and to trading on the LSE.

**1**     Membership

- 1.1     The Audit Committee is established by the Board and shall generally comprise all the independent non-executive directors of the Company.
- 1.2     At least one member of the Audit Committee shall have recent and relevant financial experience and with competence in accounting and/or auditing.
- 1.3     The Chairman of the Committee shall be appointed by the Board and shall not also be the Chairman of the Board. The Chairman of the Audit Committee should attend the Company’s Annual General Meeting prepared to respond to any shareholder questions on the Audit Committee’s activities.
- 1.4     Only members of the Audit Committee have the right to attend committee meetings. However, representatives from the Investment Manager and the Administrator and the external audit lead partner will generally be invited to attend all meetings of the Audit Committee and other non-members may be invited to attend all or part of any meeting in person or by telephone or video conference call, as and when appropriate and necessary.

**2**     Secretary

The Company Secretary shall act as the Secretary of the Audit Committee. The Secretary will ensure that the members of the Audit Committee receive information and papers in a timely manner to enable full and proper consideration to be given to issues.

**3**     Quorum

The quorum necessary for the transaction of business shall be two members. In the absence of the Chairman of the Audit Committee, the members present shall elect one of themselves to chair the meeting.

**4**     Frequency of meetings

- 4.1     The Audit Committee shall meet at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.
- 4.2     Outside of the formal meeting programme, the Audit Committee Chairman will maintain a dialogue with key individuals involved in the Company’s governance, including the Chairman of the Board and the external auditor.

## 5 Notice of meetings

- 5.1 Meetings of the Audit Committee shall be convened by the Secretary at the request of any of its members or at the request of the external auditor or the Investment Manager if they consider it necessary.
- 5.2 Unless otherwise agreed by the Audit Committee, 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 Audit Committee no later than five working days before the date of the meeting. Supporting papers shall be sent to committee members at the same time.
- 5.3 Notices, agendas and supporting papers can be sent in electronic form where the recipient has agreed to receive documents in such a way.

## 6 Minutes of meetings

- 6.1 The Secretary shall minute the proceedings and decisions of all meetings of the Audit Committee, including recording the names of those present and in attendance.
- 6.2 Draft minutes of committee meetings shall be agreed with the Chairman of the Audit Committee and then circulated promptly to all members of the Audit Committee, unless it would be inappropriate to do so in the opinion of the Audit Committee Chairman.

## 7 Duties

The Audit Committee shall carry out the following duties:

### 7.1 Internal Control, Financial Reporting and Risk Management Systems

The Audit Committee shall:

- 7.1.1 keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems;
- 7.1.2 review the risk matrices produced by the Company's service providers with them to assess if all known material risks are covered and the controls in place to mitigate those risks are adequate;
- 7.1.3 reasonably satisfy itself that such systems meet relevant legal and regulatory requirements and initiate further investigations as it sees fit as to the effectiveness of the systems of control;
- 7.1.4 monitor the integrity of narrative reporting, including ESG matters, and reviewing any significant reporting judgements;
- 7.1.5 monitoring the engagement of the Company's auditors to provide non-audit services on a six monthly basis and ensuring that they comply with the Company's non-audit services policy, that they receive prior approval, and considering any impact they may have on independence and taking into account the relevant regulations and ethical guidance in this regard;
- 7.1.6 review and approve the statements to be included in the Annual Report concerning

internal controls and risk management; and

The Audit Committee shall review and challenge when necessary:

- 7.1.6 the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
- 7.1.7 the methods used to account for significant or unusual transactions where different approaches are possible;
- 7.1.8 the viability statement and supporting information;
- 7.1.9 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external Auditor;
- 7.1.10 the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- 7.1.11 all material information presented with the financial statements, such as the Investment Manager's review and the corporate governance statement (insofar as it relates to the audit and risk management).

The Audit Committee shall:

- 7.1.12 monitor the integrity of the financial statements of the Company including its annual and half yearly reports and any other formal announcement relating to its financial performance, reviewing significant financial performance, and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to matters communicated to it by the Auditor;
- 7.1.13 review final drafts of the Company's half-year and annual accounts and any other financial statements to ensure that the Company's results and financial position are represented accurately and fairly to shareholders. The Audit Committee shall receive such drafts with reasonable notice; and
- 7.1.14 receive and consider an annual report from the Investment Manager confirming that the Company's and any subsidiaries' affairs have been conducted in compliance with the regulations applying to them, and in adherence to the Company's and investment policy.

