

HANSTEEN HOLDINGS PLC ("the Company")

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Adopted on 5 December 2011

In this document, the "Board" shall mean the Board of directors of the Company; the "Chairman" shall mean the Chairman of the Audit Committee; the "Chief Executive Officer" shall include each of the Joint Chief Executive Officers as the context requires and the "Group" shall mean the Company and its subsidiaries.

1. ESTABLISHMENT AND ROLE

- 1.1 The Audit Committee has been established by resolution of the Board and is known as the Audit Committee.
- 1.2 The role of the Audit Committee is to:
 - (A) increase shareholder confidence and the credibility and objectivity of published financial information;
 - (B) assist the Board in meeting its financial reporting responsibilities by ensuring the adequacy and effectiveness of the Company's risk management and internal control principles and to ensure that the principles, policies and practices adopted in the preparation of group accounts and annual financial statements comply with all statutory requirements; and
 - (C) strengthen the independent position of the Company's external auditors by providing channels of communication between them and the non-executive directors.
- 1.3 These terms of reference have been produced to identify and formalise the roles, tasks and responsibilities of the Audit Committee and to assist the Audit Committee in achieving best practice in corporate governance for the Company and the Group.

2. MEMBERSHIP

- 2.1 The members of the Audit Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chairman. The Audit Committee shall be made up of at least three members.
- 2.2 All members of the Audit Committee shall be independent non-executive directors of the Company who are unconnected with the management of the Company. The Board will determine each member's independence based on any past and present relationships with the Company and the Group which, in the opinion of the Board, may influence the member's judgment.
- 2.3 At least one of the members of the Audit Committee shall have recent and relevant financial experience.
- 2.4 The Chairman shall be an independent non-executive director who shall be appointed by the Board. In the absence of the Chairman and/or an appointed deputy, the remaining members shall elect one of themselves to chair any relevant meetings.
- 2.5 The chairman of the Board shall not be a member of the Audit Committee.

- 2.6 Appointments to the Audit Committee shall be for a period of up to three years, which may be extended for two further three year periods, provided the director still meets the criteria for membership of the Audit Committee.

3. ATTENDANCE AT MEETINGS

- 3.1 Only members of the Audit Committee have the right to attend Audit Committee meetings. However, other individuals such as the chairman of the Board, the Chief Executive Officer, finance director, other directors, the heads of risk, compliance and internal audit and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 3.2 In addition, the external auditors will be invited to attend meetings of the Audit Committee on a regular basis.

4. SECRETARY

- 4.1 The Company secretary or their nominee shall act as secretary of the Audit Committee.
- 4.2 The secretary of the Audit Committee shall also act as a coordinating intermediary between the Board and the Audit Committee.

5. QUORUM

The quorum necessary for the transaction of business shall be two members of the Audit Committee. A duly convened meeting of the Audit 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 Audit Committee.

6. FREQUENCY OF MEETINGS

- 6.1 Meetings shall be held when the Chairman deems appropriate, but in any event meetings shall be held at least three times a year. The external auditors of the Company may request a meeting if they consider that one is necessary.
- 6.2 The Audit Committee shall meet at least once per year with the external auditors with no other executive directors present.

7. NOTICE OF MEETINGS

- 7.1 Meetings of the Audit Committee shall be called by the secretary of the Audit Committee at the request of any of its members or at the request of external or internal auditors if they consider it necessary.
- 7.2 Notice of each meeting of the Audit Committee confirming the venue, place and time, and enclosing an agenda of items to be discussed, shall be forwarded to each member of the Audit Committee not less than five working days before such meetings, or such lesser period to which all members agree. Supporting papers shall be sent to Audit Committee members and to other attendees as appropriate at the same time.
- 7.3 Meetings of the Audit Committee may be conducted when the members are physically present or in the form of either video or audio conferences.

8. CONDUCT OF MEETINGS

Except as outlined above, meetings of the Audit Committee shall be conducted in accordance with the provisions of the Company's Articles of Association governing the proceedings of directors.

9. MINUTES OF MEETINGS

- 9.1 The secretary shall minute the proceedings and resolutions of all Audit Committee meetings, including the names of those present and in attendance.
- 9.2 Draft minutes of Audit Committee meetings shall be circulated promptly to all members of the Audit Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so.

