

Audit Committee

Members	:	Pierre Bouchut	(Chairman)
	:	Gwyn Burr	
	:	Andrew Formica	
	:	Judy Gibbons	
Secretary	:	Sarah Booth	
By invitation	:	Chairman	
		Chief Executive Officer	
		Chief Financial Officer	
		Group Financial Controller	
		External Auditor	
		External Provider of Internal Audit Services	
		External Valuer	

1. Membership

- 1.1 The Committee shall comprise at least three members. Members of the Committee shall be appointed by the Board, on the recommendation of the Nomination Committee in consultation with the Chairman of the Audit Committee.
- 1.2 All members of the Committee shall be independent non-executive directors at least one of whom shall have recent and relevant financial experience. The Chairman of the Board shall not be a member of the Committee.
- 1.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals such as the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, other directors, the head of risk/compliance and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.4 The external auditor will be invited to attend meetings of the Committee on a regular basis.
- 1.5 A representative of the internal audit function of the Company, whether facilitated internally or externally, will be invited to attend meetings of the Committee on a regular basis.
- 1.6 The external valuer will be invited to attend meetings of the Committee on a regular basis to enable the Committee to satisfy itself on behalf of the Board that valuations are completed on an appropriate basis.
- 1.7 Appointments to the Committee shall be for a period of up to three years, which may be extended for further periods of up to three years, provided the director still meets the criteria for membership of the Committee.
- 1.8 The Board shall appoint the Committee Chairman who shall be an independent non-executive director. In the absence of the Committee Chairman and/or an appointed deputy, the remaining members present shall elect one of themselves to chair the meeting.

2. Secretary

2.1 The Company Secretary or her nominee shall act as the Secretary of the Committee.

3. Quorum

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

4. Frequency of Meetings

4.1 The Committee shall meet at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required.

5. Notice of Meetings

5.1 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 the Chairman, the Chief Executive Officer or the Chief Financial Officer or internal auditors 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, any other person required to attend and all other non-executive directors, five working days before the date of the meeting or such other reasonable time considered adequate for the appropriate preparation for the business 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 decisions of all meetings of the Committee, including recording the names of those present and in attendance.

6.2 Draft minutes of Committee meetings shall be circulated promptly to all members of the Committee. Once approved, minutes should be circulated to all members of the Board unless it would be inappropriate to do so.

7. Annual General Meeting

7.1 The Committee Chairman should attend the Annual General Meeting to answer any shareholder questions on the Committee's activities.

8. Duties

The Committee should carry out the duties below for the parent company, major subsidiary undertakings and the Group as a whole, as appropriate.

8.1 Financial Reporting

The Committee shall:

- 8.1.1 monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports, interim management statements and any other formal announcements relating to the company's financial performance, reviewing significant financial reporting issues and judgements which they contain.
- 8.1.2 review and challenge where necessary or appropriate:
 - 8.1.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company/Group;
 - 8.1.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
 - 8.1.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
 - 8.1.2.4 whether the Company remains a "going concern" upon review of supporting assumptions;
 - 8.1.2.5 the clarity of disclosure in the Company's financial reports and the context in which statements are made;
 - 8.1.2.6 the completeness of the audit information provided to the external auditors; and
 - 8.1.2.7 all material information presented with the financial statements, such as the business review/operating and financial review and the corporate governance statement (insofar as it relates to the audit and risk management).
- 8.1.3 Where required by the Board the Committee shall provide advice on whether the annual report, taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

8.2 Internal Controls and Risk Management Systems

The Committee shall review and approve as necessary:

- 8.2.1 the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems including a review of the Company's Risk Management Framework and all material controls including operational and compliance controls;
- 8.2.2 a post completion review of development projects against project specifications to include an evaluation of lessons learned and having specific regard to any change in company strategy;
- 8.2.3 the project planning for significant changes in system controls and Information Technology;
- 8.2.4 the contingent liabilities of the Company on a bi-annual basis;
- 8.2.5 any material reputational and financial risk to the Company; and
- 8.2.6 the statements to be included in the annual report and where appropriate interim report concerning internal controls and risk management.

8.3 Compliance, whistleblowing and fraud

The Committee shall review:

- 8.3.1 the adequacy and security of 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;
- 8.3.2 the Company's procedures for detecting fraud including a review of the whistleblowing procedures, fraud response plan and fraud report;
- 8.3.3 the Company's systems and controls for the prevention of bribery and receive reports on non-compliance; and
- 8.3.4 the Directors' expenses report on a bi-annual basis and the Company's gifts and entertainments registers on an annual basis.

