



YEW GROVE

REIT PLC

Terms of reference for the Audit Committee of the Board of Directors of Yew Grove REIT plc. (the “Company”)

Board Approval: 30 April 2018

Effective Date: 21 May 2018

There shall be established a committee of the board, duly constituted in accordance with the UK Corporate Governance Code and the Irish Corporate Governance Annex thereto (the “UK Code”) and the Company’s constitution, to be known as the Audit committee.

References to ‘the committee’ are to ‘the Audit committee’. References to ‘the board’ are to ‘the board of directors’.

1. Membership

- 1.1 Appointments to the committee shall be for a period of up to three years, extendable by no more than two additional three year periods, provided the relevant member still meets the criteria for membership of the committee.
- 1.2 The committee shall be only non-executive directors and include at least two independent non-executive directors of the board, at least one of whom shall have recent and relevant financial experience and, ideally, a professional qualification from one of the professional accountancy bodies.
- 1.3 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 who would qualify under these terms of reference to be appointed to that position by the board. The chairman of the board shall not be the committee chairman.
- 1.4 Only members of the committee have the right to attend committee meetings. However, other individuals such as officers and staff of the Company and other directors and representatives from service providers to the Company may be invited to attend all or part of any meeting as and when appropriate and necessary.
- 1.5 The external auditors will be invited to attend meetings of the committee on a regular basis.

2. Secretary

The Company secretary or its nominee shall act as the secretary of the committee and will ensure that the committee receives information and papers in a timely manner to enable full and proper consideration to be given to issues.

3. Quorum

- 3.1 The quorum necessary for the transaction of business shall be two. 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.
- 3.2 The members of the committee may meet for the despatch of business, adjourn and otherwise regulate meetings as they think fit. Without prejudice to the foregoing, all or any of the members of the committee may participate in a meeting of the committee by means of a conference telephone or any communication equipment which allows all persons participating in the meeting to hear and speak to each other. A member of the committee so participating shall be deemed to be present in person at the meeting and shall be entitled to fully participate and be counted in the quorum accordingly.
- 3.3 Without prejudice to the provisions of paragraphs 3.1 and 3.2 above, the members of the committee may make decisions without a meeting, by unanimous written consent, but only when deemed appropriate and necessary by the committee chairman.

4. Frequency of meetings

- 4.1 The committee shall meet at least twice a year at appropriate times in the reporting and audit cycle of the Company and otherwise as required.
- 4.2 Outside of the formal meeting programme, the committee chairman will maintain a dialogue with key individuals involved in the Company's governance, including the chairman of the board.

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 external 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 to all other non-executive directors, if any, 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.
- 5.3 The notice period set out in paragraph 5.2 may be reduced at the sole discretion of the committee chairman to whatever they consider appropriate.
- 5.4 The committee may send notices, agendas and supporting papers in electronic form where the recipient has agreed to receive the documents in such a way.

6. Voting arrangements

- 6.1 Each member of the committee shall have one vote which may be cast on matters considered at the meeting. Votes can only be cast by members attending a meeting of the committee.
- 6.2 If a matters that is considered by the committee is one where a member of the committee, either directly or indirectly has a personal interest, that member shall not be permitted to vote at the meeting.
- 6.3 Except where he has a personal interest, the committee chairman shall have a casting vote.
- 6.4 The committee chairman may ask any attendees of a committee meeting to leave the meeting to allow discussion of matters relating to them.

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 The secretary shall ascertain, at the beginning of each meeting, the existence of any conflicts of interest and minute them accordingly.
- 7.3 Draft minutes of committee meetings shall be circulated promptly to all members of the committee and, once agreed, to all other members of the board, if any, unless it would be inappropriate to do so in the opinion of the committee chairman.

8. Annual General Meeting (“AGM”)

The committee chairman should attend the annual general meeting to answer shareholder questions on the committee's activities.

