

## Terms of Reference - Audit Committee

### 1. Constitution

- 1.1 The Audit Committee (the "**Committee**") was constituted as a committee of the Board of directors (the "**Board**") of St. Modwen Properties PLC (the "**Company**" or "**Group**") in accordance with the articles of association of the Company.
- 1.2 The Committee has the delegated authority of the Board in respect of the functions and powers set out in these terms of reference.
- 1.3 The Committee may sub-delegate any or all of its powers and authority as it thinks fit, including, without limitation, the establishment of sub-committees which are to report back to the Committee.
- 1.4 The role of the Committee is to assist the Board to fulfil its responsibilities by reviewing and monitoring the integrity of the financial information provided to shareholders, the Company's system of internal controls and risk management, the internal and external audit process and auditors, and the processes for compliance with laws, regulations and ethical code of practice.

### 2. Membership

- 2.1. The Committee shall comprise at least three independent Non-Executive Directors, of whom at least one shall have recent and relevant financial experience. The Committee as a whole shall have competence relevant to the sector in which the Company operates.
- 2.2. Appointments to the Committee shall be made by the Board on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee.
- 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 Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.
- 2.4. Appointments to the Committee shall be for a period of up to three years, which may be extended for up to two further three-year periods, provided the Director remains independent.
- 2.5. Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive, other directors and other senior managers may be invited to attend for all or part of any meeting as and when appropriate.
- 2.6. The Chief Financial Officer, external audit engagement partner and head of internal audit will be invited to attend meetings of the Committee on a regular basis.

- 2.7. The Secretary of the Committee shall be the Company Secretary or such person as shall be appointed from time to time by the Committee. The Secretary should 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 & Voting Arrangements**

- 3.1. The quorum necessary for the transaction of business shall be three members. A duly convened meeting of the Committee at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- 3.2. Each Committee member shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a Committee meeting whether in person or by electronic methods of communication.
- 3.3. Each member of the Committee shall disclose to the Committee and the Secretary of the Committee, any direct or indirect, personal financial interest in any matter to be decided by the Committee or any other potential conflict of interest including those arising from any cross-directorship.
- 3.4. Any Committee member who has made a disclosure under 3.3 will abstain from discussing or voting on any resolution relating to any such matter.
- 3.5. Except where there is a personal interest, the Committee Chairman shall have a casting vote.

### **4. Frequency of Meetings**

- 4.1. The Committee shall meet at least three times a year, held to coincide with key dates in the financial reporting and audit cycle, and at such other times as the members of the Committee shall require. Additional meetings may be requested by the external auditor or the internal auditor.
- 4.2. Meetings may be conducted by electronic methods of communication and decisions made by such means shall be appropriately recorded and shall have the same effect as those conducted in person.
- 4.3. Outside of the formal meeting programme the Chairman of the Committee will maintain dialogue with key individuals involved in the Company's governance, including the Chairman of the Board, the Chief Executive, the Chief Financial Officer, the external audit lead partner and the head of internal audit.

### **5. Notice of Meetings**

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of any of its members or at the request of the Chief Financial Officer, the external auditor or the internal auditor if they consider it necessary.
- 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 and any other person required to attend no later than three 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.

## 6. Minutes of Meetings

- 6.1. The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.
- 6.2. The Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 6.3. Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee and, once approved, to all other members of the Board unless in the opinion of the Chairman of the Committee it would be inappropriate to do so.

## 7. Annual General Meeting

The Chairman of the Committee shall attend the Annual General Meeting to respond to any shareholder questions on the Committee's activities and matters within the scope of the Committee's responsibilities.

## 8. Duties

The Committee should carry out the duties below for the Company, its major subsidiary undertakings and the Group as a whole, as appropriate.

### 8.1. Financial Reporting

- 8.1.1. The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, preliminary results announcements and any other formal announcements relating to its financial performance, and will review and report to the Board on significant financial reporting issues and judgements which they contain. The Committee shall also review significant financial returns to regulators and any financial information contained in certain other shareholder documents having regard to matters communicated by the auditor.
- 8.1.2. The Committee shall receive reports that appropriate accounting systems and financial controls are in operation and that the Company's financial statements comply with statutory and other requirements.
- 8.1.3. The Committee shall review and challenge where necessary:
  - 8.1.3.1. the consistency of, and any changes to, significant accounting policies, both on a year on year basis and across the Company/Group, and any significant estimates and judgements;
  - 8.1.3.2. the methods used to account for significant or unusual transactions where different approaches are possible;