10. ANNUAL GENERAL MEETING

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

11. DUTIES

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

11.1 Financial Reporting

- (A) The Audit Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, preliminary results' announcements and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- (B) The Audit Committee shall review and challenge where necessary:
- (1) the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
 - (2) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (3) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - (4) the clarity of disclosure in the Company's financial reports and the context in which the statements are made;
 - (5) compliance with stock exchange and other reporting requirements; and
 - (6) all material information presented with the financial statements, such as the operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).
- (C) The Audit Committee shall review the annual financial statements of the pension funds (if any) where not reviewed by the Board as a whole.

11.2 **Internal Controls and Risk Management Systems**

The Audit Committee shall:

- (A) keep under review the Company's strategy with regard to risk and the effectiveness of the Company's internal financial reporting, internal controls and risk management systems;
- (B) monitor the management's internal financial reporting and reporting of risk;
- (C) review any findings and recommendations of the external auditors, internal auditors (where relevant) and/or other parties in relation to internal controls and risk management and monitor progress in implementing any such findings and recommendations;
- (D) reports of significant breaches of the risk management system and all frauds (both potential and actual) including the evaluation of the effectiveness of the response in investigating any loss and preventing future occurrences;
- (E) review and approve the statements to be included in the annual report concerning internal controls and risk management.

11.3 **Whistleblowing and Fraud**

The Audit Committee shall:

- (A) review the Company's arrangements for its employees 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;
- (B) review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- (C) review the Company's procedures for detecting fraud.

11.4 **Internal Audit**

The Audit Committee shall review annually the need for an Internal Audit function and if such a function is established the Audit Committee shall:

10.4.1 monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system;

10.4.2 approve the appointment and removal of the head of the internal audit function;

10.4.3 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. The Audit Committee shall also ensure the function has adequate standing and is free from management or other restrictions;

10.4.4 review and approve the annual internal audit plan;

10.4.5 review promptly all reports on the Group from the internal auditors;

10.4.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and

10.4.7 meet the head of internal audit at least once a year, without management being present, to discuss their remit and any issues arising from the internal audits carried out. In addition, the head of internal audit shall be given the right of direct access to the Chairman and the chairman of the Board.

11.5 External Audit

The Audit Committee shall:

- (A) 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 auditor. 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;
- (B) oversee the relationship with the external auditor including (but not limited to):
 - (1) approval of their remuneration, whether fees for audit or non-audit services and that the level of fees is appropriate to enable an adequate audit to be conducted;
 - (2) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - (3) assessing annually their 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;
 - (4) 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);
 - (5) agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
 - (6) 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;
 - (7) assessing annually their qualifications, expertise and resources and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
 - (8) seeking to ensure co-ordination with the activities of the internal audit function (if any); and
 - (9) considering the risk of the withdrawal of the Company's present auditor from the market,

- (C) meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage;
- (D) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (E) review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
 - (1) a discussion of any major issues which arose during the audit;
 - (2) any accounting and audit judgements;
 - (3) compliance with accounting standards; and
 - (4) levels of errors identified during the audit.
- (F) review the effectiveness of the audit. This shall include, but not be limited to, the following:
 - (1) review any representation letter(s) requested by the external auditor before they are signed by management;
 - (2) review the management letter and management's response to the auditor's findings and recommendations; and
 - (3) review and implement a policy on the supply of non-audit services by the external auditor, taking into account any relevant ethical guidance on the matter.

11.6 **Reporting Responsibilities**

- (A) The Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and the secretary of the Audit Committee shall circulate the minutes of meetings of the Audit Committee to all members of the Board.
- (B) The Audit Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- (C) The Audit Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report.
- (D) The Audit Committee shall ensure that any reporting complies with the requirements of the UK Listing Authority's Listing Rules and to any laws and regulations as may be applicable.

11.7 **Other Matters**

The Audit Committee shall:

- (A) have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;
- (B) 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;

- (C) 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 Rules, Prospectus and Disclosure and Transparency Rules as appropriate;
- (D) be responsible for co-ordination of the internal and external auditors;
- (E) arrange for an annual review 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; and
- (F) oversee any investigation of activities which are within its terms of reference and act for internal purposes as a court of the last resort.

12. AUTHORITY

- 12.1 The Audit Committee is authorised by the Board to investigate any activity within its term of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any reasonable requests made by the Audit Committee.
- 12.2 The Audit Committee is authorised by the Board at the expense of the Company to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary.
- 12.3 The Audit Committee has a right to publish in the Company's annual report details of any issues that cannot be resolved between the Audit Committee and the Board.

13. PROCEDURE

Subject to the constitutional documents of the Company and these terms of reference, the Audit Committee shall determine its own procedures.