

HANSTEEN HOLDINGS PLC ("the Company")

TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

Amended and Adopted on 15 October 2013

Last reviewed on 20 October 2016

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 (the "Committee").

1.2 The role of the 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 Committee and to assist the Committee in achieving best practice in corporate governance for the Company and the Group.

2. MEMBERSHIP

2.1 The members of the Committee shall be appointed by the Board on the recommendation of the Nomination Committee in consultation with the Chairman. The Committee shall be made up of at least three members.

2.2 *All members of the 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 Committee shall have recent and relevant financial experience.

2.4 The Committee as a whole shall have competence relevant to the property sector (as the sector in which the Company is operating).

2.5 *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.

2.6 The chairman of the Board shall not be a member of the Committee.

2.7 Appointments to the 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 Committee.

3. ATTENDANCE AT MEETINGS

3.1 Only members of the Committee have the right to attend Audit Committee meetings. However, the external auditor, Chief Executive Officer and Finance Director and other non-members may be invited to attend all or part of any meeting as and when appropriate and necessary.

4. SECRETARY

4.1 The Company secretary or their nominee shall act as 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.

4.2 The secretary of the Committee shall also act as a coordinating intermediary between the Board and the Committee.

5. QUORUM

The quorum necessary for the transaction of business shall be two members of the Committee. 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.

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 Outside of the formal meeting programme, the Committee Chairman will maintain a dialogue with key individuals involved in the Company's governance, including the Board chairman, the Chief Executive Officer, the Finance Director, the external audit lead partner if they consider it necessary.

7. NOTICE OF MEETINGS

7.1 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 external or internal auditors if they consider it necessary.

7.2 Notice of each meeting of the Committee confirming the venue, place and time, and enclosing an agenda of items to be discussed, shall be forwarded to each member of the 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 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 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 Committee. Once approved, minutes should be circulated to all other members of the Board unless it would be inappropriate to do so in the opinion of the Committee chairman.

10. ANNUAL GENERAL MEETING

The Chairman should be present at the annual general meeting to answer any shareholder questions on the separate section of the annual report describing the Audit Committee's activities and matters within the scope of the Audit Committee's responsibilities.

11. DUTIES

The 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 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 having regard to matters communicated to it by the auditor.
- (B) The 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).

11.2 Narrative Reporting

- (A) 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 performance, business model and strategy.

11.3 Internal Controls and Risk Management Systems

The 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.

11.4 Whistleblowing and Fraud

The Committee shall:

- (A) review the Company's arrangements for its employees and contractors 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;
- (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.

11.5 Internal Audit

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

- (A) monitor and review the effectiveness of the Group's internal audit function in the context of the Group's overall risk management system;

- (B) approve the appointment and removal of the head of the internal audit function;
- (C) consider and approve the role, mandate and annual internal audit plan 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 Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (D) review and approve the annual internal audit plan and ensure it is aligned to the key risks of the business;
- (E) review promptly all reports on the Group from the internal auditors;
- (F) review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
- (G) 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 and a reporting line that enable it to be independent of the executive and so able to exercise independent judgement.

11.6 External Audit

The 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;
- (B) initiate a tender process in accordance with regulatory requirements and influence the appointment of the engagement partner;
- (C) be responsible for the selection procedure for the appointment of audit firms;
- (D) if an auditor resigns investigate the issues leading to this and decide whether any action is required;
- (E) 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 UK law, regulation, the Ethical Standard and other 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 the Ethical Standard 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) evaluating the risks to the quality and effectiveness of the financial reporting process, especially in the light of the auditor's communication with the Audit Committee.
- (F) 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, without management being present to discuss the auditor's remit and any issues arising from the audit;
- (G) review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- (H) 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) how they addressed the risks to audit quality identified in the audit plan;
 - (3) key accounting and audit judgements;
 - (4) the auditor's perception of the interaction with senior management and other members of the financial team;
 - (5) compliance with accounting standards; and
 - (6) levels of errors identified during the audit; and
- (I) review the effectiveness of the audit process. 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) develop and recommend to the Board the policy on the supply of non-audit services by the external auditor, taking into account the Ethical Standard and legal requirements and keep the policy under review.

11.7 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 this report, signed by the Audit Committee Chairman, shall include:
 - (1) a summary of the role and work of the Audit Committee;
 - (2) how the Audit Committee composition requirements have been addressed, and the names and qualifications of all members of the Audit Committee during the period, if not provided elsewhere;
 - (3) the number of Audit Committee meetings;
 - (4) how the Audit Committee's performance evaluation has been conducted;
 - (5) an explanation of how the Committee has assessed the effectiveness of the external audit process and of the approach taken to the appointment or reappointment of the external auditor; the length of tenure of the current audit firm; the current audit partner name, and for how long the partner has held the role; when a tender was last conducted; and advance notice of any retendering plans;
 - (6) if the external auditor provides non-audit services, the Committee's policy for approval of non-audit services; how auditor objectivity and independence is safeguarded; the audit fees for the statutory audit of the Company's consolidated financial statements paid to the auditor and its network firms for audit related services and other non-audit services, including the ratio of audit to non-audit work; and for each significant engagement, or category of engagements, explain what the services are and why the Audit Committee concluded that it was in the interests of the company to purchase them from the external auditor;
 - (7) an explanation of how the Committee has assessed the effectiveness of internal audit and satisfied itself that the quality, experience and expertise of the function is appropriate for the business; and
 - (8) the significant issues that it considered in relation to the financial statements required under paragraph 11.1(A) and how these were addressed, having regard to matters communicated to it by the auditors; the nature and extent of interaction (if any) with the FRC's Corporate Reporting Review team; and where a company's audit has been reviewed by the FRC's Audit Quality Review team, the Committee should discuss the findings with their auditors and consider whether any of those findings are significant and, if so, make disclosures about the findings and the actions they and the auditors

plan to take. This discussion should not include disclosure of the audit quality category;

- (9) its assessment of the effectiveness of the external audit process required under paragraph 11.6(E)(7) and its recommendation on the appointment or reappointment of the external auditor; and
 - (10) any other issues on which the Board has requested the Committee's opinion.
- (B) The 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 Committee shall compile a report to shareholders on its activities to be included in the Company's Annual Report. This report should include an explanation of how the Committee has addressed the effectiveness of the external audit process; the significant issues that the 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 UK Corporate Governance Code.
 - (D) In the compiling of the reports referred to in paragraphs 11.7(A) and 11.7(C), 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 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.

11.8 **Other Matters**

The 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 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 Committee.

12.2 The 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 Committee has a right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.

13. PROCEDURE

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