- 8.1.3.3. whether the Company has adopted appropriate accounting policies and, where necessary, made appropriate estimates and judgements, taking into account the views of the external auditor on the financial statements;
  - 8.1.3.4. the going concern assumptions, and any public statements relating to the Company being a going concern, exercising judgement in considering those matters that would inform the assessment whether the Company is a going concern, and to make appropriate recommendations to the Board;
  - 8.1.3.5. the clarity, balance and completeness of disclosures in the Company's financial statements and whether the disclosures made are set properly in context; and
  - 8.1.3.6. all related information presented with the financial statements, including the business review, and corporate governance statements relating to the audit and to risk management.
- 8.1.4. The Committee shall review and monitor any significant adjustments arising from the external audit.
- 8.1.5. Where the Committee is not satisfied with any aspect of the proposed financial reporting by the Company it shall report its views to the Board.

## **8.2. Narrative Reporting**

Where requested by the Board, the 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 position and performance, business model and strategy.

## **8.3. Internal Control and Risk Management Systems**

The Committee shall:

- 8.3.1. monitor the Company's risk management and internal control systems (including financial controls) and, at least annually, carry out a review of their effectiveness and report on that review in the annual report;
- 8.3.2. carry out a robust assessment of the principal and emerging risks facing the Company;
- 8.3.3. review and recommend to the Board the statements to be included in the annual report concerning internal control, risk management and the viability statement; and
- 8.3.4. receive regular updates from management on matters related to GDPR compliance and cyber risk mitigation activities;

#### **8.4. Whistleblowing and Prevention of Fraud and Bribery**

The Committee shall:

- 8.4.1. review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters;
- 8.4.2. ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- 8.4.3. review the Company's procedures for detecting and preventing fraud;
- 8.4.4. review the Company's systems and controls for the prevention of bribery;
- 8.4.5. consider the major findings of internal investigations and management's response;
- 8.4.6. review the Company's procedures for preventing the criminal facilitation of tax evasion;
- 8.4.7. receive reports on the operation of and compliance with the above arrangements; and
- 8.4.8. report any material incident or findings to the Board.

#### **8.5. Internal Audit**

The Committee shall:

- 8.5.1. approve the appointment and removal of the head of internal audit and/or the internal audit provider;
- 8.5.2. consider and approve the remit of the internal audit function and ensure it has adequate resources and appropriate access to information to enable it to perform its function effectively and in accordance with the relevant professional standards for internal auditors. The Committee shall also ensure the function has adequate standing and is independent of management or other restrictions;
- 8.5.3. review and approve the annual internal audit plan;
- 8.5.4. review and approve the internal audit charter on an annual basis;
- 8.5.5. review reports on the results of the internal auditor's work on a periodic basis;
- 8.5.6. review and monitor management's responsiveness to the findings and recommendations of the internal auditor;
- 8.5.7. meet the head of internal audit at least once a year, without management being present, to discuss matters relating to their remit and any issues arising from the internal audits carried out. In addition, the internal auditor shall have direct access

to the Chairman of the Committee and the Chairman of the Board, and shall be accountable to the Committee; and

- 8.5.8. monitor and review the role and effectiveness of the Company's internal audit function in the overall context of the Company's risk management system.

## **8.6. External Audit**

The Committee shall:

- 8.6.1. consider and make recommendations to the Board, to be put to shareholders for their approval at the AGM, in relation to the appointment, re-appointment and removal of the Company's external auditor in accordance with section 489A Companies Act 2006;
- 8.6.2. initiate and supervise the selection process for a new external auditor, ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process;
- 8.6.3. investigate the issues leading to any resignation of the external auditor and consider whether any action is required;
- 8.6.4. oversee the relationship with the external auditor including (but not limited to):
  - 8.6.4.1. negotiating and agreeing the audit fee, ensuring that this is appropriate to enable an effective, high quality, audit to be conducted;
  - 8.6.4.2. negotiating and agreeing the scope of the audit;
  - 8.6.4.3. approval of their terms of engagement, including any engagement letter issued at the start of each audit, ensuring that it has been updated to reflect changes in circumstances arising since the previous year;
  - 8.6.4.4. assessing annually their independence and objectivity taking into account relevant UK law, professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
  - 8.6.4.5. satisfying itself that there are no relationships (such as family, employment, investment, financial or business) between the external auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
  - 8.6.4.6. agreeing with the Board a policy on the employment of former employees of the external auditor, taking into account any relevant ethical guidance on the matter, and monitoring the implementation of this policy;