Where requested by the Board, the Audit Committee should review the content of the annual report and accounts and advise the Board on whether, taken as a whole, it is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

## 7.2 Internal Audit

The Audit Committee shall consider annually whether there is a need for an internal audit function and make a recommendation to the Board accordingly.

## 7.3 External Audit

The Committee shall:

- 7.3.1 consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re- appointment and removal of the Company's external auditors. The Audit Committee shall oversee the selection process for new auditors and if an auditor resigns the Audit Committee shall investigate the issues leading to this and decide whether any action is required;
- 7.3.2 oversee the relationship with the external auditor including (but not limited to):
- (a) recommendations on its remuneration, including fees for audit (or any non-audit) services, and that the level of fees is appropriate to enable an adequate audit to be conducted;
  - (b) approval of its terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
  - (c) assessing annually its independence and objectivity taking into account relevant professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - (d) satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - (e) monitoring the auditor's compliance with relevant ethical and professional guidance on the rotation of audit partners, the level of fees paid by the Company compared to the overall fee income of the firm, office and partner and other related requirements;
  - (f) assessing annually the audit team's qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditors on their own internal quality procedures;
  - (g) evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the auditor from the market in thatevaluation.
- 7.3.3 meet regularly with the external auditor. The Audit Committee shall meet the external auditor at least once a year, without the Investment Manager or the Administrator being present, to discuss their remit and any issues arising from the audit;
- 7.3.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 7.3.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following;
- (a) a discussion of any major issues which arose during the audit;
  - (b) any accounting and audit judgements;

- (c) levels of errors identified during the audit; and
- (d) review the effectiveness of the audit process.

The Audit Committee shall also:

- 7.3.6 review any representation letter(s) requested by the external auditor before it is signed by the Board;
- 7.3.7 review any management letter and management's response to the auditor's findings and recommendations; and
- 7.3.8 develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

#### 7.4 Reporting Responsibilities

The Audit Committee shall:

- 7.4.1 report formally 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. The report shall include:
  - (a) the significant issues that it considered in relation to the financial statements and how these have been addressed;
  - (b) its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and
  - (c) any other issues on which the Board has requested the Audit Committee's opinion;
- 7.4.2 make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed; and
  - (a) in accordance with the FRC Guidance on Audit Committees, the Audit Committee will describe in the annual report how it has discharged its responsibilities. The report should include an explanation of how the Audit Committee has addressed the effectiveness of the external audit process; the significant issues that the Audit Committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; and all other information requirements set out in the code of corporate governance deemed appropriate by the Board, including the following disclosures:
    - (i) a description of the work of the Audit Committee;
    - (ii) the formal policy regarding non-audit work;
    - (iii) if necessary, an explanation of the absence of an internal audit function;
    - (iv) internal control and management of risk; and

- (v) where the Board does not accept the Audit Committee's recommendation on the appointment, reappointment or removal of an external auditor, a statement explaining the recommendation and the reasons why the Board has taken a different position.
- (b) In compiling the reports referred to above the Audit Committee should exercise judgement in deciding which of the issues it considers in relation to the financial statements are significant, but should include at least those matters that have informed the Board's assessment of whether the Company is a going concern. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

## 7.5 Compliance, Whistleblowing and Fraud

The Audit Committee shall:

- 7.5.1 review the adequacy of the Investment Manager's and the Administrator's arrangements for its employees or service providers to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 7.5.2 review the Company's and/or the Investment Manager's procedures for detecting fraud;
- 7.5.3 review the Investment Manager's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- 7.5.4 review reports from the Investment Manager's and/or Administrator's compliance team and keep under review the adequacy and effectiveness of the Investment Manager's compliance function, including any reports on anti-money laundering.

## 8 Third Party Service Providers

The Audit Committee shall:

- 8.1. consider and make recommendations to the Board regarding the appointment of third party service providers assigned to provide accounting, custodial or administrative services; and
- 8.2 ensure that third party service providers comply with the terms of their respective agreements with the Company and that the provisions of such agreements follow industry practice, remain competitive and are in the best interests of shareholders.