9. Duties

The Committee should carry out the duties below for the Company and the group as a whole, as appropriate. The committee should:-

9.1 Financial reporting

The committee shall monitor the integrity of the financial statements of the Company, including its annual and half-yearly reports and trading updates and any other formal announcements relating to the Company's financial performance, reviewing and reporting to the board on significant financial reporting issues and judgements which they contain. The committee shall evaluate, determine and approve the accounting policies and consider the policies' appropriateness in relation to GAAP. The committee shall also review and report to the board on summary financial statements, significant financial returns to regulators and any financial information contained in certain other documents, such as announcements of a price sensitive nature. In particular, the committee shall review and challenge annual and periodic reports where necessary;

- i. the consistency of, and any changes to, accounting policies both on a year on year basis and across the Company and, if applicable, its subsidiaries;
- ii. the methods used to account for significant or unusual transactions where different approaches are possible;

- iii. whether the Company has followed appropriate accounting standards and made appropriate estimates and judgements, taking into account the views of the external auditor;
- iv. the assumptions or qualifications in support of the going concern statement (including any material uncertainties as to the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements) and the longer term viability statement (including an assessment of the prospects of the Company and the Group looking forward over an appropriate and justified period);
- v. the clarity of disclosure in the Company's financial reports and the context in which statements are made; and
- vi. all material information presented with the financial statements, such as the business review the operating and financial review and the corporate governance statement (insofar as it relates to the audit and to risk management).
- vii. The committee shall review the annual and interim financial statements.
- viii. 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.

9.2 Narrative reporting

Where requested by the board, the 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 performance, business model and strategy.

9.3 Internal controls and risk management systems

The committee shall:

- i. keep under review the adequacy and effectiveness of the Company's internal financial controls and internal control and risk management systems ¹;
- ii. monitor and review the Company's material outsourced service providers internal control reports annually in the context of the Company's overall risk management system; and
- iii. review and approve the statements to be included in the annual report concerning internal controls and risk management,

for the avoidance of doubt, the board retains responsibility for the review of the effectiveness of the Company's systems of internal controls and risk management and must form its own opinion despite aspects of that review being delegated to the committee.

9.4 Compliance, whistleblowing and fraud

The committee shall:

¹UK Code provision C.3.2

- i. review the adequacy and security of the Company's arrangements for its employees and contractors, if any, to raise concerns in confidence about possible wrongdoing in financial reporting or other matters, and ensure that these arrangements allow proportional and independent investigation of such matters and appropriate follow-up action;
- ii. review the procedures which its service providers have in place for detecting fraud;
- iii. verify that procedures are in place to comply with applicable legislation including the UK and Irish Listing Rules and the REIT Guidelines;
- iv. review regular reports from the Risk and Compliance Officer with responsibility for monitoring the activities of the Company and the adequacy and effectiveness of the Company's risk management and compliance systems; and
- v. review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance.

9.5 Related party transactions

The committee shall:

- i. approve or disallow any related party transactions presented to it by the management;
- ii. review the procedures which the Company has in place for identification and reporting of related party transactions; and
- iii. review and approve related party transactions disclosures in the annual reports.

9.6 Internal audit

The committee shall:

- i. monitor and review the effectiveness of the Company's internal audit activities in the context of the Company's overall risk management system;
- ii. receive and review the Administrator's internal controls report semi-annually;
- iii. review and approve the role and mandate of the internal audit function, approve a rolling three-year plan and monitor and review the effectiveness of the work;
- iv. ensure the internal audit plan is aligned to the key risks of the business;
- v. approve the appointment or termination of the third party provider of internal audit services; and
- vi. meet with internal audit independently of management at least once in every year.

