

RAVEN PROPERTY GROUP LIMITED

CORPORATE GOVERNANCE

Terms of reference of the Audit Committee

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

1 MEMBERSHIP

1.1 The board of directors of the company (the "**Board**") has resolved to establish a committee of the Board to be known as the Audit Committee.

1.2 Membership of the Audit Committee shall consist of at least three members, each being an independent non-executive director. At least one member of the Audit Committee should have recent and relevant financial experience. The Audit Committee shall have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their duties and responsibilities effectively.

1.3 The members of the Audit Committee shall be appointed by the Board on the recommendation of the Nomination Committee and in consultation with the chair of the Audit Committee. The chair of the Board shall not be a member of the Audit Committee.

1.4 A member of the Audit Committee shall serve an initial term of three years which may be extended provided the director still meets the criteria for membership of the Audit Committee.

2 QUORUM

A quorum shall be two members of the Audit Committee. All reasonable efforts shall be made to give notice of meetings of the Audit Committee to all members and invitees and to arrange such meetings so that all members and invitees are able to attend. 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.

3 CHAIR

3.1 The Board shall appoint the Audit Committee chair who shall be an independent non-executive director. If the chair is not present at a meeting of the Audit Committee, then the remaining members present shall elect one of their number to chair the meeting.

3.2 The chair of the Audit Committee shall be available to answer questions through the chair of the annual general meeting, on the report on the Audit Committee's activities and achievements falling within its terms of reference at the annual general meeting of the company.

4 ATTENDANCE

4.1 No one other than members of the Audit Committee have the right to attend committee meetings. However the Company's auditor, head of internal audit (if any) and finance director will be invited to attend meetings of the Audit Committee on a regular basis and other non-members may be invited to attend for all or part of any meeting, as and when appropriate and necessary.

4.2 The Audit Committee shall each year have at least one meeting, or part of a meeting, with the company's auditor and its internal auditors (if any) without any member of the company's management present to discuss matters relating to the

remit of the Audit Committee and any issues arising from the audit.

- 4.3 The company secretary shall be the secretary of the Audit Committee and shall attend all of its meetings and shall prepare and circulate to members and all other non-executive directors (and invitees as appropriate) all information and papers in a timely manner to enable them to give full and proper consideration to the issues.

5 **FREQUENCY OF MEETINGS**

- 5.1 The Audit Committee shall meet as frequently as the chair, in consultation with the company secretary, at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

- 5.2 A sufficient interval should be allowed between meetings of the Audit Committee and meetings of the Board to allow any work arising from a meeting of the Audit Committee to be carried out and reported to the Board as appropriate.

- 5.3 Outside of the formal meeting programme, the Audit Committee chair, and to a lesser extent the other Audit Committee members, will maintain a dialogue with key individuals involved in the company's governance, including the Board chair, the chief executive, the finance director, the external audit lead partner and the head of internal audit (if any).

6 **MINUTES OF MEETINGS**

- 6.1 The secretary shall minute the proceedings and resolutions of all meetings of the Audit Committee, including recording the names of those present and in attendance.

- 6.2 The company 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 Audit Committee meetings shall be circulated promptly to all members of the Audit Committee and, once agreed, to all members of the Board, unless it would be inappropriate to do so.

7 **NOTICE OF MEETINGS**

- 7.1 Meetings of the Audit Committee shall be called by the secretary at the request of any of its members or at the request of the Company's external audit lead partner or internal auditor (if any) if they consider it necessary.

- 7.2 Meetings may be held by video conference, telephone or by any other manner permitted by the company's constitution.

- 7.3 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 Audit Committee, any other person required to attend and all other non-executive directors, no later than five working days before the date of the meeting. Supporting papers shall be sent to Audit Committee members and to other attendees as appropriate, at the same time.

8 **AUTHORITY**

- 8.1 The Audit Committee is authorised by the Board to oversee any investigation of activities within its terms of reference. It is authorised to seek any information it requires from any employee or director of the company, or any consultant or other provider of services to the company. All employees, directors, consultants and other providers of services are directed to co-operate with requests for information made by the Audit Committee including requests to attend meetings of the Audit Committee.
- 8.2 The Audit Committee is authorised by the Board to obtain any outside legal or other independent professional advice at the cost of the company as it considers appropriate in relation to matters within its terms of reference and to secure the attendance at its meetings of outsiders with relevant experience and expertise if it considers this necessary or expedient.
- 8.3 The Audit Committee has 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.

9 **RESPONSIBILITIES**

The Audit Committee has the responsibilities set out below for the company and also for its major subsidiary undertakings and for the group as a whole as appropriate.