- 8.6.4.7. monitoring the external 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, or relevant part of it, and other related regulatory requirements;
  - 8.6.4.8. agreeing the appointment of the external audit engagement partner;
  - 8.6.4.9. assessing annually, and reporting to the Board on, the external auditor's qualifications, expertise and resources, and independence and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures and consideration of audit firms' annual transparency reports where available including those regarding the rotation of auditor partners and staff;
  - 8.6.4.10. seeking to ensure co-ordination with the activities of the internal audit function; and
  - 8.6.4.11. evaluate the risks to the quality and effectiveness of the financial reporting process, especially in light of the auditor's communications with the Committee,
- 8.6.5. meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external audit engagement partner at least once a year, without management being present, to discuss matters relating to their remit and any issues arising from the audit;
- 8.6.6. 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;
- 8.6.7. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 8.6.7.1. a discussion of any major issues which arose during the audit;
  - 8.6.7.2. how any risks to audit quality were addressed;
  - 8.6.7.3. evidence received in relation to each of the areas of significant judgment and a review of key accounting and audit judgements;
  - 8.6.7.4. the external auditor's perception of their interactions with senior management and other members of the finance team;
  - 8.6.7.5. a review of levels of errors identified during the audit;
  - 8.6.7.6. a review of any disagreement between management and the external auditor in relation to financial reporting and in such cases ensure that they are resolved; and

- 8.6.7.7. any reservations that the external auditor may have and other matters that they wish to raise,
- 8.6.8. review, and report to the Board on, the effectiveness of the audit process;
- 8.6.9. review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.6.10. review the management letter and management's response to the auditor's findings and recommendations; and
- 8.6.11. develop, recommend to the Board and monitor a policy for the engagement of the external auditor to supply non-audit services, taking into account any relevant legislation, professional standards or guidance on the matter and authorise the provision of any non-audit services by the external auditor in accordance with such policy.

## **8.7. Risk Management**

The Committee shall:

- 8.7.1. work together with the Board and other Board committees to monitor and review the effectiveness of the Group's risk management and internal control framework.
- 8.7.2. regularly assess the Company's approach to determining the Company's overall risk appetite, tolerance and strategy, taking account of the current and prospective macro-economic and financial environment;
- 8.7.3. keep under review the Company's overall risk assessment processes that inform the Board's decision making;
- 8.7.4. keep under review the Company's risk transfer strategy for the sharing of risk with the insurance market;
- 8.7.5. keep under review the risk management systems and reporting processes for projects and investments;
- 8.7.6. review and approve the Company's tax strategy and treasury policies; and
- 8.7.7. assess the effectiveness of the Company's compliance system standards and procedures for the management of enterprise risks and, in particular, receive regular updates in relation to GDPR compliance, tax compliance and cyber risk.

## **9. Reporting Responsibilities**

- 9.1. The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and on how it has discharged its responsibilities. This report shall include the significant issues that it considered in relation to the financial statements and how these were addressed; its assessment of the effectiveness of the external audit process and its recommendation on the appointment or reappointment of the external auditor; and 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 prepare a report to shareholders on its activities to be included in the Company's annual report which complies with regulation, the provisions of the UK Corporate Governance Code and any other requirements in force and as amended from time to time.
- 9.4. Should there be any disagreement between the Committee and the Board which cannot be resolved, the Committee shall have the right to report the issue to shareholders as part of the report on its activities in the annual report.

## 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 Secretary for assistance as required;
- 10.2. 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;
- 10.3. give due consideration to laws and regulations, the provisions of the UK Corporate Governance Code and the requirements of the UK Listing Authority's Listing, Prospectus and Disclosure and Transparency Rules and any other applicable rules as appropriate;
- 10.4. oversee any investigation of activities which are within its terms of reference and act as a court of the last resort; and
- 10.5. review annually its composition, terms of reference and its own effectiveness and recommend any changes it considers necessary to the Board for approval.

## 11. Authority

The Committee is authorised by the Board:

- 11.1. to seek any information it requires from any director or employee of the Company in order to perform its duties;
- 11.2. to obtain, at the Company's expense, independent legal, accounting or other professional advice on any matter within its terms of reference when the Committee reasonably believes it necessary to do so; and
- 11.3. to call any director or employee to be questioned at a meeting of the Committee as and when required.