9.7 External Audit

The committee shall:-

- i. consider and make recommendations to the board, to be put to shareholders for approval at the annual general meeting of the Company, in relation to the

appointment, re-appointment and removal of the Company's external auditor. If the board does not accept the committee's recommendation on the appointment, re-appointment and removal of external auditors, the committee shall prepare a statement explaining the committee's recommendation which shall be included in the annual report and in any papers recommending appointment or re-appointment together with the board's reasons for taking a different position. 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;

- ii. oversee the relationship with the external auditor including (but not limited to):
 - a. approval of their remuneration, including whether the level of fees for audit or non-audit services is appropriate to enable an effective and high-quality audit to be conducted;
 - b. approval of their terms of engagement, including any engagement letter issued at the start of each audit and the scope of the audit;
 - c. assessing annually their performance, independence and objectivity and the effectiveness of the audit process taking into account relevant UK and Irish professional and regulatory requirements and the relationship with the auditor as a whole, including the provision of any non-audit services;
 - d. 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) which could adversely affect the auditor's independence and loyalty;
 - e. 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;
 - f. 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;
 - g. monitoring the adequacy of, and compliance with, the internal control procedures relating to the Company;
 - h. seeking to ensure co-ordination with the internal audit activities; and
 - i. evaluating the risks to the quality and effectiveness of the financial reporting process and consideration of the need to include the risk of the withdrawal of the auditor from the market in that evaluation.
- iii. 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 any member of the Company's management being present, to discuss their remit, material account balances and any issues arising from the audit;
- iv. review and approve the annual audit plan and ensure that it is consistent with the scope of the audit engagement;

- v. review the findings of the audit with the external auditor. This shall include but not be limited to, the following:-
 - a discussion of any major issues which arose during the audit;
 - any accounting and audit judgements;
 - testing of material account balances
 - levels of errors identified during the audit; and
 - the effectiveness of the audit process;
- vi. review any representation letter(s) requested by the external auditor before they are signed by management;
- vii. review the management letter and management's response to the auditor's findings and recommendations; and
- viii. 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 to report to the board identifying any matters in respect of which it considers that action or improvement is needed and make recommendations as to the steps to be taken.

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, and shall also formally report on how it has discharged its 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 on its activities to be included in the Company's annual report. The report should include: an explanation of how the committee has addressed the effectiveness of the external audit process; the significant issues that the committee considered in relation to the financial statements and how these issues were addressed, having regard to matters communicated to it by the auditor; if an external auditor provides non-audit services, an explanation of how the auditor's objectivity and independence are safeguarded; the approach taken to the appointment or reappointment of the external auditor and information on the length of tenure of the current audit firm and when a tender was last conducted; and all other information requirements set out in the UK Code. The annual report shall also list the names of all members of the committee, the number of committee meetings and attendance by each member.
- 10.4 In compiling the reports referred to in 10.1 and 10.3, the committee should exercise judgement 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. The report to shareholders need not repeat information disclosed elsewhere in the annual report and accounts, but could provide cross-references to that information.

11. Other matters

The committee shall also:-

- i. have access to sufficient resources in order to carry out its duties, including access to the Company secretarial function and Administrator (without Executive Directors present) for

assistance as required;

- ii. be provided with appropriate and timely training, both in the form of an induction programme for new members and on an on-going basis for all members;
- iii. be responsible for co-ordination of the external auditors;
- iv. give due consideration to the provisions of the UK Code, the Irish and London Stock Exchange's Listing Rules, the Central Bank's and Financial Conduct Authority's Listing, Prospectus and Disclosure and Transparency Rules (as applicable) and any other applicable rules and regulations, as appropriate;
- v. 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;
- vi. oversee any investigation of activities which are within its terms of reference;
- vii. work and liaise as necessary with all other board committees; and
- viii. make available its terms of reference, including its role and the authority delegated to it by the board.

12. Authority

The committee is authorised to:-

- i. seek any information it requires from the management, staff and/or any of the service providers of the Company in order to perform its duties;
- ii. obtain, at the Company's expense, outside legal or other professional advice on any matter within its terms of reference;
- iii. call any service provider of the Company to be questioned at a meeting of the committee as and when required;
- iv. publish in the Company's annual report details of any issues that cannot be resolved between the committee and the board;
- v. do all other matters as it believes appropriate in respect of the conduct of its duties, including, without limitation, the matters referred to herein; and
- vi. delegate any of its powers to one or more of its members or the secretary.