9.1 **Financial reporting**

- 9.1.1 The Audit Committee shall monitor the integrity of the financial statements of the company, including its annual and half-yearly reports, preliminary results announcements (if any) and any other formal announcements relating to its financial performance, reviewing significant financial reporting issues and judgements which they contain.
- 9.1.2 In particular, the Audit Committee shall review and challenge where necessary:
- (a) the application of significant accounting policies and any changes to them;
 - (b) the methods used to account for significant or unusual transactions where different approaches are possible;
 - (c) whether the company has adopted appropriate accounting policies and made appropriate estimates and judgements, taking into account the views of the external auditor and the financial statements; and
 - (d) all material information presented with the financial statements, including the strategic report and the corporate governance statements relating to the audit and to risk management.
- 9.1.3 The Audit Committee shall review any other statements requiring Board approval which contain financial information first, where to carry out a review prior to Board approval would be practicable and consistent with any prompt reporting requirements under any law or regulation including the Listing Rules or Disclosure Guidance and Transparency Rules sourcebook.
- 9.1.4 Where the Audit Committee is not satisfied with any aspect of the proposed financial reporting by the company, it shall report its views to the Board.

9.1.5 The Audit Committee shall satisfy itself that matters raised by its members or the company's auditor or the company's internal auditors (if any) about any aspect of the accounts or of the company's control and audit procedures are appropriately considered and, if necessary, brought to the attention of the Board and resolved.

9.2 **Narrative reporting**

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 position and performance, business model and strategy.

9.3 **External audit**

9.3.1 The Audit Committee shall:

- (a) consider and make appropriate recommendations to the Board, to be put to shareholders for approval at the annual general meeting relating to the appointment, reappointment and removal of the company's auditor. The Audit Committee shall oversee the process for selecting a new company auditor, and agree the strategy for any such tenders with the Board. If the company's auditor resigns, the Audit Committee shall investigate the issues leading to the resignation and shall decide whether any action is required;
- (b) meet regularly with the company's auditor including meeting to discuss and review, before the start of each annual audit, their terms of engagement, including any engagement letter and scope of the audit, the annual audit plan (in order to ensure that it is consistent with the scope of the audit engagement);
- (c) approve the auditor's remuneration, including both fees for audit and non-audit services, and ensure that the level of fees is appropriate to enable an effective and high-quality audit to be conducted;
- (d) assess annually the external auditor's independence and objectivity taking into account relevant professional and regulatory 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. The Audit Committee shall ensure that key partners within the appointed firm are rotated at appropriate intervals;
- (e) 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;
- (f) agree with the Board and monitor and implement a policy on the employment of former employees of the company's auditor;
- (g) ensure co-ordination of the external audit with the activities of the company's internal audit function (if any);

- (h) develop and recommend to the Board the company's formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the Audit 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:
 - (i) threats to the independence and objectivity of the external auditor and any safeguards in place;
 - (ii) the nature of the non-audit services;
 - (iii) whether the external audit firm is the most suitable supplier of the non-audit service;
 - (iv) the fees for the non-audit services, both individually and in aggregate, relative to the audit fee; and
 - (v) the criteria governing compensation;
- (i) monitor the auditor's compliance with relevant legislation and ethical and professional guidance on the rotation of the audit partner by the company's auditor, the level of fees paid by the company compared to the overall fee income of the firm, office and partner and other related requirements;
- (j) 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;
- (k) evaluate the risks to the quality and effectiveness of the financial reporting process in the light of the external auditor's communications with the Audit Committee;
- (l) review any representation letter requested by the company's auditor before it is signed by any member of the management of the company;
- (m) review the company's auditor's management letter and the response of the company's management to it;
- (n) meet with the company's auditor to discuss and review the findings of the audit. This shall include (but not be limited to) the following:
 - (i) a discussion of any major issues which arose during the audit;
 - (ii) the auditor's explanation of how the risks to audit quality were addressed;
 - (iii) key accounting and audit judgments;
 - (iv) levels of errors identified during the audit; and
 - (v) the auditor's view of their interactions with senior management;
- (o) 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 Audit Committee;

- (p) discuss problems and reservations arising from the interim and final audits, and any matters the company's auditor may wish to discuss (in the absence of the company's management where necessary);
- (q) discuss with the external auditor the factors that could affect audit quality and review and approve the annual audit plan, ensuring it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team; and
- (r) consider the risk of the withdrawal of the company's auditor from the market.

9.4 **Internal controls and risk management systems**

The Audit Committee shall:

- (a) monitor the adequacy and effectiveness of the company's internal financial controls and internal control and risk management systems and audit arrangements and at least annually carry out a review of their effectiveness; and
- (b) review and approve the statements on internal control and risk management to be included in the annual report, prior to endorsement by the Board.

