

Terms of Reference - Audit Committee

1. Constitution

- 1.1 The Audit Committee (the "**Committee**") is 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 sectors in which the Company operates. The Chair of the Board shall not be a member of the Committee.
- 2.2. Appointments to the Committee shall be made by the Board on the recommendation of the Nomination Committee in consultation with the Chair of the Audit Committee.
- 2.3. The Chair of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee. In the absence of the Committee Chair 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 Chair of the Board, Chief Executive, other directors and senior managers may be invited to attend for all or part of any meeting as and when appropriate.

- 2.6. The Chief Financial and Operations Officer, external audit engagement partner and internal audit engagement partner 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 their nominee, 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 & 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 Chair 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 Chair of the Committee will maintain dialogue with key individuals involved in the Company's governance, including the Chair of the Board, the Chief Executive, the Chief Financial and Operations Officer, the external audit lead partner and the internal auditor engagement partner.

5. Notice of Meetings

- 5.1. Meetings of the Committee shall be called by the Secretary of the Committee at the request of the Committee Chair or any of its members, or at the request of the Chief Financial and Operations 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 Chair of the Committee it would be inappropriate to do so.

7. Engagement with Shareholders

The Chair of the Committee shall attend the Annual General Meeting to respond to any shareholder questions on the Committee's activities. In addition, the Committee Chair should seek engagement with shareholders on significant 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;
 - 8.1.3.6. all material information presented with the financial statements, including the business review, and corporate governance statements relating to the audit and to risk management; and
 - 8.1.3.7. the robustness of the external valuation of the property portfolio.
- 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. keep under review the adequacy and effectiveness of the Company's internal financial controls systems that identify assess, manage and monitor financial risks, and other internal control and risk management systems;
- 8.3.2. regularly review the Company's approach to determining the Company's overall risk appetite, tolerance and risk management strategy, to assist the Board's assessment of the Company's risk appetite statement;
- 8.3.3. keep under review the Company's procedures and plans to manage or mitigate principal risks and to identify emerging risks;

- 8.3.4. review and recommend to the Board the statements to be included in the annual report and half year results concerning internal control, risk management including the assessment of principal risks and emerging risks, and the viability statement; and
- 8.3.5. seek assurance that management has identified the key risks to which the business may be exposed, including but not limited to threats to the business model.

8.4 Compliance, Speak-up and fraud

The Committee shall:

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

8.5. Internal Audit

The Committee shall:

- 8.5.1. approve the appointment and termination of the head of internal audit and/or the internal audit provider;
- 8.5.2. review and approve the role and mandate of internal audit, monitor and review the effectiveness of its work, and annually approve the internal audit charter ensuring it is appropriate for the current needs of the organisation;
- 8.5.3. review and approve the annual internal audit plan to ensure it is aligned to the key risks of the business and receive regular reports on work carried out;
- 8.5.4. ensure internal audit has unrestricted scope, the necessary resources and access to information to enable it to fulfil its mandate, ensure there is open

communication between different functions and that the internal audit function evaluates the effectiveness of these functions as part of its internal audit plan, and ensure that the internal audit function is equipped to perform in accordance with the relevant professional standards for internal auditors.;

- 8.5.5. ensure the internal auditor shall has direct access to the Board Chair and the Committee Chair, providing independence from the executive and accountability to the Committee;
- 8.5.6. carry out an annual assessment of the effectiveness of the internal audit function and as part of this assessment:
 - 8.5.6.1 meet the internal audit engagement partner without management being present to discuss the effectiveness and assess and confirm the independence of the function;
 - 8.5.6.2 ensure that the annual internal audit work plan for the coming year addresses and is aligned to the key areas of risk and appropriate coordination with the external auditor;
 - 8.5.6.3 receive a report on the results of the internal auditor’s work;
 - 8.5.6.4 determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - 8.5.6.5 review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function.
- 8.5.7. 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 and the work of compliance, finance and the external auditor; and
- 8.5.8. consider whether an independent, third party review of the processes is appropriate.