## 9 Other matters

The Audit Committee shall:

- 9.1 have access to sufficient resources in order to carry out its duties, including access to the Secretary for assistance as required;
- 9.2 be provided with appropriate and timely training, as necessary both in the form of an induction programme for new members and on an ongoing basis for all members;

- 9.3 give due consideration to relevant laws and regulations, including the requirements of the Prospectus Rules, Disclosure Guidance and Transparency Rules, the London Stock Exchange's Admission and Disclosure Standards, the EU Market Abuse Regulation and any other applicable rules as appropriate, and the provisions of the code of corporate governance that the Board deems appropriate to follow;
- 9.4 oversee any investigation of activities which are within its terms of reference;
- 9.5 work and liaise as necessary with all other committees of the Board, if any;
- 9.6 at least once a year, review its own performance, constitution and terms of reference to ensure it is operating effectively and recommend any changes it considers necessary to the Board for approval; and
- 9.7 review with representatives of the Investment Manager and such other persons as it sees fit any matter within its terms of reference including matters of concern to be referred to the Investment Manager's compliance team.

## 10 Authority

The Audit Committee is authorised:

- 10.1 to seek any information it reasonably requires from any employee of the Investment Manager or the Administrator in order to perform its duties (provided that it would be reasonably practicable for such employee to provide such information under the circumstances);
- 10.2 to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter within its terms of reference;
- 10.3 to call any employee of the Investment Manager or the Administrator to be questioned at a meeting of the Audit Committee as and when required upon reasonable notice (provided that such employee may attend such meeting telephonically or by videoconference); and
- 10.4 to have the right to publish in the Company's Annual Report details of any issues that cannot be resolved between the Audit Committee and the Board.

## **RTW BIOTECH OPPORTUNITIES LTD Audit Committee – Terms of Reference: Appendix 1**

### **RTW Audit Committee – Non-Audit Services policy**

#### **Introduction**

The following policy applies to the engagement of the Company's External Auditor to supply non-audit services to the Company and its subsidiaries (the "RTW Group"). The policy also applies to the engagement of companies deemed to be significant affiliates, or affiliates, as defined by the External Auditor. Its objective is to mitigate any risks that threaten the External Auditor's independence and objectivity, arising through the provision of non-audit services.

This policy is in line with the recommendations set out in the FRC's Guidance on Audit Committees (2016) and the requirements of the FRC's Revised Ethical Standard (2019). In line with these recommendations and requirements, an external audit firm is only appointed to perform a service when doing so would be consistent with both the requirements and overarching principles of the Ethical Standard, and when its skills and experience make it the most suitable supplier.

In addition, the Ethical Standard requires an assessment of whether it is probable that an objective, reasonable and informed investor, shareholder or other public interest stakeholder would conclude independence is not compromised.

The Audit Committee will review the policy on an six monthly basis.

#### **Approval**

For all services categorised as 'permitted non-audit services' and 'permitted audit and audit-related services', Audit Committee approval must be obtained on a case by case basis, prior to engaging the External Auditor.

In accordance with the FRC's Guidance on Audit Committees (2016), when reviewing requests for 'permitted non-audit services', the Audit Committee will assess:

- Whether the provision of such services impairs the External Auditor's independence or objectivity and any safeguards in place to eliminate or reduce such threats;
- The nature of the non-audit services;
- Whether the skills and experience make the External Auditor the most suitable supplier of the non-audit service;
- The fee to be incurred for non-audit services, both for individual non-audit services and in aggregate, relative to the total audit fee; and
- The criteria which govern the compensation of the individuals performing the audit.

#### **Permitted audit and audit-related services**

Audit-related services are the services listed below, excluding the statutory audit of RTW and its subsidiaries, that are largely carried out by members of the audit engagement team, and where the work involved is closely related to the work performed in the audit and the threats to External Auditor independence are clearly insignificant. Such services are still subject to the 70% cap and the approval requirements set out in this policy.

- Statutory audit of RTW's financial statements;
- Statutory audits of the financial statements of subsidiary companies;
- Review of the RTW's half-year report and interim financial statements; and



- Other permitted audit-related services.

### **Permitted non-audit services**

The following list describes the nature of all services that can be provided by the External Auditor if approved by the Audit Committee – services not on the list cannot be provided. Services marked with an \* are still subject to the 70% cap.

