

# EMPIRIC STUDENT PROPERTY PLC

(the "Company")

## AUDIT COMMITTEE

### Terms of Reference

(as adopted on 26 September 2014)

#### 1. DEFINITIONS

- 1.1 Reference to the "**Committee**" shall mean the Audit Committee.
- 1.2 Reference to the "**Board**" shall mean the Board of Directors.
- 1.3 Reference to the "**Company**" shall mean Empiric Student Property PLC.

#### 2. MEMBERSHIP

- 2.1 The Committee shall be made up of 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 Committee.
- 2.2 All members of the Committee shall be non-executive directors, at least one of whom shall have recent and relevant financial experience.
- 2.3 Only members of the Committee have the right to attend Committee meetings. However, other individuals (if not members of the Committee) such as representatives of external advisers may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 2.4 The external auditors will be invited to attend meetings of the Committee on a regular basis as appropriate.
- 2.5 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.
- 2.6 The Board, on the recommendation of the Nomination Committee, 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.
- 2.7 Each member of the Committee shall disclose to the Committee:
  - 2.7.1 any personal, financial or other interest in any matter to be decided by the Committee; or
  - 2.7.2 any potential conflict of interest arising from a cross-directorship or otherwise; and
  - 2.7.3 any such member shall abstain from voting on resolutions of the Committee in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so required by the Board) shall resign from the Committee.

### **3. SECRETARY**

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

### **4. QUORUM**

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

### **5. FREQUENCY OF MEETINGS**

The Committee shall meet at least twice a year at appropriate times in the Company's reporting and audit cycle and otherwise as required.

### **6. NOTICE OF MEETINGS**

6.1 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 auditors if they consider it necessary.

6.2 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, no later than five working days before the date of the meeting. Supporting papers shall be sent to Committee members and to other attendees as appropriate, at the same time.

### **7. MINUTES OF MEETINGS**

7.1 The Secretary shall minute the proceedings and resolutions of all meetings of the Committee, including recording the names of those present and in attendance.

7.2 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.

### **8. ANNUAL GENERAL MEETING**

The Chairman of the Committee shall attend the Annual General Meeting prepared to respond to any shareholder questions on the Committee's activities.

### **9. DUTIES**

9.1 The Committee should carry out the duties below for the Company, major subsidiary undertakings (if any) and the group as a whole (if a group is in existence), as appropriate.

#### **9.2 Financial reporting**

9.2.1 The Committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and any other formal announcement relating to its financial performance, reviewing significant financial reporting issues and judgments which they contain.

- 9.2.2 In particular, the Committee shall review and challenge where necessary:
- 9.2.2.1 the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company;
  - 9.2.2.2 the methods used to account for significant or unusual transactions where different approaches are possible;
  - 9.2.2.3 whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
  - 9.2.2.4 the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
  - 9.2.2.5 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).

### 9.3 **Internal Controls and Risk Management Systems**

- 9.3.1 The Committee shall as appropriate given the nature of the Company:
- 9.3.1.1 keep under review the adequacy and effectiveness of the Company's risk management systems; and
  - 9.3.1.2 review and approve the statements to be included in the annual report concerning internal controls and risk management.

### 9.4 **Compliance, Whistle blowing and Fraud**

- 9.4.1 The Committee shall as appropriate given the nature of the Company:
- 9.4.1.1 review the adequacy and security of the Company's arrangements for its employees, if any, 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;
  - 9.4.1.2 review the Company's procedures for detecting fraud;
  - 9.4.1.3 review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
  - 9.4.1.4 review the adequacy and effectiveness of the Company's anti-money laundering systems and controls; and
  - 9.4.1.5 review the adequacy and effectiveness of the Company's compliance function.

## 9.5 Internal audit

- 9.5.1 The Committee, subject to the Company having an internal audit function, shall:
- 9.5.1.1 monitor and review the effectiveness of the Company's internal audit function in the context of the Company's overall risk management system;
  - 9.5.1.2 approve the appointment and removal of the head of the internal function;
  - 9.5.1.3 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 Committee shall also ensure the function has adequate standing and is free from management or other restrictions;
  - 9.5.1.4 review and assess the annual internal audit plan;
  - 9.5.1.5 review promptly all reports on the Company from the internal auditors;
  - 9.5.1.6 review and monitor management's responsiveness to the findings and recommendations of the internal auditor; and
  - 9.5.1.7 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 of the Board and to the Committee.

## 9.6 External audit

- 9.6.1 The Committee shall:
- 9.6.1.1 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 Committee shall oversee the selection process for new auditors and if an auditor resigns the Committee shall investigate the issues leading to this and decide whether any action is required;
  - 9.6.1.2 oversee the relationship with the external auditor including (but not limited to):
    - 9.6.1.2.1 making recommendations 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;
    - 9.6.1.2.2 approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;

- 9.6.1.2.3 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;
  - 9.6.1.2.4 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);
  - 9.6.1.2.5 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; and
  - 9.6.1.2.6 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.
- 9.6.1.3 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;
- 9.6.1.4 review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;
- 9.6.1.5 review the findings of the audit with the external auditor. This shall include but not be limited to, the following:
- 9.6.1.5.1 a discussion of any major issues which arose during the audit;
  - 9.6.1.5.2 any accounting and audit judgements;
  - 9.6.1.5.3 levels of errors identified during the audit; and
  - 9.6.1.5.4 the effectiveness of the audit.
- 9.6.2 The Committee shall also:
- 9.6.2.1 review any representation letter(s) requested by the external auditor before they are signed by the Board;
  - 9.6.2.2 review any response from the Board as to the auditor's findings and recommendations;
  - 9.6.2.3 develop 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; and

9.6.2.4 agree the policy for authorising claims for expenses from the directors.

## **10. REPORTING RESPONSIBILITIES**

10.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.

10.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.

10.3 The Committee shall compile a report to shareholders on its activities to be included in the Company's annual report.

## **11. OTHER MATTERS**

11.1 The Committee shall:

11.1.1 have access to sufficient resources in order to carry out its duties, including access to the Company Secretary for assistance as required;

11.1.2 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;

11.1.3 give due consideration to applicable laws and regulations including the requirements of the Listing Rules, Prospectus Rules, Disclosure Rules and Transparency Rules, the provisions of the UK Corporate Governance Code as such apply to the Company from time to time;

11.1.4 oversee any investigation of activities which are within its terms of reference; and

11.1.5 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.

## **12. AUTHORITY**

12.1 The Committee is authorised:

12.1.1 to seek any information it requires from any employee of the Company in order to perform its duties;

12.1.2 to obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;

12.1.3 to call any employee or officer of the Company to be questioned at a meeting of the Committee as and when required; and

12.1.4 to have the right to publish in the Company's annual report details of any issues that cannot be resolved between the Committee and the Board.