8.4 Internal Audit

The Company conducts internal audit activities through a programme of reviews. The implementation of any recommendations are overseen by the Internal Controls and Risk Management Committee. The work of the Audit Committee in relation to internal audit includes:

- 8.4.1 review the requirement for an Internal Audit Department on an annual basis and make recommendations to the Board;
- 8.4.2 monitor and review the effectiveness of the Company's internal audit services and activities in the context of the Company's overall risk management system;
- 8.4.3 review the Company's internal controls report on a quarterly basis;
- 8.4.4 approve the appointment and removal of the external provider of internal audit services;
- 8.4.5 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 efficiently in accordance with the relevant professional standards. The Committee shall also ensure the internal audit function has adequate standing and is free from management or other restrictions;
- 8.4.6 review and assess the annual internal audit plan;
- 8.4.7 review reports addressed to the Committee from the internal auditors;
- 8.4.8 review and monitor management's responsiveness to the findings and recommendations of the internal auditors; and
- 8.4.9 meet the head of internal audit services annually, 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 services shall be given the right of direct access to the Chairman of the Board and to the Committee.

8.5 External Audit

The Committee shall:

- 8.5.1 consider and make recommendations to the Board, to be put to shareholders for approval in general meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor. The Committee shall oversee the selection process for any new auditor and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
- 8.5.2 in considering the recommendations set out in 8.5.1 monitor the auditor's compliance with APB Ethical Standards for Auditors, relating to the rotation of audit partners as recommended by the FRC;
- 8.5.3 oversee the relationship with the external auditor including (but not limited to):
 - 8.5.3.1 any recommendation on 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;
 - 8.5.3.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - 8.5.3.3 assessing annually their independence and objectivity and the effectiveness of the audit process 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 (see 8.5.12 below);
 - 8.5.3.4 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);
 - 8.5.3.5 agreeing with the Board on a case by case basis whether a former employee of the Company's auditor may subsequently be employed by / engaged by the Company;
 - 8.5.3.6 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;
 - 8.5.3.7 assessing annually the qualifications, expertise and resources of the auditor and the effectiveness of the audit process, which shall include a report from the external auditor on their own internal quality procedures; and
 - 8.5.3.8 seeking to ensure co-ordination with the activities of the internal audit function
- 8.5.4 meet regularly with the external auditor, including once at the planning stage before the audit and once after the audit at the reporting stage. The Committee shall meet the external auditor at least once a year, without management being present, to discuss their remit and any issues arising from the audit;
- 8.5.5 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 8.5.6 review the audit report from the external auditor for the year end and interim results;

- 8.5.7 review and approve the following year's meeting dates and proposed internal controls review programme;
- 8.5.8 receive an analyst presentation on a bi-annual basis relating to the year-end and interim results;
- 8.5.9 review the findings of the audit with the external auditor. This shall include, but not be limited to:
 - 8.5.9.1 a discussion of any major issues which arose during the audit
 - 8.5.9.2 including any accounting and audit judgements
 - 8.5.9.3 levels of error identified during the audit; and
 - 8.5.9.4 the effectiveness of the audit.

The Committee shall also:

- 8.5.10 review any representation letter(s) requested by the external auditor before they are signed by management;
- 8.5.11 review the management letter and management's response to the auditor's findings and recommendations;
- 8.5.12 develop and implement policy on the engagement of the external auditor to supply non-audit services taking into account any relevant ethical guidance on the matter and to report to the Board as appropriate, identifying any matters in respect of which it considers that action or improvement is needed including recommendations as to steps to be taken;
- 8.5.13 ensure that the external auditor is not placed in a position to audit its own work; a report from the external auditor describing its arrangements to ensure objectivity and to identify, report and manage any conflicts of interest.

9. Insurance

- 9.1 The Committee shall review annually the Group Insurance Report.

10. Pensions

- 10.1 The Committee shall review annually the funding arrangements for the Hammerson Group Management Limited Pension and Life Assurance Scheme.

11. Reporting responsibilities

- 11.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 11.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 11.3 The Committee shall produce and review a report to shareholders on its activities to be approved by the Board and included in the Company's annual report to include an explanation, if the external auditor provides non-audit services, regarding the safeguarding of auditor objectivity and independence.

12. Other matters

The Committee shall:

- 12.1 have access to sufficient resources in order to carry out its duties, including access to the company secretariat for assistance as required;
- 12.2 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;
- 12.3 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 and other applicable Rules, as appropriate;
- 12.4 be responsible for co-ordination of internal audit services and of the external auditors;
- 12.5 oversee any investigation of activities which are within its terms of reference; and
- 12.6 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 report such results and recommend any changes it considers necessary to the Board for approval.

13. Authority

The Committee is authorised to:

- 13.1 Seek any information it requires from any employee of the Company in order to perform its duties;
- 13.2 Obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference; and
- 13.3 Call any employee to be questioned at a meeting of the Committee as and when required.

Adopted by the Board on 4 December 2014