



**TERMS OF REFERENCE
FOR
INVISTA REAL ESTATE INVESTMENT MANAGEMENT
HOLDINGS PLC**

AUDIT COMMITTEE

1. Introduction

- 1.1 The following are the terms of reference for the Audit Committee ("Committee") of Invista Real Estate Investment Management Holdings Plc ("Company").

2. Membership

- 2.1 Members of the Committee shall be appointed by the Board, on the recommendation of the Nominations Committee, in consultation with the Audit Committee Chairman.
- 2.2 The Board shall appoint the Committee Chairman who shall be an independent Non-executive Director. In the absence of the Committee Chairman, the remaining members present shall elect one of themselves to chair the meeting.
- 2.3 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 remains independent.
- 2.4 The Committee comprises the two independent Non-executive Directors of the Company and the Chairman.
- 2.5 At least one member of the Committee should have recent and relevant financial experience.
- 2.6 A quorum for the Committee is 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.
- 2.7 Committee members will 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.
- 2.8 The Company Secretary acts as Secretary to the Committee and is appointed by the Committee Chairman.

3. Attendance

- 3.1 The Invista Director representing Lloyds Banking Group shall be entitled to attend meetings of the Committee as a non-voting observer.
- 3.2 The Deputy Chief Executive, the Finance Director and the Chief Risk Officer, will normally be in attendance at meetings, or for selected agenda items as considered appropriate by the Committee Chairman.
- 3.3 The external auditors will normally be invited to attend all meetings of the Committee and they will be required to attend some meetings of the Committee for selected agenda items. The Committee Chairman reserves the right not to invite the external auditors to attend all or part of meetings of the Committee if s/he considers it inappropriate for the external auditor to be in attendance.
- 3.4 The Committee may invite or require other persons to attend meetings where appropriate to assist in the effective discharge of the Committee's duties.
- 3.5 At least once a year the Committee will meet the external auditors without Executive Directors or other management present to discuss their remit and any issues arising from their audit work or any other matter.
- 3.6 At least once a year the Committee will meet the Chief Risk Officer without Executive Directors or other management present to discuss the remit of the Risk Management function and any issues arising from risk monitoring reviews or any other matter.
- 3.7 The Finance Director and the Chief Risk Officer have the right of direct access to the Chairman of the Company and the Chairman of the Audit Committee to discuss any matters of concern in relation to financial reporting matters, internal control concerns or compliance with legal and regulatory obligations, in the widest sense, should this be considered necessary by those individuals.

4. Frequency and Notice of Meetings

- 4.1 The Committee shall meet at least four times a year.
- 4.2 Any Committee member or the Committee Secretary may call additional meetings as necessary. The external auditors may also request additional meetings.
- 4.3 Unless otherwise agreed, notice of each meeting confirming the venue, time and date together with an agenda of items to be discussed and supporting papers, shall ordinarily be forwarded to each member of the Committee and any other person required to attend no later than 5 working days before the date of the meeting. All other Non-executive Directors will receive a copy of the notice of the meeting and the agenda of items to be discussed at the meeting.

5. Authority

- 5.1 The Committee is authorised by the Board to undertake any activity within its terms of reference. The Committee is authorised 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. The Committee is entitled to sufficient resources from the Company to undertake its duties including access to the Company Secretariat for assistance as required.
- 5.2 The Committee is authorised to seek any information it requires from any employee of the Company in order to perform its duties and to call any employee to be questioned at a meeting of the Committee as and when it thinks it is appropriate to do so.
- 5.3 The Committee shall oversee any investigation of activities which are within its terms of reference.
- 5.4 Although normally decisions are reached on a consensus, in the event of a disagreement, decisions on any matter are made by the majority, with the Chairman of the meeting having a second, casting vote in the event of a tie. A Committee member who remains opposed to a proposal after a vote can ask for his or her dissent to be noted in the minutes.
- 5.5 Where a disagreement between the Committee and the Board cannot be resolved the Committee has the right to report the issue to the shareholders as part of the report on its activities in the Annual Report.
- 5.6 It is the responsibility of the Committee Chairman to maintain these terms of reference for the Committee, and at least once a year, to review the performance, composition and terms of reference of the Committee to ensure it is operating effectively and efficiently and to recommend any changes it considers necessary to the Board for approval.
- 5.7 The terms of reference of the Committee shall be made publicly available, explaining the role and authority delegated to the Committee by the Board.
- 5.8 The Chairman of the Committee will be available in person at the Annual General Meeting of the Company to answer shareholders' questions about the activities of the Committee.

6. Principal Duties of the Audit Committee

The Committee is authorised by the Board to:-

6.1 External Audit

- 6.1.1 Consider and make recommendations to the Board, to be put to shareholders for approval at the AGM, 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.

6.1.2 The Committee shall oversee the relationship with the external auditor including (but not limited to):-

- consideration of the appointment of the external auditor, the fees paid to the auditor and any questions of resignation or dismissal of the external auditor and to make recommendations to the Board on these matters;
- review and agree with the external auditor the scope of the audit before the audit commences and subsequently the result of the audit;
- 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;
- 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);
- agreeing with the Board a policy on the employment of former employees of the Company's auditor, then monitoring the implementation of this policy;
- 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;
- assessing annually their qualifications, expertise and resources and the effectiveness of the external auditor which shall include a report from the external auditor on their own internal quality procedures;
- ensuring co-ordination with the activities of Invista's Risk Team, particularly with regard to the internal control reviews undertaken by the Team; and
- considering the risk of the withdrawal of the Company's present auditor from the market.