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;
- 8.6.2. develop and oversee the selection process for the appointment of the audit firm in accordance with applicable Code¹ and regulatory requirements, ensuring that all tendering firms have such access as is necessary to information and individuals during the tendering process;

¹ UK Corporate Governance Code

- 8.6.3. if an external auditor resigns, investigate the issues leading to this 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. approve the remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective, high quality, audit to be conducted;
 - 8.6.4.2. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- 8.6.5. assess annually the external auditor's independence and objectivity taking into account relevant law, regulation, the Ethical Standard and other professional requirements and the Group's relationship with the auditor as a whole, including any threats to the auditor's independence and the safeguards applied to mitigate those threats including the provision of any non-audit services;
- 8.6.6. satisfy itself that there are no relationships between the auditor and the Company (other than in the ordinary course of business) which could adversely affect the auditor's independence and objectivity;
- 8.6.7. agree with the Board a policy on the employment of former employees of the Company's auditor, taking into account the Ethical Standard and legal requirements, , and monitor the implementation of this policy;
- 8.6.8. monitor the auditor's process for maintaining independence, its compliance with relevant law, regulation, other professional requirements and the Ethical Standard, including the guidance on the rotation of audit partner and staff;
- 8.6.9. monitor the level of fees paid by the Company to the external auditor 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 the Ethical Standard;
- 8.6.10. assess annually, the qualifications, expertise and resources, and independence of the external auditor and the effectiveness of the external audit process, which shall include a report from the external auditor on their own internal quality procedures;
- 8.6.11. seek to ensure co-ordination of the external audit with the activities of the internal audit function;
- 8.6.12. evaluate the risks to the quality and effectiveness of the financial reporting process, especially in light of the auditor's communications with the Committee;

- 8.6.13. develop and recommend to the Board the Company's formal policy on the provision of non-audit services by the 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. The policy should include consideration of the following matters:
 - 8.6.13.1. threats to the independence and objectivity of the external auditor and any safeguards in place;
 - 8.6.13.2. the nature of the non-audit services;
 - 8.6.13.3. whether the external audit firm is the most suitable supplier of the non-audit service;
 - 8.6.13.4. the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - 8.6.13.5. the criteria governing compensation.
- 8.6.14. meet regularly with the external auditor (including once at the planning stage before the audit and once after the audit at the reporting stage) and, at least once a year, meet with the external auditor without management being present, to discuss matters relating to the auditor's remit and any issues arising from the audit;
- 8.6.15. discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring that it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team;
- 8.6.15. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - 8.6.15.1. a discussion of any major issues which arose during the audit;
 - 8.6.15.2. the auditor's explanation of how the risks to audit quality were addressed;
 - 8.6.15.3. key accounting and audit judgements;
 - 8.6.15.4. the external auditor's view of their interactions with senior management and other members of the finance team;
 - 8.6.15.5. level of errors identified during the audit;
- 8.6.16. 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;
- 8.6.17. any reservations that the external auditor may have and other matters that they wish to raise;
- 8.6.18. review any representation letter(s) requested by the external auditor before it is (they are) signed by management;

- 8.6.19. review the management letter and management’s response to the auditor’s findings and recommendations; and
- 8.6.20 review the effectiveness of the audit process, including an assessment of the quality of the audit, the handling of key judgements by the auditor, and the auditor’s response to questions from the Committee.

8.7 Tax Strategy and Compliance

The Committee shall:

- 8.7.1 review and recommend to the Board for approval the Company’s tax strategy; and
- 8.7.2 receive regular updates on tax compliance.

9. Reporting Responsibilities

- 9.1. The Committee Chair shall report to the Board on its proceedings after each Committee meeting on all matters within its duties and shall also formally report to the Board on how it has discharged its responsibilities. This report shall include the significant issues that it considered in relation to the financial statements (required under 8.1.1) and how these were addressed; its assessment of the effectiveness of the external audit process (required under paragraph 8.6.10), 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 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 compile a report on its activities to be included in the Company’s annual report. The report should describe the work of the Audit Committee, including:
 - 9.3.1. the significant issues that the Committee considered in relation to the financial statements and how these were addressed;
 - 9.3.2. an explanation of how the Committee assessed the independence and effectiveness of the external audit process and the approach taken to the appointment and reappointment of the external auditor, information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
 - 9.3.3. an explanation of how the Committee has assessed the independence and objectivity are safeguarded if the external auditor provides non-audit services, having regard to matters communicated to it by the auditor and all other information requirements set out in the Code; and
 - 9.3.4. in compiling the reports referred to in 9.1 and 9.3, the 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 and the inputs to the Board's viability statement. The Report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts but could provide cross-references to that information.

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 advice and 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 Code and the requirements of the FCA's Listing Rules, Prospectus Rules and Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules as appropriate;
- 10.4. be responsible for oversight of the coordination of the internal and external auditors;
- 10.5. oversee any investigation of activities which are within its terms of reference;
- 10.6. 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;
- 10.7. ensure that a periodic evaluation of the Committee's performance is carried out; and
- 10.8. 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.

11. Authority

The Committee is authorised to:

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

removal, the annual report should include a statement explaining the Committee's recommendation and the reasons why the Board has taken a different position.

Approved by the Board on

20 July 2020