

# **Mountview Estates P.L.C. (the Company)**

## **TERMS OF REFERENCE FOR THE AUDIT AND RISK COMMITTEE**

In these Terms of Reference the following terms shall have the following meanings:

**Board** shall mean the Board of Directors of the Company; and

**Committee** shall mean the Audit and Risk Committee.

### **1 Introduction**

These Terms of Reference have been produced to identify and formalise the roles, tasks and responsibilities of the Committee for the Company and its subsidiaries (the **Group**).

### **2 Membership and Attendance**

- 2.1 The Committee shall be appointed by the Board and shall comprise at least two members, each of whom shall be non-executive directors of the Company. At least one member of the Committee shall have recent and relevant financial experience, ideally with a professional qualification from one of the professional accountancy bodies.
- 2.2 The Board shall appoint the Committee chairman who shall be a non-executive director. In the absence of the Committee chairman and/or an appointed deputy, the remaining members present shall elect one of their number to chair any meeting of the Committee.
- 2.3 Only members of the Committee shall have the right to attend and vote at Committee meetings. However, the external auditor and the Company's Finance Director will be invited to attend meetings of the Committee on a regular basis and other individuals such as the Chief Executive Officer of the Company, other directors of the Company may be invited to attend for all or part of any meeting as and when appropriate and necessary.
- 2.4 The Committee shall invite the external auditor to attend at least one meeting (or part thereof) per year where the Committee meets without executive directors present.

### **3 Quorum**

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

## **4 Frequency of Meetings**

- 4.1 The Committee shall meet at least two times a year at appropriate intervals in the reporting and auditing cycle and otherwise as required.
- 4.2 Outside of the formal meeting programme, the Chairman of the Committee will maintain a dialogue with key individuals involved in the Company's governance, including the Company's Chief Executive or Finance Director and the external audit lead partner.

## **5 Notice of Meetings and Proceedings at Meetings**

- 5.1 Meetings of the Committee shall be summoned by the chairman of the Committee at the request of any of its members.
- 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, any other person required to attend and all other non-executive directors of the Company, no later than five working days prior to the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.
- 5.3 Meetings of the Committee may be conducted when the members are physically present or in the form of either video or audio conferences.

## **6 Minutes of Meetings**

- 6.1 The chairman of the Committee shall minute the proceedings and decisions of all Committee meetings (including the names of those present and in attendance).
- 6.2 The chairman of the Committee should 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 it would be inappropriate to do so in the opinion of the chairman of the Committee.

## **7 Annual General Meeting**

The chairman of the Committee shall attend the Company's Annual General Meeting to, answer any shareholder questions on the Committee's activities.

## **8 Duties**

8.1 The Committee should carry out the duties below for the Company's parent company, major subsidiary undertakings and the group as a whole, as appropriate.

### **Financial Reporting**

8.2 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements, and any other formal announcement relating to its financial performance, reviewing and reporting to the Board on significant financial reporting issues and judgements which they contain having regard to the matter communicated to it by the auditor.

8.3 In particular, the Committee shall review and challenge where necessary:

- (a) the consistency of, and any changes to, significant accounting policies both on a year on year basis and across the Company;
- (b) the methods used to account for significant or unusual transactions where different approaches are possible;
- (c) whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements taking into account the views of the external auditor;
- (d) the clarity and completeness of disclosure in the Company's financial reports and the context in which statements are made; and
- (e) all material information presented with the financial statements, such as the business review and the corporate governance statements relating to the audit and risk management.
- (f) significant adjustments resulting from the external audit.
- (g) the basis for the going concern and viability statement.

8.4 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.

### **Narrative reporting**

8.5 The Committee shall, if requested by the Board, 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.

## **Internal controls and Risk management**

- 8.6 The Committee shall satisfy itself as to the soundness of internal controls within the Company and shall assist the Board to draw on the results of the on-going monitoring process to obtain sound, appropriately documented evidence to support the relevant statements and confirmations required from the Board in the annual report (and, in the case of (c) below, the half-yearly financial statements) including:
- (a) that the Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity;
  - (b) how the Board has assessed the prospects of the Company, over what period it has done so and why it considers that period to be appropriate;
  - (c) whether the Board 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 its assessment; and
  - (d) the appropriateness of adopting the going concern basis of accounting in the financial statements and whether there are any material uncertainties to the Company's ability to continue to do so over a period of at least twelve months from the date of the approval of the financial statements.

## **External Audit**

- 8.7 The Committee shall consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, as regards the appointment, re-appointment and removal of the Company's external auditor.
- 8.8 If an auditor resigns, the Committee shall investigate the issues leading to this and decide whether any action is required.
- 8.9 The Committee shall oversee the relationship with the external auditor including (but not limited to):
- (a) recommendations on their remuneration, whether fees for audit or non-audit services, and ensure that the level of fees is appropriate to enable an effective and high quality audit to be conducted;
  - (b) The Committee must also discuss with the external auditor, before the audit commences, the nature and scope of the audit and review the auditor's quality control procedures and steps taken by the auditor to respond to changes in regulatory and other requirements.

- (c) approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
- (d) assessing annually their independence and objectivity taking into account relevant UK professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
- (e) 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 external auditor's independence and objectivity;
- (f) agreeing with the Board a policy on the employment of former employees of the Company's external auditor and monitoring the implementation of that policy;
- (g) 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, office and partner and other related requirements;
- (h) assessing annually the qualifications, expertise and resources of the external auditor and the effectiveness of the audit process which shall include a report from the external auditor on their own internal quality procedures;
- (i) The Committee must also discuss problems and reservations arising from the interim and final audits and any matters the auditor may wish to discuss (in the absence of executive directors where necessary).

8.10 The Committee shall meet the external auditor at least once a year, without the executive directors being present, to discuss the external auditors' remit and any issues arising from the audit.

8.11 The Committee shall review and approve the annual audit plan and ensure it is consistent with the scope of the audit engagement, having regard to the seniority, expertise and experience of the audit team.

8.12 The Committee shall review the findings of the audit with the external auditor. This shall include but not be limited to discussing any major issues which arose during the audit, key accounting and audit judgements and levels of errors identified during the audit. The Committee shall also review the effectiveness of the audit process.

8.13 The Committee shall also review any representation letter(s) request by the external auditor before they are signed by an executive director, and review the executive director's letter and the executive director's response to the external auditor's findings and recommendations.

- 8.14 The Committee shall develop and implement a policy on the supply of non-audit services by the external auditor to avoid any threat to auditor objectivity and independence, taking into account any relevant ethical guidance on the matter.

## **9 Reporting Responsibilities**

- 9.1 The Committee chairman shall report verbally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and shall also verbally report to the Board on how it has discharged its responsibilities.
- 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 Committee's report shall include:
- (a) summary of the role of the Committee;
  - (b) names of all members of the Committee during the period;
  - (c) the number of Committee meetings and attendance by each member; and
  - (d) the way the Committee has discharged its responsibilities.
- 9.4 In compiling the reports referred to in paragraphs 9.1 and 9.3, the Committee should exercise judgment in deciding which of the issues it considers in relation to the financial statements are significant, but should at least include those matters that have informed the Board's assessment of whether the Company is a 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.

## **10 Authority**

The Committee is authorised by the Board to obtain, at the Company's expense, outside legal or professional advice on any matters within its terms of reference.

## **11 Procedure**

Subject to the constitutional documents of the Company, the Committee shall determine its own procedures.