6.1.3 Review any representation letter(s) requested by the external auditor before they are signed by management.

6.1.4 Review the management letter and management's response to the auditor's findings and recommendations.

6.1.5 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.

6.2 Financial Reporting

6.2.1 The Committee shall monitor the integrity of the financial statements of the Company, including the review of interim and preliminary announcements to the Stock Exchange and the annual and interim Report and Accounts of the Company, before submission to the Board for approval

6.2.2 The Committee shall also review summary financial statements and any significant financial returns to regulators.

6.2.3 Through reports from the executive management and the external auditors, the Committee is responsible for considering the following:-

- the appropriateness of accounting policies selected, the consistency with which they are applied and any changes in accounting policies and practice, taking into account the views of the external auditor;
- the appropriateness of the material judgements and estimates made in the course of preparation of the accounts;
- the methods used to account for significant or unusual transactions where different approaches are possible;
- the clarity of disclosure in the Company's financial reports and the context in which statements are made;
- all material information presented with the financial statements, such as the operating and financial review and the Audit Committee section of the corporate governance report (insofar as it relates to the activities of the Committee);
- significant adjustments resulting from the audit; and
- the going concern assumption.

6.2.4 Consider any issues raised by executive management and the external auditor relating to the interim review and year end audits (this shall include but not be limited to a discussion on the major issues arising during the audit, any accounting and audit judgements and levels of errors identified during the audit) and any matters the external auditor may wish to discuss (in the absence of management where necessary).

6.3 Risk Management and Internal Control

The Committee exercises this role through the reports it receives from internal and external auditors; from the Chief Risk Officer, and from executive management. The Committee:-

6.3.1 is responsible for compliance with legal, regulatory and statutory requirements most notably requirements of the FSA, the AIM, the UKLA and the UK Corporate Governance Code;

6.3.2 is responsible for judgements on appropriate disclosures under the AIM and UKLA Rules;

6.3.3 reviews, on behalf of the Board, the effectiveness of the Company's systems of risk management and internal control; and reports annually to the Board on same making recommendations for improvement as appropriate;

6.3.4 reviews the proposed statement to be included in the Annual Report and Accounts concerning risk management and internal control prior to its approval by the Board;

6.3.5 reviews the processes and procedures for ensuring that material risks to the business are properly identified and managed and that appropriate systems of

- control, monitoring and reporting are in place; in particular, reviews the Company's arrangements for the detection and reporting of fraud;
- 6.3.6 reviews Invista's corporate risk policies and where appropriate recommends them for approval to the Board;
 - 6.3.7 reviews the financial and operational risk framework documents which include a description of the various risks and their impact, a statement of risk appetite, a description of how the risks are managed, monitored and reported against and who the risk owners are;
 - 6.3.8 reviews and recommends for approval to the Board the annual Risk Management Plan to ensure adequate coverage of the Company's significant risks and that the plan reflects an appropriate consideration of the key risks;
 - 6.3.9 considers reports from the risk management function addressing compliance with regulatory requirements; material breaches of risk appetite (whether caused by control weakness or breakdown, dishonesty, fraud or negligence) and the adequacy and effectiveness of the Company's systems of internal control;
 - 6.3.10 seeks to ensure that management action in response to issues arising from and recommendations made in such reports is effective, timely and commensurate to the materiality of the issues raised;
 - 6.3.11 reviews the annual Anti-Money Laundering Report produced by the Money Laundering Reporting Officer prior to its approval by the Board;
 - 6.3.12 reviews the company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters ("Whistleblowing Policy"), ensuring that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
 - 6.3.13 reviews the Company's internal audit arrangements; reviews the activities, resources, organisational structure and the operational effectiveness of the risk management (including compliance) function; and where appropriate, makes recommendations to the Board;
 - 6.3.14 considers any reports presented to the Audit Committee by skilled persons under section 166 of the Financial Services & Markets Act 2000 and other relevant reports;
 - 6.3.15 approves the appointment and removal of the Chief Risk Officer; and
 - 6.3.16 considers other matters, as determined by the Board.

7. Minutes

- 7.1 The Committee 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 The Committee Secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.3 First draft minutes of Committee meetings shall be circulated to all members and attendees of the Committee within 6 working days of the meeting. Committee members will be invited to comment.
- 7.4 The final minutes will be approved by the Committee Chairman and circulated to all members of the Board (unless a conflict of interest exists) within 14 business days of the meeting.

8. Reporting Responsibilities

- 8.1 The Committee Chairman shall report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities.
- 8.2 The Committee shall make whatever recommendations to the Board it deems appropriate on any area within its remit where action or improvement is needed.
- 8.3 The Committee shall compile a report to shareholders on its activities to be included in the corporate governance report.

End Note

Exclusions

The review and approval of Trading Statements are the responsibility of the Board.