Audit Committee approval must be obtained before engaging the External Auditors to provide any of the following permitted non-audit services;

- Reporting required by a competent authority or regulator under UK law or regulation for example:
  - Reporting to a regulator on client assets;
  - In relation to entities regulated under the Financial Services and Markets Act 2000 (“FSMA”), reports under s166 and s340 of FSMA; and
  - Reporting to a regulator on regulatory financial statements.
- In the case of a controlled undertaking incorporated and based in a third country, reporting required by law or regulation in that jurisdiction where the auditor is required to undertake that engagement.
- Reporting on internal financial controls when required by law or regulation.
- Reporting on the iXBRL tagging of financial statements in accordance with the European Single Electronic Format for annual financial reports.
- Reports, required by or supplied to competent authorities/regulators supervising the audited entity, where the authority/regulator has either specified the auditor to provide the service or identified to the entity that the auditor would be an appropriate choice for service provider.
- Services which support the entity in fulfilling an obligation required by UK law or regulation, including listing requirements where:
  - The provision of such services is time critical;
  - The subject matter of the engagement is price sensitive; and
  - It is probable that an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor for the audit of the financial statements is relevant to the service, and where the nature of the service would not compromise independence.
- Providing verification of interim profits not otherwise required by law or regulation.\*
- Where not otherwise required by law or regulation, non-audit and additional services, as defined in the Ethical Standard provided as auditor of the entity, or as reporting accountant, in relation to information of the audited entity for which it is probable that an objective, reasonable and informed third party would conclude that the understanding of the entity obtained by the auditor is relevant to the service, and where the nature of the service would not compromise independence.\*
- Extended audit or assurance work that is authorised by those charged with governance performed on financial or performance information and/or financial or operational controls, in the audited entity or a third-party service provider, where this work is closely linked with the audit work.\*

- Additional assurance work or agreed upon procedures authorised by those charged with governance performed on material included within or referenced from the annual report.\*
- Reporting on government grants.\*
- Reporting on covenant or loan agreements which require independent verification and other reporting to third parties with whom the audited entity has a business relationship in accordance with Appendix C of the Ethical Standard.\*
- Services which have been the subject of an application to the Competent Authority.\*Generic subscriptions providing factual updates of changes to applicable law, regulation or accounting and auditing standards.\*
- The RTW Group will not engage KPMG for services that are not closely related to their role as The Company's External Auditor. This includes investment-related services such as due diligence.

### **Fees**

Any arrangement with the External Auditor that includes contingent fee arrangements is not permitted.

In addition, the total fees for non-audit services provided by the External Auditor to the RTW Group shall be limited to no more than 70% of the average of the statutory audit fee for the Company and of its controlled undertakings paid to the External Auditor in the last three consecutive financial years commencing on 1 January 2019.

### **Confirmation of independence**

The Audit Committee will seek annually, from the External Auditor, information about policies and processes for maintaining independence and monitoring compliance with relevant requirements, including those regarding the rotation of audit partners and staff.

### **Policy for Significant Affiliates and Affiliates**

#### **Approval**

Audit Committee approval is not required for those services categorised as 'permitted non-audit services' where the fee is less than £10,000. These will be reported annually to the Audit Committee.

For all services categorised as 'permitted non-audit services' where the fee is above £10,000, Audit Committee approval must be obtained on a case-by-case basis, prior to engaging the External Auditor. These fees are not subject to the 70% cap. However, the Company's Audit Committee will not permit the total amount of fees payable to KPMG for audit and non-audit services to be more than three times the Company's audit fee in any one year.

All non-audit services are classified as permitted unless they meet the following criteria:

KPMG are not able to provide the following services, as defined in the FRC's Ethical Standard (issued December 2019), to a significant affiliate:

- Internal audit services;
- Valuation services;
- Actuarial Valuation services; and,
- Prepare current or deferred tax computations.

KPMG are not able to provide the following services, as defined in the FRC's Ethical Standard (issued December 2019), to a significant affiliate or an affiliate:

- Information Technology services;
- Tax services where the service involves the firm taking a management role;
- Litigation support services;
- General Counsel services;
- Recruitment or remuneration services;
- Corporate Finance services;
- Transaction related services; and
- Accounting services.