9.5 **Internal audit**

9.5.1 The Audit Committee shall keep under review the requirements to have an internal auditor.

9.5.2 Should the Audit Committee consider that an internal auditor is required it shall:

- (a) carry out an annual assessment of the effectiveness of the internal audit function, and as part of this assessment:
 - (i) meet with the head of internal audit without the presence of management to discuss their remit and any issues arising;
 - (ii) review and assess the annual internal audit work plan;
 - (iii) receive a report on the results of the internal auditor's work;
 - (iv) determine whether it is satisfied that the quality, experience and expertise of internal audit is appropriate for the business; and
 - (v) review the actions taken by management to implement the recommendations of internal audit and to support the effective working of the internal audit function;
- (b) monitor and assess the role and the effectiveness of the internal audit function in the overall context of the company's risk management system and the work of compliance, finance and the external auditor;
- (c) consider whether an independent, third party review of processes is appropriate;

- (d) 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;
- (e) 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 deliver that remit effectively and in accordance with appropriate professional standards. The Audit Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
- (f) ensure that the internal audit function has appropriate standing within the company, providing independence from the executive and accountability to the Audit Committee;
- (g) approve the appointment and removal of the head of internal audit function;
- (h) where no such internal audit function exists, review annually the need for one and make an appropriate recommendation to the Board;
- (i) institute special projects or investigations on any matter within the Audit Committee's terms of reference as it sees fit, following consultation with the finance director. The Audit Committee shall be provided with the necessary resources to access information for these purposes. The Audit Committee shall review any significant findings of internal investigations. Additionally, it shall consider from time to time whether any special remit should be referred to the company's auditor or to any other external body;
- (j) review reports addressed to the Audit Committee from the internal auditor and ensure that the head of internal audit has direct access to the chair of the Board and to the Audit Committee; and
- (k) make available its terms of reference explaining clearly its role and the authority delegated to it by the Board.

9.6 **Compliance, whistleblowing and fraud**

The Audit Committee shall:

- (a) review the adequacy and security of the company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrong-doing in financial reporting or other matters. The Audit Committee shall ensure that these arrangements allow proportionate and independent investigation of these matters and appropriate follow up action;
- (b) review the company's procedures for detecting fraud; and
- (c) review the company's systems and controls for the prevention of bribery and receive reports on non-compliance.

10 **REPORTING PROCEDURES**

10.1 The Audit Committee shall report formally to the Board after each meeting on all matters within its terms of reference.

10.2 The Audit Committee shall report to shareholders on its activities in the annual report. Such a report shall comply with the recommendation of the UK Corporate Governance Code and shall include:

- (a) the significant issues that it considered in relation to the financial statements and how these issues were addressed;
- (b) an explanation of how it has assessed the independence and effectiveness of the external audit process and the approach taken to the appointment or reappointment of the external auditor;
- (c) information on the length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans;
- (d) in the case of the Board not accepting the Audit Committee's recommendation on the external auditor appointment, reappointment or removal, a statement from the Audit Committee explaining its recommendation and the reasons why the Board has taken a different position (this should also be supplied in any papers recommending appointment or reappointment);
- (e) if the external auditor provides non-audit services, an explanation of how auditor objectivity and independence are safeguarded;
- (f) confirmation that the Audit Committee has carried out a robust assessment of the emerging and principal risks facing the company (including those risks that might threaten its business model, future performance, solvency or liquidity and reputation), a description of those risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- (g) the outcome of the review carried out on the effectiveness of the company's risk management and internal control systems; and
- (h) taking into account the company's current position and principal risks, the Audit Committee's assessment of the prospects of the company, how it has carried out that assessment, over what period and why that period is considered to be appropriate. The Audit Committee should also state whether or not it has a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of the assessment drawing the Board's attention to any qualifications or assumptions as necessary.

10.3 In compiling the reports referred to in paragraph 10.1 and paragraph 10.2, the Audit Committee should exercise judgment 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.

10.4 The chair or at least one other member of the Audit Committee shall attend the meeting of the Board at which the accounts are approved.

11 **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 legal and regulatory requirements, the provisions of the UK Corporate Governance Code, the requirements of the Listing Rules, the Prospectus Regulation Rules and the Disclosure Guidance and Transparency Rules sourcebook and any other applicable rules, as appropriate;
- (d) consider any other matter specifically referred to the Audit Committee by the Board;
- (e) be responsible for co-ordination of the internal and external auditors;
- (f) oversee any investigation of activities which are within its terms of reference;
- (g) work and liaise as necessary with all other Board committees, taking particular account of the impact of risk management and internal controls being delegated to different committees; and
- (h) arrange for periodic reviews 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.